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

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XUANZHU BIOPHARMACEUTICAL CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Xuanzhu Biopharmaceutical Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-65, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023 and 2024, and the six months ended 30 June 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2023 and 2024 and 30 June 2025 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 6 October 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and 2024 and 30 June 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
6 October 2025

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024	Six months ended 30 June 2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	29	30,094	16,030	17,893
Cost of sales		(9)	(13,602)	(8,811)	(7,687)
Gross profit		20	16,492	7,219	10,206
Other income and gains	6	40,800	15,349	7,492	4,136
Selling and distribution expenses		(10,235)	(52,354)	(6,161)	(5,705)
Research and development expenses		(239,061)	(186,395)	(74,426)	(83,705)
Administrative expenses		(87,845)	(339,669)	(36,486)	(30,614)
Other expenses	6	(3,267)	(9,469)	(8,198)	(5,170)
Reversal of impairment/(impairment) on financial assets, net		199	(74)	(129)	(22)
Finance costs	8	(1,167)	(304)	(282)	(29)
LOSS BEFORE TAX	7	(300,556)	(556,424)	(110,971)	(110,903)
Income tax expense	11	(6)	(6)	(6)	(6)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(300,562)	(556,430)	(110,977)	(110,909)
Attributable to:					
Owners of the parent		(300,562)	(556,430)	(110,977)	(110,909)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13				
Basic and diluted (RMB)		(0.67)	(1.23)	(0.25)	(0.25)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 June
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	128,477	117,289	109,126
Right-of-use assets	*15*	68,950	54,865	53,763
Intangible assets	*16*	533,803	610,564	629,640
Prepayments, other receivables and other assets – non current	*19*	47,344	44,904	37,574
Total non-current assets		778,574	827,622	830,103
CURRENT ASSETS				
Inventories	*17*	62,317	57,185	53,591
Trade receivables	*18*	–	189	4,018
Prepayments, other receivables and other assets – current	*19*	30,396	35,237	53,088
Financial assets at fair value through profit or loss	*20*	306,832	110,584	101,193
Cash and cash equivalents	*21*	142,891	135,249	8,558
Pledged deposits	*21*	–	30,553	15,751
Total current assets		542,436	368,997	236,199
CURRENT LIABILITIES				
Trade and bills payables	*22*	69,212	98,887	76,204
Other payables and accruals	*23*	68,767	79,543	88,506
Lease liabilities	*15*	5,148	832	849
Total current liabilities		143,127	179,262	165,559
NET CURRENT ASSETS		399,309	189,735	70,640
TOTAL ASSETS LESS CURRENT LIABILITIES		1,177,883	1,017,357	900,743
NON-CURRENT LIABILITIES				
Other payables and accruals	*23*	55,719	59,996	54,720
Lease liabilities	*15*	11,917	647	218
Total non-current liabilities		67,636	60,643	54,938
Net assets		1,110,247	956,714	845,805
EQUITY				
Equity attributable to owners of the parent				
Share capital	*25*	450,614	450,614	450,614
Reserves	*26*	659,633	506,100	395,191
Total equity		1,110,247	956,714	845,805

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital	Share premium*	RSU reserve*	Other reserve*	Surplus reserve*	Accumulated losses*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	450,614	1,890,073	109,433	111,987	72	(1,223,636)	1,338,543
Loss and total comprehensive loss for the year	–	–	–	–	–	(300,562)	(300,562)
Recognition of share-based payment expenses *(note 27)*	–	–	72,266	–	–	–	72,266
At 31 December 2023	450,614	1,890,073	181,699	111,987	72	(1,524,198)	1,110,247

Year ended 31 December 2024

	Share capital	Share premium*	RSU reserve*	Other reserve*	Surplus reserve*	Accumulated losses*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	450,614	1,890,073	181,699	111,987	72	(1,524,198)	1,110,247
Loss and total comprehensive loss for the year	–	–	–	–	–	(556,430)	(556,430)
Recognition of share-based payment expenses *(note 27)*	–	–	402,897	–	–	–	402,897
At 31 December 2024	450,614	1,890,073	584,596	111,987	72	(2,080,628)	956,714

Six months ended 30 June 2025

	Share capital	Share premium*	RSU reserve*	Other reserve*	Surplus reserve*	Accumulated losses*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	450,614	1,890,073	584,596	111,987	72	(2,080,628)	956,714
Loss and total comprehensive loss for the period	–	–	–	–	–	(110,909)	(110,909)
At 30 June 2025	450,614	1,890,073	584,596	111,987	72	(2,191,537)	845,805

Six months ended 30 June 2024

	Share capital	Share premium	RSU reserve	Other reserve	Surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	450,614	1,890,073	181,699	111,987	72	(1,524,198)	1,110,247
Loss and total comprehensive loss for the period (unaudited)	–	–	–	–	–	(110,977)	(110,977)
Recognition of share-based payment expenses *(note 27)* (unaudited)	–	–	30,095	–	–	–	30,095
At 30 June 2024 (unaudited)	450,614	1,890,073	211,794	111,987	72	(1,635,175)	1,029,365

* The reserve accounts comprised the consolidated reserves of RMB659,633,000, RMB506,100,000 and RMB395,191,000 in the consolidated statements of financial position as at 31 December 2023 and 2024 and 30 June 2025, respectively. RSU represents Restricted Share Unit scheme.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Six months ended 30 June	
	Notes	**2023**	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(300,556)	(556,424)	(110,971)	(110,903)
Adjustments for:					
Finance costs	*8*	1,167	304	282	29
Interest income	*6*	(372)	(373)	(158)	(375)
Foreign exchange losses, net	*6*	98	53	109	33
Loss on disposal of items of property, plant and equipment	*6*	11	18	5	–
(Gain)/loss on disposal of items of right-of-use assets	*6*	(1,035)	211	211	–
Loss/(gain) on disposal of items of intangible assets	*6*	–	7,345	7,424	(858)
Fair value gains, net:					
Investment income on financial assets at FVTPL	*6*	(14,046)	(6,258)	(1,781)	(1,268)
Gain on fair value changes of financial assets at FVTPL	*6*	(1,682)	(2,980)	(3,656)	(329)
Depreciation of property, plant and equipment	*14*	21,839	20,887	10,681	8,184
Depreciation of right-of-use assets	*15*	7,393	5,646	2,910	1,102
Amortisation of intangible assets	*16*	2,933	7,225	3,612	3,567
Loss on obsolescence of inventories	*6*	2,185	1,333	–	4,084
Provision for inventories	*6*	–	449	449	952
(Reversal of impairment)/impairment of financial assets, net		(199)	74	129	22
Share-based payment expenses	*27*	72,266	402,897	30,095	–
		(209,998)	(119,593)	(60,659)	(95,760)

	Notes	Year ended 31 December		Six months ended 30 June	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Increase)/decrease in inventories		(12,870)	3,349	10,618	(1,442)
(Increase)/decrease in pledged deposits		–	(30,553)	–	14,802
Increase in trade receivables		–	(189)	(3,155)	(3,855)
Decrease/(increase) in prepayments, other receivables and other assets		2,235	(22,316)	(13,214)	(2,111)
Increase/(decrease) in trade and bills payables		29,477	29,674	4,219	(22,682)
Decrease in contract liabilities		–	(3,545)	–	(609)
Increase/(decrease) in other payables and accruals		74,838	15,714	9,141	(11,479)
Cash used in operations		(116,318)	(127,459)	(53,050)	(123,136)
Interest received		372	373	158	375
Income tax paid		(6)	(6)	(6)	(6)
Net cash flows used in operating activities		(115,952)	(127,092)	(52,898)	(122,767)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(1,739)	(506)	(354)	(21)
Proceeds from disposal of items of property, plant and equipment		8	–	–	–
Purchases of items of intangible assets		(144,613)	(79,735)	(41,218)	(13,642)
Proceeds from disposal of items of intangible assets		–	6,682	5	858
Purchases of financial assets at fair value through profit or loss		(1,217,380)	(305,650)	(275,650)	(251,925)
Proceeds from disposal of financial assets at fair value through profit or loss		1,408,456	511,137	255,543	262,912
Net cash flows from/(used in) investing activities		44,732	131,928	(61,674)	(1,818)

	Notes	Year ended 31 December		Six months ended 30 June	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		(7,576)	(5,264)	(2,871)	(441)
Payment of listing expense		(2,327)	(7,161)	–	(1,632)
Net cash flows used in financing activities		(9,903)	(12,425)	(2,871)	(2,073)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(81,123)	(7,589)	(117,443)	(126,658)
Cash and cash equivalents at beginning of year/period		224,112	142,891	142,891	135,249
Effect of foreign exchange rate changes, net		(98)	(53)	(109)	(33)
CASH AND CASH EQUIVALENTS AT END OF YEAR		142,891	135,249	25,339	8,558
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances		142,891	165,802	25,339	24,309
Restricted cash		–	(30,553)	–	(15,751)
Cash and cash equivalents as stated in the consolidated statements of cash flows		142,891	135,249	25,339	8,558

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		As at 30 June
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	3,396	1,999	1,920
Right-of-use assets	*15*	51,537	39,182	38,475
Intangible assets	*16*	356,810	532,256	555,202
Investments in subsidiaries	*1*	663,213	644,773	644,773
Prepayments, other receivables and other assets – non current	*19*	24,752	36,094	28,634
Total non-current assets		1,099,708	1,254,304	1,269,004
CURRENT ASSETS				
Inventories	*17*	45,021	39,562	34,875
Prepayments, other receivables and other assets – current	*19*	544,934	381,021	369,327
Financial assets at fair value through profit or loss	*20*	124,404	97,085	60,049
Cash and cash equivalents	*21*	136,152	123,019	5,227
Pledged deposits	*21*	–	30,553	15,751
Total current assets		850,511	671,240	485,229
CURRENT LIABILITIES				
Trade and bills payables	*22*	95,326	197,686	137,288
Other payables and accruals	*23*	171,098	186,260	121,520
Lease liabilities	*15*	4,558	592	604
Total current liabilities		270,982	384,538	259,412
NET CURRENT ASSETS		579,529	286,702	225,817
TOTAL ASSETS LESS CURRENT LIABILITIES		1,679,237	1,541,006	1,494,821
NON-CURRENT LIABILITIES				
Lease liabilities	*15*	10,543	460	155
Total non-current liabilities		10,543	460	155
Net assets		1,668,694	1,540,546	1,494,666
EQUITY				
Share capital	*25*	450,614	450,614	450,614
Reserves	*26*	1,218,080	1,089,932	1,044,052
Total equity		1,668,694	1,540,546	1,494,666

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Xuanzhu Biopharmaceutical Co., Ltd. (the "Company") was a limited liability company established in Shijiazhuang City, Hebei Province, the PRC on 5 September 2018, and converted into a joint stock company with limited liability on 22 November 2021.

The Group is principally engaged in the research and development of new molecular entity drugs, and its business scope include: research, development, transfer, technical services and sales of new pharmaceutical and chemical technologies and new pharmaceutical products in the People's Republic of China (the "PRC").

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are as follows:

Name	Note	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
山東軒竹醫藥科技有限公司 Shandong Xuanzhu Pharma Co., Ltd. ("Shandong Xuanzhu") .	*a*	Jinan, PRC 23 April 2002	RMB100,000,000	100%	–	R&D, clinical development and registration of innovative drugs
軒竹(北京)醫藥科技有限公司 Xuanzhu (Beijing) Biopharmaceutical Co., Ltd. ("Beijing Xuanzhu")	*a*	Beijing, PRC 10 December 2018	RMB560,000,000	100%	–	R&D, clinical development and registration of innovative drugs
北京軒竹康明生物科技有限公司 Beijing Xuanzhu Combio Co., Ltd. ("Xuanzhu Combio") . .	*a*	Beijing, PRC 24 March 2021	RMB30,000,000	100%	–	R&D, clinical development and registration of innovative drugs
海南慧軒醫藥科技有限公司 Hainan Huixuan Pharmaceutical Technology Co., Ltd. ("Hainan Huixuan") . . .	*a*	Haikou, PRC 10 August 2020	RMB8,000,000	–	100%	No substantial business operations
軒竹(香港)生物科技有限公司 Xuanzhu (HK) Biotechnology Limited ("Xuanzhu HK")	*a*	Hong Kong 3 June 2021	RMB13,000,000	–	100%	Investment holding
XZenith Biotechnology Inc. ("Xuanzhu US") . .	*a*	USA 18 June 2021	USD100,000	–	100%	Overseas business development

Notes:

a. No audited statutory financial statements have been prepared for these subsidiaries for the years ended 31 December 2023 and 2024 and the six months ended 30 June 2025, as they are either newly incorporated or not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

* The English names of the Mainland China companies represent management's best effort in translating the Chinese names of those companies as no English names have been registered or are available.

The investments in subsidiaries in the Company's statements of financial position represent:

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	663,213	719,182	719,182
Less: Impairment	–	(74,409)	(74,409)
Total	663,213	644,773	644,773

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or 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 IFRS ACCOUNTING STANDARDS

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

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

1 No mandatory effective date yet determined but available for adoption

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

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

The application of IFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows. Except for IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the Group's financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and 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.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Category	Principal annual rate
Leasehold improvements	Over the shorter of the lease terms and 33.33%
Buildings	3.17%-4.75%
Laboratory equipment	19.00%
Office equipment	19.00%
Electronic equipment	31.67%
Motor vehicles	23.75%

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

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

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

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 the end of each of the Relevant Periods.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

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

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Buildings	2.04-5.58 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.

(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 buildings (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 and laptop computers 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 and fair value through profit or loss ("FVTPL").

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date during the Relevant 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 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 and other payables.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables and accruals)

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

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

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. 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 statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of 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, 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 differences; and

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

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of pharmaceutical products

The contracts of sale of pharmaceutical products with customers usually contain the transfer of pharmaceutical products and the grant of distribution right in a limited period promised by the Group. The distribution right granted to the customers ensure them to have the right to distribute the pharmaceutical products in specific territories in a limited period. The transfer of pharmaceutical products and the grant of distribution right are recognised as a single performance obligation by the Group. Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on receipt of the pharmaceutical products. The amortisation of deferred revenue of distribution right is recognised over the limited period on a sales-volume basis.

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a Restricted Share Unit ("RSU") 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 using the market-value model, further details of which are given in note 27 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 of the Relevant Periods 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 an award 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.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

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

Foreign currencies

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

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

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

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.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2023 and 2024 and 30 June 2025 was RMB2,526,715,000, RMB2,325,954,000 and RMB2,588,579,000, respectively. Further details are contained in note 24 to the Historical Financial Information.

Fair value of share-based payment transactions

The Group has granted RSUs to the Group's employees during the Relevant Periods. The fair values of the RSUs were determined through the application of the market-value model at the grant dates. Significant estimates on assumptions, including the future cash flows and discount rate, were made by the board of directors of the Company. Further details are included in note 27 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

During the Relevant Periods, all of the Group's revenue was derived from customers located in the PRC and nearly all of the Group's non-current assets were located in the PRC, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue of approximately RMB8,346,000 was derived from sales to two customers during the six months ended 30 June 2025, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers	29	30,094	16,030	17,893

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Types of goods or services				
Sale of pharmaceutical products	29	30,094	16,030	17,893
Geographical market				
Mainland China	29	30,094	16,030	17,893
Timing of revenue recognition				
Goods transferred at a point in time	29	30,094	16,030	17,893

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

The following table shows the amounts of revenue recognised during the Relevant Periods and the six months ended 30 June 2024 that were included in the contract liabilities at the beginning of each of the Relevant Periods and the six months ended 30 June 2024:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year/period				
Sale of pharmaceutical products	–	7,253	3,906	7,794

(b) Performance obligations

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

Sale of pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment in advance is normally required.

Under the practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

An analysis of other income and gains and other expenses is as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income				
Government grants*	23,487	4,893	1,766	588
Bank interest income	372	373	158	375
Others	178	845	131	718
Total other income	24,037	6,111	2,055	1,681
Gains				
Gain on disposal of items of intangible assets	–	–	–	858
Gain on disposal of items of right-of-use assets	1,035	–	–	–
Gain on fair value changes of financial assets at FVTPL	1,682	2,980	3,656	329
Investment income on financial assets at FVTPL	14,046	6,258	1,781	1,268
Total gains	16,763	9,238	5,437	2,455
Total	40,800	15,349	7,492	4,136
Other expenses				
Provision for inventories	–	449	449	952
Loss on disposal of items of intangible assets	–	7,345	7,424	–
Loss on disposal of items of property, plant and equipment	11	18	5	–
Loss on disposal of items of right-of-use assets	–	211	211	–
Loss on obsolescence of inventories	2,185	1,333	–	4,084
Foreign exchange losses, net	98	53	109	33
Others	973	60	–	101
Total other expenses	3,267	9,469	8,198	5,170

* The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled conditions relating to these government grants.

7. LOSS BEFORE TAX

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

	Notes	Year ended 31 December 2023	Year ended 31 December 2024	Six months ended 30 June 2024	Six months ended 30 June 2025
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold		9	13,602	8,811	7,687
Depreciation of property, plant and equipment	*14*	21,839	20,887	10,681	8,184
Depreciation of right-of-use assets	*15*	7,393	5,646	2,910	1,102
Amortisation of intangible assets	*16*	2,933	7,225	3,612	3,567
Listing expenses*		–	14,510	–	11,305
Research and development costs:					
Current year/period expenditure		239,061	186,395	74,426	83,705
Government grants	*6*	(23,487)	(4,893)	(1,766)	(588)
Lease payments not included in the measurement of lease liabilities	*28*	2,466	2,287	1,182	712
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):					
Wages and salaries		97,264	59,384	31,064	28,171
Equity-settled share option expense		43,385	379,329	22,597	–
Pension scheme contributions (defined contribution scheme)		7,978	5,449	2,781	2,610
Total		148,627	444,162	56,442	30,781
Investment income on financial assets at FVTPL	*6*	(14,046)	(6,258)	(1,781)	(1,268)
Gain on fair value changes of financial assets at FVTPL	*6*	(1,682)	(2,980)	(3,656)	(329)
Provision for inventories	*6*	–	449	449	952
Loss on obsolescence of inventories	*6*	2,185	1,333	–	4,084
Loss on disposal of items of intangible assets	*6*	–	7,345	7,424	–

* The listing expenses refer to the expenses incurred in relation to the Hong Kong Public Offering.

Cost of inventories sold and research and development costs include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities	1,167	304	282	29

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration (including those as employees of the entities now comprising the Group prior to being directors or chief executive of the Company) for the Relevant Periods and the six months ended 30 June 2024, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Directors' fees	300	312	150	200
Other emoluments:				
Salaries, bonuses and allowances	6,509	5,466	2,398	2,531
Pension scheme contributions and social welfare	63	95	41	94
Share-based payment expenses	28,881	23,568	7,498	–
Subtotal	35,453	29,129	9,937	2,625
Total	35,753	29,441	10,087	2,825

During the Relevant Periods and the six months ended 30 June 2024, certain directors were granted share awards, in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 27 to the Historical Financial Information. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended 30 June 2024 is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Mr. Liu Shuo	100	100	50	50
Ms. Lu Xulei *(note (i))*	100	88	50	–
Ms. Wang Yu	100	100	50	50
Mr. Fan Chi Chiu *(note (ii))*	–	24	–	100
Total	300	312	150	200

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses and allowances	Pension scheme contributions and social welfare	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Executive directors:				
Dr. Shih Cheng-Kon *(note (iii))*	2,654	–	3,193	5,847
Dr. Li Jia Kui *(note (iii))*	2,593	–	3,991	6,584
Subtotal	5,247	–	7,184	12,431
Non-executive directors:				
Ms. Li Huiying	–	–	1,773	1,773
Mr. Yu Lifeng	–	–	–	–
Mr. Song Wenlei *(note (iv))*	–	–	–	–
Subtotal	–	–	1,773	1,773
Chief executive:				
Ms. Xu Yanjun	1,262	63	19,924	21,249
Total	6,509	63	28,881	35,453

	Salaries, bonuses and allowances	Pension scheme contributions and social welfare	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024				
Executive directors:				
Dr. Shih Cheng-Kon	1,169	–	–	1,169
Dr. Li Jia Kui	2,833	–	–	2,833
Subtotal	4,002	–	–	4,002
Non-executive directors:				
Ms. Li Huiying	–	–	2,558	2,558
Mr. Yu Lifeng	–	–	–	–
Mr. Song Wenlei *(note (iv))*	–	–	–	–
Ms. Chen Yanling *(note (v))*	–	–	–	–
Subtotal	–	–	2,558	2,558
Chief executive:				
Ms. Xu Yanjun	1,464	95	21,010	22,569
Total	5,466	95	23,568	29,129

	Salaries, bonuses and allowances	Pension scheme contributions and social welfare	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2024 (unaudited)				
Executive directors:				
Dr. Shih Cheng-Kon	579	–	–	579
Dr. Li Jia Kui	1,229	–	–	1,229
Subtotal	1,808	–	–	1,808
Non-executive directors:				
Ms. Li Huiying	–	–	884	884
Mr. Yu Lifeng	–	–	–	–
Mr. Song Wenlei *(note (iv))*	–	–	–	–
Subtotal	–	–	884	884
Chief executive:				
Ms. Xu Yanjun	590	41	6,614	7,245
Total	2,398	41	7,498	9,937

	Salaries, bonuses and allowances	Pension scheme contributions and social welfare	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2025				
Executive directors:				
Dr. Shih Cheng-Kon	–	–	–	–
Dr. Li Jia Kui	1,658	–	–	1,658
Subtotal	1,658	–	–	1,658
Non-executive directors:				
Ms. Li Huiying	–	–	–	–
Mr. Yu Lifeng	–	–	–	–
Ms. Chen Yanling *(note (v))*	–	–	–	–
Subtotal	–	–	–	–
Chief executive:				
Ms. Xu Yanjun	873	94	–	967
Total	2,531	94	–	2,625

Notes:

(i) Ms. Lu Xulei was appointed as a director with effect from 1 December 2021 and resigned on 17 November 2024.

(ii) Mr. Fan Chi Chiu was appointed as a director on 17 November 2024.

(iii) In 2023, the RSUs granted to Dr. Shih Cheng-Kon and Dr. Li Jia Kui, executive directors, have been unlocked.

(iv) Mr. Song Wenlei was appointed as a director with effect from 28 December 2021 and resigned on 28 June 2024.

(v) Ms. Chen Yanling was appointed as a non-executive director on 17 November 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2024 included three, one, two and two of the directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods and the six months ended 30 June 2024 of the remaining two, four, three and three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, bonuses and allowances	4,362	2,203	3,408	3,804
Pension scheme contributions and social welfare	126	150	81	185
Share-based payment expenses	10,824	123,641	13,760	–
Total	15,312	125,994	17,249	3,989

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

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
			(unaudited)	
Nil to HKD1,000,000	–	–	–	2
HKD2,000,001 to HKD2,500,000	–	–	1	1
HKD2,500,001 to HKD3,000,000	–	–	1	–
HKD6,000,001 to HKD6,500,000	1	–	–	–
HKD10,500,001 to HKD11,000,000	1	–	–	–
HKD13,500,001 to HKD14,000,000	–	–	1	–
HKD15,500,001 to HKD16,000,000	–	1	–	–
HKD22,500,001 to HKD23,000,000	–	1	–	–
HKD43,500,001 to HKD44,000,000	–	1	–	–
HKD55,500,001 to HKD56,000,000	–	1	–	–
Total	2	4	3	3

During the Relevant Periods and the six months ended 30 June 2024, RSUs were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the Historical Financial Information. The fair value of such RSUs, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended 30 June 2024 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

United States of America profits tax

Pursuant to Tax Cuts and Jobs Act ("TCJA") enacted on 22 December, 2017, the USA federal statutory income tax rate for the subsidiary is 21%. The subsidiary in the USA was incorporated in the state of California and the State income tax rate is 8.84%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2024.

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Relevant Periods and the six months ended 30 June 2024.

One of the Group's PRC subsidiaries, Shandong Xuanzhu Pharma Co., Ltd. was accredited as a "High and New Technology Enterprise" under the relevant tax rules and regulations in December 2022, and accordingly, was entitled to a reduced preferential CIT rate of 15% from 1 January 2022 to 31 December 2024.

One of the Group's PRC subsidiaries, Xuanzhu (Beijing) Biopharmaceutical Co., Ltd. was accredited as a "High and New Technology Enterprise" under the relevant tax rules and regulations in October 2024, and accordingly, was entitled to a reduced preferential CIT rate of 15% from 1 January 2024 to 31 December 2026.

The above qualifications are subject to review by the relevant tax authority in the PRC for every three years.

The income tax expense of the Group for the Relevant Periods and the six months ended 30 June 2024 is analysed as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax:				
Charge for the year/period	6	6	6	6
Deferred tax	–	–	–	–
Total tax charge for the year/period	6	6	6	6

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its major subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss before tax	(300,556)	(556,424)	(110,971)	(110,903)
Tax at the statutory tax rate (25%)	(75,139)	(139,106)	(27,743)	(27,726)
Lower tax rate enacted by local authority	18,371	3,951	4,081	7,767
Expenses not deductible for tax purposes	887	114	81	39
Tax losses and temporary differences not recognised	110,318	160,722	30,024	35,938
Additional deductible allowance for research and development expenses	(54,431)	(21,965)	(6,437)	(16,024)
Tax losses utilised from previous periods	–	(3,710)	–	–
Tax charge at the Group's effective rate	6	6	6	6

12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods and the six months ended 30 June 2024.

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 450,614,000 in issue during the Relevant Periods and the six months ended 30 June 2024.

The calculation of loss per share is based on:

(a) Basic

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss				
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	(300,562)	(556,430)	(110,977)	(110,909)
Ordinary shares ('000)				
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	450,614	450,614	450,614	450,614
Loss per share (RMB per share)	(0.67)	(1.23)	(0.25)	(0.25)

(b) Diluted

Diluted loss per share amounts presented are the same as the basic loss per share amounts as there were no potentially dilutive ordinary shares in issue during each of the Relevant Periods and the six months ended 30 June 2024.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Buildings	Laboratory equipment	Office equipment	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023								
At 1 January 2023:								
Cost	3,640	114,458	115,967	5,692	2,716	966	829	244,268
Accumulated depreciation	(1,282)	(28,419)	(59,544)	(4,163)	(1,577)	(917)	–	(95,902)
Net carrying amount	2,358	86,039	56,423	1,529	1,139	49	829	148,366
At 1 January 2023, net of accumulated depreciation	2,358	86,039	56,423	1,529	1,139	49	829	148,366
Additions	17	–	949	43	150	–	810	1,969
Disposal	–	(4)	(11)	(2)	(2)	–	–	(19)
Depreciation provided during the year	(1,197)	(5,219)	(14,369)	(469)	(585)	–	–	(21,839)
At 31 December 2023, net of accumulated depreciation	1,178	80,816	42,992	1,101	702	49	1,639	128,477
At 31 December 2023:								
Cost	3,657	114,454	116,905	5,733	2,864	966	1,639	246,218
Accumulated depreciation	(2,479)	(33,638)	(73,913)	(4,632)	(2,162)	(917)	–	(117,741)
Net carrying amount	1,178	80,816	42,992	1,101	702	49	1,639	128,477

	Leasehold improvements	Buildings	Laboratory equipment	Office equipment	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024								
At 1 January 2024:								
Cost	3,657	114,454	116,905	5,733	2,864	966	1,639	246,218
Accumulated depreciation	(2,479)	(33,638)	(73,913)	(4,632)	(2,162)	(917)	–	(117,741)
Net carrying amount	1,178	80,816	42,992	1,101	702	49	1,639	128,477
At 1 January 2024, net of accumulated depreciation	1,178	80,816	42,992	1,101	702	49	1,639	128,477
Additions	–	9,211	354	–	–	–	152	9,717
Transfer	–	–	(68)	–	68	–	–	–
Disposal	–	–	(6)	(12)	–	–	–	(18)
Depreciation provided during the year	(1,124)	(5,157)	(13,807)	(329)	(470)	–	–	(20,887)
At 31 December 2024, net of accumulated depreciation	54	84,870	29,465	760	300	49	1,791	117,289
At 31 December 2024:								
Cost	3,657	123,665	117,185	5,721	2,932	966	1,791	255,917
Accumulated depreciation	(3,603)	(38,795)	(87,720)	(4,961)	(2,632)	(917)	–	(138,628)
Net carrying amount	54	84,870	29,465	760	300	49	1,791	117,289

	Leasehold improvements	Buildings	Laboratory equipment	Office equipment	Electronic equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2025								
At 1 January 2025:								
Cost	3,657	123,665	117,185	5,721	2,932	966	1,791	255,917
Accumulated depreciation	(3,603)	(38,795)	(87,720)	(4,961)	(2,632)	(917)	–	(138,628)
Net carrying amount	54	84,870	29,465	760	300	49	1,791	117,289
At 1 January 2025, net of accumulated depreciation	54	84,870	29,465	760	300	49	1,791	117,289
Additions	–	–	3	–	–	–	18	21
Depreciation provided during the period	(13)	(2,761)	(5,202)	(116)	(92)	–	–	(8,184)
At 30 June 2025, net of accumulated depreciation	41	82,109	24,266	644	208	49	1,809	109,126
At 30 June 2025:								
Cost	3,657	123,665	117,188	5,721	2,932	966	1,809	255,938
Accumulated depreciation	(3,616)	(41,556)	(92,922)	(5,077)	(2,724)	(917)	–	(146,812)
Net carrying amount	41	82,109	24,266	644	208	49	1,809	109,126

The Company

	Leasehold improvements	Laboratory equipment	Office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
At 1 January 2023:						
Cost	3,042	–	999	1,339	829	6,209
Accumulated depreciation	(1,043)	–	(487)	(738)	–	(2,268)
Net carrying amount	1,999	–	512	601	829	3,941
At 1 January 2023, net of accumulated depreciation	1,999	–	512	601	829	3,941
Additions	15	16	3	149	810	993
Disposal	–	–	–	(3)	–	(3)
Depreciation provided during the year	(1,043)	–	(176)	(316)	–	(1,535)
At 31 December 2023, net of accumulated depreciation	971	16	339	431	1,639	3,396
At 31 December 2023:						
Cost	3,057	16	1,002	1,485	1,639	7,199
Accumulated depreciation	(2,086)	–	(663)	(1,054)	–	(3,803)
Net carrying amount	971	16	339	431	1,639	3,396

	Leasehold improvements	Laboratory equipment	Office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024						
At 1 January 2024:						
Cost	3,057	16	1,002	1,485	1,639	7,199
Accumulated depreciation	(2,086)	–	(663)	(1,054)	–	(3,803)
Net carrying amount	971	16	339	431	1,639	3,396
At 1 January 2024, net of accumulated depreciation	971	16	339	431	1,639	3,396
Depreciation provided during the year	(971)	(2)	(131)	(293)	–	(1,397)
At 31 December 2024, net of accumulated depreciation	–	14	208	138	1,639	1,999
At 31 December 2024:						
Cost	3,057	16	1,002	1,485	1,639	7,199
Accumulated depreciation	(3,057)	(2)	(794)	(1,347)	–	(5,200)
Net carrying amount	–	14	208	138	1,639	1,999

	Leasehold improvements	Laboratory equipment	Office equipment	Electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2025						
At 1 January 2025:						
Cost	3,057	16	1,002	1,485	1,639	7,199
Accumulated depreciation	(3,057)	(2)	(794)	(1,347)	–	(5,200)
Net carrying amount	–	14	208	138	1,639	1,999
At 1 January 2025, net of accumulated depreciation	–	14	208	138	1,639	1,999
Additions	–	3	–	–	–	3
Depreciation provided during the period	–	(1)	(37)	(44)	–	(82)
At 30 June 2025, net of accumulated depreciation	–	16	171	94	1,639	1,920
At 30 June 2025:						
Cost	3,057	19	1,002	1,485	1,639	7,202
Accumulated depreciation	(3,057)	(3)	(831)	(1,391)	–	(5,282)
Net carrying amount	–	16	171	94	1,639	1,920

The Group's property, plant and equipment mainly consisted of buildings and laboratory equipment for research and development purpose. As of 31 December 2023 and 2024 and 30 June 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 Relevant Periods.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 2.04 to 5.58 years. Other rental agreements generally have lease terms of 12 months or less.

(a) Right-of-use assets

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

	Leasehold land	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
As at 1 January 2023	55,991	25,075	81,066
Disposal	–	(4,723)	(4,723)
Depreciation charge	(1,375)	(6,018)	(7,393)
As at 31 December 2023	54,616	14,334	68,950
31 December 2024			
As at 1 January 2024	54,616	14,334	68,950
Addition	–	1,694	1,694
Disposal	–	(10,133)	(10,133)
Depreciation charge	(1,375)	(4,271)	(5,646)
As at 31 December 2024	53,241	1,624	54,865
30 June 2025			
As at 1 January 2025	53,241	1,624	54,865
Depreciation charge	(688)	(414)	(1,102)
As at 30 June 2025	52,553	1,210	53,763

The Group's right-of-use assets included the land use right obtained from the PRC local government authorities with a limited term and offices leased from third parties. As of 31 December 2023 and 2024 and 30 June 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 Relevant Periods.

(b) ***Lease liabilities***

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	29,232	17,065	1,479
Addition	–	1,475	–
Disposal	(5,758)	(12,101)	–
Accretion of interest recognised during the year/period	1,167	304	29
Payments	(7,576)	(5,264)	(441)
Carrying amount at the end of the year/period	17,065	1,479	1,067
Analysed into:			
Current portion	5,148	832	849
Non-current portion	11,917	647	218

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

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

	As at 31 December		As at 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities	1,167	304	282	29
Depreciation charge of right-of-use assets	7,393	5,646	2,910	1,102
(Gain)/loss on disposal of items of right-of-use assets	(1,035)	211	–	–
Expenses relating to short-term leases	2,466	2,287	1,182	712
Total amount recognised in profit or loss	9,991	8,448	4,374	1,843

(d) ***The total cash outflow for leases is disclosed in note 28 to the Historical Financial Information.***

The Company as a lessee

The Company has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms of 2.04 to 5.58 years. Other rental agreements generally have lease terms of 12 months or less.

(a) Right-of-use assets

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

	Leasehold land	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
As at 1 January 2023	39,674	22,907	62,581
Disposal	–	(4,722)	(4,722)
Depreciation charge	(824)	(5,498)	(6,322)
As at 31 December 2023	38,850	12,687	51,537
31 December 2024			
As at 1 January 2024	38,850	12,687	51,537
Addition	–	1,205	1,205
Disposal	–	(8,969)	(8,969)
Depreciation charge	(824)	(3,767)	(4,591)
As at 31 December 2024	38,026	1,156	39,182
30 June 2025			
As at 1 January 2025	38,026	1,156	39,182
Depreciation charge	(412)	(295)	(707)
As at 30 June 2025	37,614	861	38,475

(b) Lease liabilities

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	26,704	15,101	1,052
Addition	–	1,048	–
Disposal	(5,647)	(10,708)	–
Accretion of interest recognised during the year/period	1,066	265	20
Payments	(7,022)	(4,654)	(313)
Carrying amount at the end of the year/period	15,101	1,052	759
Analysed into:			
Current portion	4,558	592	604
Non-current portion	10,543	460	155

16. INTANGIBLE ASSETS

The Group

	Software	Patents and licences	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	2,507	6,462	382,783	391,752
Additions	197	–	144,787	144,984
Amortisation provided during the year	(728)	(2,205)	–	(2,933)
Transfer	–	68,088	(68,088)	–
At 31 December 2023	1,976	72,345	459,482	533,803
At 31 December 2023:				
Cost	4,455	74,550	459,482	538,487
Accumulated amortisation	(2,479)	(2,205)	–	(4,684)
Net carrying amount	1,976	72,345	459,482	533,803

	Software	Patents and licences	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024				
Cost at 1 January 2024, net of accumulated amortisation	1,976	72,345	459,482	533,803
Additions	–	–	98,179	98,179
Amortisation provided during the year	(581)	(6,644)	–	(7,225)
Disposal	(235)	–	(13,958)	(14,193)
At 31 December 2024	1,160	65,701	543,703	610,564
At 31 December 2024:				
Cost	4,039	74,550	543,703	622,292
Accumulated amortisation	(2,879)	(8,849)	–	(11,728)
Net carrying amount	1,160	65,701	543,703	610,564

	Software	Patents and licences	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2025				
Cost at 1 January 2025, net of accumulated amortisation	1,160	65,701	543,703	610,564
Additions	–	–	22,643	22,643
Amortisation provided during the period	(245)	(3,322)	–	(3,567)
At 30 June 2025	915	62,379	566,346	629,640
At 30 June 2025:				
Cost	4,039	74,549	566,346	644,934
Accumulated amortisation	(3,124)	(12,170)	–	(15,294)
Net carrying amount	915	62,379	566,346	629,640

The Company

	Software	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	661	152,043	152,704
Additions	197	204,263	204,460
Amortisation provided during the year	(354)	–	(354)
At 31 December 2023	504	356,306	356,810
At 31 December 2023:			
Cost	1,080	356,306	357,386
Accumulated amortisation	(576)	–	(576)
Net carrying amount	504	356,306	356,810

	Software	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	504	356,306	356,810
Additions	–	189,848	189,848
Amortisation provided during the year	(209)	–	(209)
Disposal	(235)	(13,958)	(14,193)
At 31 December 2024	60	532,196	532,256
At 31 December 2024:			
Cost	665	532,196	532,861
Accumulated amortisation	(605)	–	(605)
Net carrying amount	60	532,196	532,256

	Software	Research and development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
30 June 2025			
Cost at 1 January 2025, net of accumulated amortisation	60	532,196	532,256
Additions	–	23,006	23,006
Amortisation provided during the period	(60)	–	(60)
At 30 June 2025	–	555,202	555,202
At 30 June 2025:			
Cost	664	555,202	555,866
Accumulated amortisation	(664)	–	(664)
Net carrying amount	–	555,202	555,202

Intangible asset is tested for impairment based on its recoverable amount. The balances of research and development costs in intangible assets represent capitalised expenditure incurred for projects to develop late-stage products which are not available for commercial use. The annual impairment test was performed for each project by engaging an appraiser to estimate fair value less costs of disposal as the recoverable amount of each project. The fair value was estimated using the income approach. The estimated revenue of each project is based on the expectations of timing of commercialization. The revenue growth rate was calculated based on comparable transactions and the expected sales and market penetration of the product. The discount rates used are pre-tax and derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk premium, etc.

The key parameters used for recoverable amount calculations as at 31 December 2023 and 2024 and 30 June 2025 are as follows:

	As at 31 December		As at 30 June
	2023	2024	2025
Revenue growth rate	-29% to 147%	-29% to 134%	-31% to 130%
Pre-tax discount rate	17.03% to 17.83%	16.60% to 16.88%	16.49% to 16.77%
Period of cash flow projections	Economic useful life of the project-related patent	Economic useful life of the project-related patent	Economic useful life of the project-related patent

For each of the years ended 31 December 2023 and 2024, and the six months ended 30 June 2025, the recoverable amounts of these projects were RMB1,249.4 million, RMB1,024.3 million and RMB1,173.3 million, respectively. The carrying amounts of these projects were RMB459.5 million, RMB543.7 million and RMB566.7 million, respectively. The recoverable amounts exceed the carrying amounts with headroom of RMB789.9 million, RMB480.6 million and RMB606.6 million, respectively. The recoverable amount of each project exceeds its carrying amount at the end of each of the Relevant Periods.

The Group has performed sensitivity tests by decreasing 1% of the revenue growth rate or increasing 1% of the pre-tax discount rate, which are the key parameters for determining the recoverable amount of these projects, with all other variables held constant. For each of the years ended 31 December 2023 and 2024, and the six months ended 30 June 2025, 1% decrease in the revenue growth rate would result in decrease in headroom by RMB66.0 million, RMB56.8 million and RMB54.7 million, respectively. 1% increase in the pre-tax discount rate would result in decrease in headroom by RMB108.2 million, RMB82.4 million and RMB86.8 million, respectively. The 1% decrease in the revenue growth rate or 1% increase in the pre-tax discount rate would not cause the carrying amount of each project to exceed its recoverable amount at the end of each of the Relevant Periods.

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key parameters on which management has based its determination of each project's recoverable amount would not cause its carrying amount to exceed its recoverable amount. Based on the result of the above assessment, there were no impairment for the intangible assets during the Relevant Periods.

The Group entered into a license agreement with Akamis Bio Ltd. ("Akamis"), to in-license certain current and future patents and know-how (the "Licensed Technology") relating to NG-350A, a tumor-targeting viral vector. Under the agreement, the Group shall pay the development and sales milestones payment up to US$30.5 million to Akamis, subject to the research and development status of the Licensed Technology. Payments associated with certain of these milestones will be capitalised and recognised as intangible assets upon payment in the future.

The Group entered into a license agreement with SignalChem Lifesciences Corporation ("SignalChem"), to in-license certain patents and know-how (the "Licensed IP") relating to XZB-0004. Under the agreement, the Group shall pay the development milestones payment up to US$38 million for the first indication and US$15 million for each additional indication to SignalChem, subject to the research and development status of the Licensed IP. The Group shall pay the sales milestones payment up to US$123 million to SignalChem, subject to the commercialisation status of the Licensed IP. Payments associated with certain of these milestones will be capitalised and recognised as intangible assets upon payment in the future.

17. INVENTORIES

The Group

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	54,533	52,434	48,819
Work in progress	5,485	2,822	3,847
Finished goods	2,053	1,572	568
Others	246	357	357
Total	62,317	57,185	53,591

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	42,909	39,353	34,319
Work in progress	2,084	176	523
Others	28	33	33
Total	45,021	39,562	34,875

18. TRADE RECEIVABLES

The Group

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	190	4,045
Impairment allowance	–	(1)	(27)
Net carrying amount	–	189	4,018

The Group's trading terms with its customers are mainly payment in advance, except for certain customers who make small-volume purchases on an urgent basis. The payment term generally ranges from 30 to 45 days. 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 credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	–	189	4,003
3 to 6 months	–	–	15
	–	189	4,018

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The Group uses the simplified method to calculate the credit impairment losses on trade receivables. Management's estimate of the expected loss rate is based on the expected loss rate calculated by establishing the default rate of the corporate bonds in the recent three years and combining with forward-looking factors.

Set out below is the information about the credit risk exposure on the Group's trade receivables as at the end of each of the Relevant Periods using a provision matrix:

As at 31 December 2024

	Within 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Trade receivables (RMB'000)	190	–	–	–	190
Expected credit loss rate	0.53%	–	–	–	0.53%
Expected credit losses (RMB'000)	1	–	–	–	1

As at 30 June 2025

	Within 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Trade receivables (RMB'000)	4,030	15	–	–	4,045
Expected credit loss rate	0.67%	0.67%	–	–	0.67%
Expected credit losses (RMB'000)	27	–	–	–	27

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayment for property, plant and equipment	10,044	–	–
Deductible value-added tax	36,238	44,904	37,375
Rental deposits	1,062	–	199
	47,344	44,904	37,574
Impairment allowance	–	–	–
Total	47,344	44,904	37,574
Current:			
Prepayments	12,847	11,750	12,864
Deposits	73	185	34
Other receivables	13,556	13,602	14,618
Deductible value-added tax	–	952	10,978
Deferred listing expense	3,947	8,849	14,690
	30,423	35,338	53,184
Impairment allowance	(27)	(101)	(96)
Total	30,396	35,237	53,088

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Deductible value-added tax	23,691	36,094	28,524
Rental deposits	1,061	–	110
	24,752	36,094	28,634
Impairment allowance	–	–	–
Total	24,752	36,094	28,634
Current:			
Prepayments	10,500	6,746	8,678
Deposits	44	151	–
Other receivables			
– due from subsidiaries	517,206	373,366	343,816
– others	13,262	13,156	13,159
Deductible value-added tax	–	816	10,880
Deferred listing expense	3,947	8,849	14,690
	544,959	403,084	391,223
Impairment allowance	(25)	(22,063)	(21,896)
Total	544,934	381,021	369,327

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	306,832	110,584	101,193

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	124,404	97,085	60,049

Note:

(a) The wealth management products are purchased from creditworthy commercial banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	140,637	162,717	23,169
Time deposits	2,254	3,085	1,140
Subtotal	142,891	165,802	24,309
Less: Pledged time deposits:			
Pledged for bills payables	–	(30,553)	(15,751)
Cash and cash equivalents	142,891	135,249	8,558

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	136,152	153,572	20,978
Subtotal	136,152	153,572	20,978
Less: Pledged time deposits:			
Pledged for bills payables	–	(30,553)	(15,751)
Cash and cash equivalents	136,152	123,019	5,227

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 month 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 and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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.

22. TRADE AND BILLS PAYABLES

The Group

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	68,634	95,508	74,675
1 year to 2 years	7	2,802	946
2 years to 3 years	–	6	20
Over 3 years	571	571	563
Total	69,212	98,887	76,204

Trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	95,326	195,200	136,901
1 year to 2 years	–	2,486	367
2 years to 3 years	–	–	20
Total	95,326	197,686	137,288

Trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

23. OTHER PAYABLES AND ACCRUALS

The Group

	Notes	As at 31 December		As at 30 June
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current:				
Contract liabilities	(a)	55,719	41,627	44,343
Other payables	(b)	–	15,001	9,023
Other tax payables		–	3,368	1,354
Total		55,719	59,996	54,720
Current:				
Contract liabilities	(a)	7,253	17,800	14,474
Other payables	(b)	39,612	40,352	56,871
Payroll payables		18,595	14,826	10,375
Other tax payables		1,647	1,764	2,438
Deferred income		–	1,366	187
Amounts due to related parties		1,660	3,435	4,161
Total		68,767	79,543	88,506

The Company

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Due to subsidiaries	144,313	154,650	79,850
Other payables	17,862	24,244	37,296
Payroll payables	8,348	7,119	4,158
Other tax payables	575	247	216
Total	171,098	186,260	121,520

(a) Details of contract liabilities are as follows:

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Short-term advances received from customers			
Sales of medicines	664	9,496	9,029
Distribution rights	62,308	49,931	49,788
Total	62,972	59,427	58,817

Contract liabilities include advances received for sales of pharmaceutical products and deferred revenue for distribution rights. The increase in contract liabilities during the Relevant Periods was mainly due to the increase in short-term advances received from customers in relation to the provision of pharmaceutical products and deferred revenue for distribution rights during the Relevant Periods.

(b) Other payables are non-interest-bearing and unsecured.

24. DEFERRED TAX

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

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2023	6,269
Deferred tax charged to the consolidated profit or loss during the year	(2,685)
Gross deferred tax liabilities at 31 December 2023	3,584
At 1 January 2024	3,584
Deferred tax (charged)/credited to the consolidated profit or loss during the year	(3,178)
Gross deferred tax liabilities at 31 December 2024	406
At 1 January 2025	406
Deferred tax (charged)/credited to the consolidated profit or loss during the period	(103)
Gross deferred tax liabilities at 30 June 2025	303

Deferred tax assets

	Lease liabilities	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	6,269	–	6,269
Deferred tax charged to the consolidated statements of profit or loss and other comprehensive income during the year	(2,685)	–	(2,685)
Gross deferred tax assets at 31 December 2023	3,584	–	3,584
At 1 January 2024	3,584	–	3,584
Deferred tax (charged)/credited to the consolidated statements of profit or loss and other comprehensive income during the year	(3,214)	36	(3,178)
Gross deferred tax assets at 31 December 2024	370	36	406
At 1 January 2025	370	36	406
Deferred tax (charged)/credited to the consolidated statements of profit or loss and other comprehensive income during the period	(139)	36	(103)
Gross deferred tax assets at 30 June 2025	231	72	303

For presentation purposes, the deferred tax assets and liabilities have been offset in the consolidated statement of financial position during the Relevant Periods.

The Group had tax losses in Hong Kong of RMB1,914,000 and RMB4,993,000 in aggregate as at 31 December 2023 and 2024, and RMB5,934,000 in aggregate as at 30 June 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group had tax losses in USA of RMB3,490,000 and RMB4,751,000 in aggregate as at 31 December 2023 and 2024, and RMB5,634,000 in aggregate as at 30 June 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group had tax losses in Chinese Mainland of RMB2,521,311,000 and RMB2,316,210,000 in aggregate as at 31 December 2023 and 2024, and RMB2,577,011,000 in aggregate as at 30 June 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits of the company in which the losses arose.

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

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	2,526,715	2,325,954	2,588,579
Deductible temporary differences	266,209	782,876	782,289
Total	2,792,924	3,108,830	3,370,868

25. SHARE CAPITAL

Shares

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares	450,614	450,614	450,614

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

	Number of shares	Share capital
	'000	*RMB'000*
At 1 January 2023	450,614	450,614
At 31 December 2023 and 1 January 2024	450,614	450,614
At 31 December 2024 and 1 January 2025	450,614	450,614
At 30 June 2025	450,614	450,614

26. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of change in equity on pages I-7 to I-8 of the Historical Financial Information.

Share premium

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

RSU reserve

The RSU reserve represents the reserve arising from share-based payment transactions, further details of which are included in note 27 to the Historical Financial Information.

Other reserve

Other reserve of the Group mainly includes the effect of the waiver of interests on loans from related parties.

The Company

	Share premium account	RSU reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,890,073	76,194	208	(629,155)	1,337,320
Loss and total comprehensive loss for the year	–	–	–	(175,577)	(175,577)
Recognition of share-based payment expenses	–	56,337	–	–	56,337
At 31 December 2023 and 1 January 2024	1,890,073	132,531	208	(804,732)	1,218,080
Loss and total comprehensive loss for the year	–	–	–	(528,234)	(528,234)
Recognition of share-based payment expenses	–	400,086	–	–	400,086
At 31 December 2024 and 1 January 2025	1,890,073	532,617	208	(1,332,966)	1,089,932
Loss and total comprehensive loss for the period	–	–	–	(45,880)	(45,880)
At 30 June 2025	1,890,073	532,617	208	(1,378,846)	1,044,052

27. SHARE-BASED PAYMENT TRANSACTIONS

First share-based payment

On the grant date of 24 August 2020, Xuanzhu (HK) Biopharmaceutical Limited ("Xuanzhu Biopharma"), the former shareholder of the Company, entered into an agreement with Ms. Xu Yanjun, Dr. Shih Cheng-Kon and Dr. Li Jia Kui, three senior executives of the Group, under which Xuanzhu Biopharma transferred 0.80% of the Company's equity to Ms. Xu Yanjun, 1.30% of the Company's equity to Dr. Shih Cheng-Kon and 1.00% of the Company's equity to Dr. Li Jia Kui. The number of restricted shares granted to the incentive objects under this share incentive plan is 35,650,000 (Batch 1). The price is RMB1.3116 per share, and there is no binding clause related to the vesting period. The restricted shares vested immediately upon grant.

On the grant date of 24 August 2020, the board of directors of the Company decided to approve the share incentive plan. The shareholder Xuanzhu Biopharma transferred its equity to the shareholding platforms, Tianjin Hongzekang Pharmaceutical Technology Partnership (Limited Partnership) (天津泓澤康醫藥科技合夥企業(有限合夥)) ("Tianjin Hongzekang"), Tianjin Xuansheng Pharmaceutical Technology Partnership (Limited Partnership) (天津軒升醫藥科技合夥企業(有限合夥)) ("Tianjin Xuansheng"), Tianjin Hongteng Pharmaceutical Technology Partnership (Limited Partnership) (天津泓騰醫藥科技合夥企業(有限合夥)) ("Tianjin Hongteng"), Tianjin Zhenxuan Pharmaceutical Technology Partnership (Limited Partnership) (天津振軒醫藥科技合夥企業(有限合夥)) ("Tianjin Zhenxuan"), Tianjin Pusheng Pharmaceutical Technology Partnership (Limited Partnership) (天津普晟醫藥科技合夥企業(有限合夥)) ("Tianjin Pusheng"), Tianjin Guoding Pharmaceutical Technology Partnership (Limited Partnership) (天津國鼎醫藥科技合夥企業(有限合夥)) ("Tianjin Guoding") and Tianjin Huize Pharmaceutical Technology Partnership (Limited Partnership) (天津匯澤醫藥科技合夥企業(有限合夥)) ("Tianjin Huize"). The Company signed equity incentive grant agreements with 122 employees (Batch 1). A total of restricted shares corresponding to the registered capital of RMB43,276,800 were granted at a purchase price of RMB1.5739 per share.

Based on the asset appraisal report issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. ("Dongzhou Consulting Report Zi [2021] No. 0334") on the appraisal of the equity value on 31 August 2020 by market-value model, the fair value of the above share-based payment for senior executives and employees were RMB61,473,585 and RMB74,624,966, respectively. As the share incentive plan of three senior executives did not stipulate a vesting period, it shall be fully recognised as share-based payment expenses when granted. As the share incentive plan of the other employees has a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

Amendments to the first share-based payment

On 10 September 2021, the Company approved the amendment of the grant price of the first share-based payment through the resolution of the board of directors, which was uniformly adjusted to RMB0.263 per share, and the impact of the adjustment of the price was recognised in the remaining vesting period. In addition, the vesting period is agreed for the equity incentive granted to senior executives, which is amortised and recognised as share-based payment expenses within three years from the grant date.

Second share-based payment

On the grant date of 10 September 2021, the board of directors of the Company decided to approve the share incentive plan, and the employee stock ownership platforms, Tianjin Hongzekang, Tianjin Xuansheng, Tianjin Hongteng, Tianjin Zhenxuan, Tianjin Pusheng, Tianjin Guoding, Tianjin Huize, Beihai Keya Xuanzhu Investment Partnership (Limited Partnership) (北海科雅軒竹投資合夥企業(有限合夥)) ("Beihai Keya") and Beihai Jixin Xuanzhu Investment Partnership (Limited Partnership) (北海吉鑫軒竹投資合夥企業(有限合夥)) ("Beihai Jixin") granted restricted shares to 60 employees and 1 executive. The number of restricted shares granted to the incentive objects under this share incentive plan is 65,305,500, and the purchase price of restricted shares granted this time is RMB0.263 per share (Batch 2-a). As the share incentive plan stipulates a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

On the grant date of 10 September 2021, the board of directors of the Company decided to approve the share incentive plan. The Company had previously signed an equity transfer agreement with Beihai Baimei'en Investment Partnership (Limited Partnership) (北海百美恩投資合夥企業(有限合夥)) ("Beihai Baimei'en"), and the Company had signed an equity incentive grant agreement with 14 employees. A total of restricted shares corresponding to the registered capital of RMB49,642,307 were granted, and the price was RMB1.2343 per share (Batch 2-b). As the share incentive plan stipulates a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

The Company took the asset appraisal report issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. ("Dongzhou Zibao Zi [2022] No. 0376") for reference, which evaluated the equity value on 31 August 2021 by market-value model. The fair values of the above share-based payment were RMB108,716,653 and RMB143,019,045, respectively. As the share incentive plan stipulates a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

Third share-based payment

On the grant dates of 31 March 2022 and 21 July 2022, the board of directors of the Company decided to approve the share incentive plan, and the employee stock ownership platforms, Tianjin Hongteng, Tianjin Zhenxuan, Tianjin Guoding, Beihai Jixin and Beihai Baimei'en granted restricted shares to 9 employees. The number of restricted shares granted to the incentive objects under this share incentive plan is 3,791,140. Among them, the purchase price of 3,667,020 restricted shares granted is RMB0.263 per share (Batch 3-a); and the purchase price of 124,120 restricted shares in Beihai Baimei'en is RMB1.2343 per share, which is reauthorised by the Company to 2 employees (Batch 3-b).

The fair value of the above share-based payment is RMB8,057,172 based on the asset appraisal report ("Dongzhou Zibao Zi [2022] No. 0376") issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. for the appraisal of the equity value on 31 August 2021 by market-value model. As the share incentive plan stipulates a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

On the grant date of 30 November 2022, the board of directors of the Company decided to approve the share incentive plan, and the employee stock ownership platforms, Tianjin Hongteng, Tianjin Guoding and Beihai Keya granted restricted shares to 13 employees. The number of restricted shares granted to the incentive objects under this share incentive plan is 5,037,630, and the purchase price is RMB0.263 per share (Batch 3-a).

The fair value of the above share-based payment is RMB22,944,200 based on the asset appraisal report ("Dongzhou Zibao Zi [2023] No. 0293") issued by Shanghai Dongzhou Asset Appraisal Co., Ltd. on the appraisal of the equity value on 30 November 2022 by market-value model. As the share incentive plan stipulates a vesting period, it shall be amortised and recognised as share-based payment expenses within three years from the grant date.

Amendments to the third share-based payment

On 17 November 2024, the Company approved the amendment of the vesting period of the third share-based payment through the resolution of the board of directors. The amendment adjusted the vesting period to be immediately expired on 17 November 2024 under the share incentive plan, and the impact of the adjustment of the vesting period was recognised in November 2024.

Fourth share-based payment

On the grant date of 17 November 2024, the board of directors of the Company decided to approve the share incentive plan, the employee stock ownership platforms, Tianjin Hongteng, Tianjin Zhenxuan, Tianjin Guoding, Tianjin Hongzekang, Tianjin Huize, Tianjin Pusheng, Tianjin Xuansheng, Beihai Jixin and Beihai Keya granted restricted shares to Ms. Xu Yanjun and 30 employees and Dr. Shih Cheng-Kon transferred 0.1590% of the Company's equity to Ms. Xu Yanjun.

The number of restricted shares granted to the incentive objects under this share incentive plan is 45,873,671, and the purchase price of restricted shares granted is RMB1.000 per share (Batch 4). The fair value of the above share-based payment is RMB397,029,838 based on the asset appraisal report ("Dazheng Zibao Zi [2024] No. 066A") issued by Beijing Guoyou Dazheng Asset Appraisal Co., Ltd. for the appraisal of the equity value on 30 September 2024 by market-value model. As the share incentive plan did not stipulate a vesting period, it shall be fully recognised as share-based payment expenses when granted.

The following restricted stocks were outstanding during the Relevant Periods:

	Weighted average purchase price per share	Number of shares authorised
	RMB	*'000*
As at 1 January 2023	0.919	163,251
Forfeited during the year	0.263	(6,678)
As at 31 December 2023 and 1 January 2024	0.947	156,573
Granted during the year	1.000	45,874
Vested during the year	0.998	(191,655)
Forfeited during the year	0.274	(10,792)
As at 31 December 2024 and 30 June 2025	–	–

The purchase prices and the fair values at grant dates of the restricted stocks outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

	Number of shares outstanding	Purchase price	Fair value at grant date
	'000	*RMB per share*	*RMB per share*
Batch 1	50,681	0.263	1.724
Batch 2-a	54,599	0.263	2.190
Batch 2-b	44,107	1.234	2.190
Batch 3-a	7,062	0.263	2.190
Batch 3-b	124	1.234	4.991
Total	156,573		

As at 31 December 2024

	Number of shares outstanding	Purchase price	Fair value at grant date
	'000	*RMB per share*	*RMB per share*
Batch 1	–	0.263	1.724
Batch 2-a	–	0.263	2.190
Batch 2-b	–	1.234	2.190
Batch 3-a	–	0.263	2.190
Batch 3-b	–	1.234	4.991
Batch 4	–	1.000	8.655
Total	–		

The fair values of the restricted stocks granted to the employees and consultants during the grant dates were estimated as at the date of grant using the market-value model, taking into account the terms and conditions upon which the restricted stocks were granted. The following table lists the inputs to the model:

	2022	2021	2020
Expected volatility (%)	56.49	56.49	49.93
Risk-free interest rate (%)	2.55	2.55	2.93
Term (year)	2.3	3.3	4.3

	2024
Subscription price (RMB)	1.00
Price-to-R&D expense multiple	3.96

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The total share-based payment expenses recognised in profit or loss for restricted shares were approximately RMB72,266,000, RMB402,897,000, nil and RMB30,095,000 during the Relevant Periods and the six months ended 30 June 2024.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023 and 2024, and the six months ended 30 June 2024 and 2025, the Group had non-cash additions to right-of-use assets of nil, RMB1,475,000, nil, and nil, and non-cash additions to lease liabilities of nil, RMB1,475,000, nil, and nil, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Accrued listing expense included in other payables
	RMB'000	*RMB'000*
At 1 January 2023	29,232	2,533
Addition	–	1,140
Changes in financing cash flows	(7,576)	(2,327)
Accretion of interest	1,167	–
Disposal	(5,758)	–
At 31 December 2023 and 1 January 2024	17,065	1,346
Addition	1,475	11,845
Changes in financing cash flows	(5,264)	(7,161)
Accretion of interest	304	–
Disposal	(12,101)	–
At 31 December 2024 and 1 January 2025	1,479	6,030
Addition	–	10,378
Changes in financing cash flows	(441)	(1,632)
Accretion of interest	29	–
At 30 June 2025	1,067	14,776
At 31 December 2023 and 1 January 2024	17,065	1,346
Changes in financing cash flows	(2,871)	–
Accretion of interest	282	–
Disposal	(12,101)	–
At 30 June 2024	2,375	1,346

(c) Total cash outflow for leases

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

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within operating activities	2,466	2,287	1,182	712
Within financing activities	7,576	5,264	2,871	441
Total	10,042	7,551	4,053	1,153

29. CONTINGENT LIABILITIES

The Company is currently a defendant in an arbitration brought by a party alleging that the Company breached the Technology Transfer Agreement between the Company and the party and sought compensation of RMB10 million. The arbitration does not involve any core or key products of the Group. The hearing procedure for the arbitration has not yet commenced as of 30 June 2025. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

30. COMMITMENTS

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

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Acquisition of property, plant and equipment	1,059	–	–

31. RELATED PARTY TRANSACTIONS

Name and relationship of related parties

Name	Relationship
北京四環製藥有限公司 Beijing Sihuan Pharmaceutical Co., Ltd. ("Beijing Sihuan")	Entity under common control of the ultimate holding company
海南四環醫藥有限公司 Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan")	Entity under common control of the ultimate holding company
北京惠之衡生物科技有限公司 Beijing Huizhiheng Biotechnology Co., Ltd. ("Beijing Huizhiheng")	Entity under common control of the ultimate holding company

(a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2024:

	Notes	Year ended 31 December		Six months ended 30 June	
		2023	**2024**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entities under common control of the ultimate holding company					
Purchases of services	*(i)*	702	469	–	80
Leases	*(ii)*	898	1,537	767	814
Receipt of royalties	*(iii)*	–	65	–	858

Notes:

(i) The purchases of services include receiving domestic services for water, electricity and heating services for the Relevant Periods.

(ii) The leases include the buildings rented from Beijing Sihuan and Hainan Sihuan for office use for the Relevant Periods. For the year ended 31 December 2023, the Group recognised lease expenses of RMB898,000 in relation to short-term leases. For the year ended 31 December 2024, the Group recognised lease expenses of RMB1,467,000 in relation to short-term leases and amortisation of RMB70,000 of right-of-use assets in relation to long-term lease. For the six months ended 30 June 2025, the Group recognised leases expense of RMB399,000 in relation to short-term leases and amortisation of RMB415,000 of right-of-use assets in relation to long-term leases.

(iii) In August 2020, Beijing Xuanzhu entered into a drug transfer agreement with Beijing Huizhiheng, agreed to transfer the ownership of and rights relating to Janagliflozin to Beijing Huizhiheng. In consideration, Beijing Huizhiheng agreed to pay Beijing Xuanzhu (i) an one-off payment which has already been made before the Relevant Periods, (ii) the pre-determined royalties based on the net sales generated from the sales of Janagliflozin. For the year ended 31 December 2024, the Group received royalties from Beijing Huizhiheng of RMB65,000. For the six months ended 30 June 2025, the Group received royalties from Beijing Huizhiheng of RMB858,000.

(b) Outstanding balances with related parties:

(i) The Group had an outstanding balance due from entities under common control of the ultimate holding company included in prepayments, other receivables and other assets of RMB23,000, RMB229,000 and RMB929,000 as of 31 December 2023 and 2024 and 30 June 2025, respectively. The balance is trade in nature, unsecured, interest-free and has no fixed terms of repayment, which is repayable on demand.

(ii) The Group had an outstanding balance due to entities under common control of the ultimate holding company included in other payables and accruals of RMB1,660,000, RMB3,435,000 and RMB4,181,000 as of 31 December 2023 and 2024 and 30 June 2025, respectively. The balance is trade in nature, unsecured, interest-free and has no fixed terms of repayment, which is repayable on demand.

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

	Year ended 31 December		Six months ended 30 June	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses and allowances	11,260	8,118	3,875	6,494
Pension scheme contributions and social welfare	668	613	329	465
Share-based payment expenses	38,835	56,777	73	–
Total compensation paid to key management personnel	50,763	65,508	4,277	6,959

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

(d) Redemption rights of the Pre-IPO Investors

During the Track Record Period, there were no side agreements or arrangements between the Company and the Controlling Shareholders regarding the redemption rights of the Pre-IPO Investors, nor had the Company provided any form of guarantee in connection with any potential default or failure by the Controlling Shareholders to fulfill their obligations relating to such redemption rights. Although the Company was a signing party to the agreements entered into between the Pre-IPO Investors and the Controlling Shareholders, the Company had no connection or involvement in the arrangements concerning redemption rights between the Pre-IPO Investors and the Controlling Shareholders, nor did it bear any obligation to repurchase any Shares under such terms. As the Company has no obligation to repurchase the Shares, no liability was recognized for the investments from the Pre-IPO Investors during the Track Record Period.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

Financial assets

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL:			
Wealth management products	306,832	110,584	101,193
Financial assets at amortised cost:			
Trade receivables	–	189	4,018
Financial assets included in prepayments, other receivables and other assets	14,664	13,686	14,755
Pledged deposits	–	30,553	15,751
Cash and cash equivalents	142,891	135,249	8,558
Total	157,555	179,677	43,082

Financial liabilities

	As at 31 December		As at 30 June
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payable	69,212	98,887	76,204
Financial liabilities included in other payables and accruals	41,272	58,788	70,055
Total	110,484	157,675	146,259

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for 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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	–	306,832	–	306,832

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	–	110,584	–	110,584

As at 30 June 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	–	101,193	–	101,193

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2024 and 30 June 2025.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at FVTPL, pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals. 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, trade and bills payables, which arise directly from its operations.

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade receivables 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 amount of these instruments.

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 of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets – normal**	14,664	–	–	–	14,664
Cash and cash equivalents	142,891	–	–	–	142,891
Total	157,555	–	–	–	157,555

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets – normal**	13,686	–	–	–	13,686
Trade receivables*	–	–	–	190	190
Pledged deposits	30,553	–	–	–	30,553
Cash and cash equivalents	135,249	–	–	–	135,249
Total	179,488	–	–	190	179,678

As at 30 June 2025

	3-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 – normal**	14,851	–	–	–	14,851
Pledged deposits	15,751	–	–	–	15,751
Trade receivables	–	–	–	4,045	4,045
Cash and cash equivalents	8,558	–	–	–	8,558
Total	39,160	–	–	4,045	43,205

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There is no significant concentration of credit risk.

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 and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

The Group

	As at 31 December 2023			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	69,212	–	–	69,212
Financial liabilities included in other payables and accruals	41,272	–	–	41,272
Lease liabilities	5,742	12,442	–	18,184
Total	116,226	12,442	–	128,668

	As at 31 December 2024			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	98,887	–	–	98,887
Financial liabilities included in other payables and accruals	43,787	16,972	–	60,759
Lease liabilities	881	661	–	1,542
Total	143,555	17,633	–	161,188

	As at 30 June 2025			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	76,204	–	–	76,204
Financial liabilities included in other payables and accruals	61,032	11,000	–	72,032
Lease liabilities	881	220	–	1,101
Total	138,117	11,220	–	149,337

Capital management

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

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

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total equity	1,110,247	956,714	845,805
Total liabilities	210,763	239,905	220,497
Gearing ratio *(note)*	19.0%	25.1%	26.1%

Note: The gearing ratio is calculated by dividing total liabilities by total equity and multiplying the product by 100%.

35. EVENTS AFTER THE RELEVANT PERIODS

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

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 30 June 2025.