

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FUJIAN HAIXI PHARMACEUTICALS CO., LTD., HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of 福建海西新藥創制股份有限公司 (Fujian Haixi Pharmaceuticals Co., Ltd., being translation for identification purpose only, formerly known as “福建海西新藥創制有限公司”) (the “**Company**”) and its subsidiary (together, the “**Group**”) set out on pages I-4 to I-60 which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024 and May 31, 2025, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024 and May 31, 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 9, 2025 (the “**Prospectus**”) in connection with the initial listing of the H-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 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 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 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 of the Company, 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 Group's financial position as at December 31, 2022, 2023 and 2024 and May 31, 2025, of the Company's financial position as of December 31, 2022, 2023 and 2024 and May 31, 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2024 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. 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 International 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 Stub Period 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 1 to the Historical Financial Information.

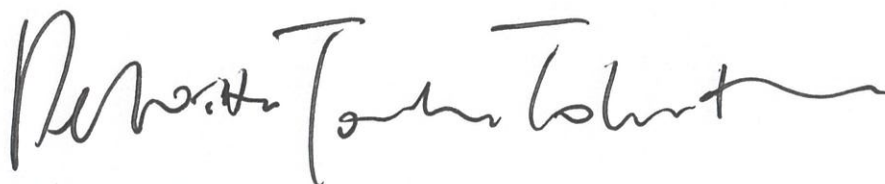
Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

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 10 to the Historical Financial Information which states that no dividends have been declared or paid by the Company in respect of the Track Record Period.

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu", is written over a light grey circular stamp.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
October 9, 2025

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company, 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 December 31,			Five months ended May 31,	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	212,465	316,633	466,683	180,603	249,216
Cost of sales/services		<u>(40,393)</u>	<u>(52,994)</u>	<u>(79,489)</u>	<u>(30,017)</u>	<u>(39,940)</u>
Gross profit		172,072	263,639	387,194	150,586	209,276
Research and development expenses		(34,820)	(36,061)	(67,525)	(17,416)	(22,513)
Distribution and selling expenses		(46,848)	(93,100)	(165,682)	(56,537)	(83,323)
Administrative expenses		(10,052)	(14,197)	(20,961)	(5,241)	(7,688)
Finance costs	6	(24,733)	(7,748)	(7,221)	(2,976)	(2,249)
Other income, expenses, gains and losses, net	7	18,145	20,280	31,023	2,958	12,111
Listing expenses		<u>—</u>	<u>—</u>	<u>(7,834)</u>	<u>—</u>	<u>(2,148)</u>
Profit before tax		73,764	132,813	148,994	71,374	103,466
Income tax expense	8	<u>(4,783)</u>	<u>(15,359)</u>	<u>(12,915)</u>	<u>(8,407)</u>	<u>(13,257)</u>
Profit and total comprehensive income for the year/period, attributable to owners of the Company	9	<u>68,981</u>	<u>117,454</u>	<u>136,079</u>	<u>62,967</u>	<u>90,209</u>
Earnings per share (in RMB)	12	<u>1.07</u>	<u>1.75</u>	<u>2.02</u>	<u>0.94</u>	<u>1.34</u>

STATEMENTS OF FINANCIAL POSITION

NOTES	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2022	2023	2024	May 31, 2025	2022	2023	2024	May 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS								
Investment in a subsidiary	13(a)	-	-	-	30,000	160,000	160,000	160,000
Property, plant and equipment	14	9,597	92,986	275,057	284,407	9,597	12,664	11,302
Deposits for acquisition of property, plant and equipment/right-of-use assets		29,040	14,732	12,479	9,782	-	299	1,257
Right-of-use assets	15	7,030	36,542	34,491	33,637	7,030	7,711	6,246
Deferred tax assets	16	24,780	9,421	5,867	3,960	24,780	9,421	5,867
Equity instrument at FVTOCI	17	-	20,000	20,000	20,000	-	20,000	20,000
Long-term fixed deposits	21(a)	-	-	30,890	31,250	-	-	30,890
Restricted bank balances	21(b)	-	51,056	7,078	5,506	-	-	-
Other receivables	19	340	2,974	23,699	27,875	322	477	477
Financial assets at fair value through profit or loss ("FVTPL")	20	-	-	-	23,001	-	-	-
		<u>70,787</u>	<u>227,711</u>	<u>409,561</u>	<u>439,418</u>	<u>71,729</u>	<u>210,572</u>	<u>236,039</u>
								<u>257,145</u>
CURRENT ASSETS								
Inventories	18	28,373	24,801	35,333	42,915	28,373	24,801	35,333
Trade and other receivables	19	9,576	31,827	35,044	39,208	9,573	31,804	34,582
Contract assets	19	56	2,607	2,643	518	56	2,607	2,643
Amount due from a subsidiary	13(b)	-	-	-	-	1,000	10,132	164,320
Financial assets at FVTPL	20	20,337	-	234,956	238,558	20,337	-	206,570
Short-term fixed deposits	21(c)	120,354	20,274	-	15,044	120,354	20,274	-
Cash and cash equivalents	21(d)	171,477	254,324	38,282	46,259	169,045	220,885	36,063
		<u>350,173</u>	<u>333,833</u>	<u>346,258</u>	<u>382,502</u>	<u>348,738</u>	<u>310,503</u>	<u>479,511</u>
								<u>538,699</u>
CURRENT LIABILITIES								
Trade and other payables	22	38,779	105,744	144,317	137,083	38,704	64,237	98,339
Contract liabilities	22	1,980	261	8,045	5,445	1,980	261	8,045
Bank and other borrowings	23	48,447	9,599	23,123	9,935	48,447	9,599	23,123
Lease liabilities	24	869	1,440	1,511	1,542	869	1,440	1,511
Tax payable	10	-	-	5,077	8,927	-	-	5,077
		<u>90,085</u>	<u>117,044</u>	<u>182,073</u>	<u>162,932</u>	<u>90,000</u>	<u>75,537</u>	<u>136,095</u>
								<u>129,540</u>
NET CURRENT ASSETS		<u>260,088</u>	<u>216,789</u>	<u>164,185</u>	<u>219,570</u>	<u>258,738</u>	<u>234,966</u>	<u>343,416</u>
								<u>409,159</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>330,875</u>	<u>444,500</u>	<u>573,746</u>	<u>658,988</u>	<u>330,467</u>	<u>445,538</u>	<u>579,455</u>
								<u>666,304</u>

NOTES	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2022	2023	2024	May 31, 2025	2022	2023	2024	May 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES								
Share capital	26(a)	67,207	67,207	67,207	67,207	67,207	67,207	67,207
Reserves	26(b)	220,574	338,040	474,120	564,329	220,166	339,078	479,829
TOTAL EQUITY		<u>287,781</u>	<u>405,247</u>	<u>541,327</u>	<u>631,536</u>	<u>287,373</u>	<u>406,285</u>	<u>547,036</u>
NON-CURRENT LIABILITIES								
Other borrowings	23	35,947	31,916	26,624	22,321	35,947	31,916	26,624
Lease liabilities	24	6,914	7,135	5,624	4,972	6,914	7,135	5,624
Deferred income		<u>233</u>	<u>202</u>	<u>171</u>	<u>159</u>	<u>233</u>	<u>202</u>	<u>171</u>
		<u>43,094</u>	<u>39,253</u>	<u>32,419</u>	<u>27,452</u>	<u>43,094</u>	<u>39,253</u>	<u>32,419</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>330,875</u>	<u>444,500</u>	<u>573,746</u>	<u>658,988</u>	<u>330,467</u>	<u>445,538</u>	<u>579,455</u>
		<u>330,875</u>	<u>444,500</u>	<u>573,746</u>	<u>658,988</u>	<u>330,467</u>	<u>445,538</u>	<u>579,455</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Surplus reserve RMB'000 (Note ii)	(Accumulated losses) retained profits RMB'000	Total RMB'000
As at January 1, 2022	62,101	93,868	–	(94,797)	61,172
Profit and total comprehensive income for the year	–	–	–	68,981	68,981
Capital injection by shareholders (note 26(a))	5,106	152,494	–	–	157,600
Conversion into a joint stock company with limited liability of the Company (Note iii)	–	(26,876)	–	26,876	–
Recognition of equity-settled share-based payments (note 29)	–	28	–	–	28
Transfer to surplus reserve	–	–	1,745	(1,745)	–
As at December 31, 2022	67,207	219,514	1,745	(685)	287,781
Profit and total comprehensive income for the year	–	–	–	117,454	117,454
Recognition of equity-settled share-based payments (note 29)	–	12	–	–	12
Transfer to surplus reserve	–	–	11,839	(11,839)	–
As at December 31, 2023	67,207	219,526	13,584	104,930	405,247
Profit and total comprehensive income for the year	–	–	–	136,079	136,079
Recognition of equity-settled share-based payments (note 29)	–	1	–	–	1
Transfer to surplus reserve	–	–	14,075	(14,075)	–
As at December 31, 2024	67,207	219,527	27,659	226,934	541,327
Profit and total comprehensive income for the period	–	–	–	90,209	90,209
Transfer to surplus reserve	–	–	9,182	(9,182)	–
As at May 31, 2025	<u>67,207</u>	<u>219,527</u>	<u>36,841</u>	<u>307,961</u>	<u>631,536</u>
As at January 1, 2024	67,207	219,526	13,584	104,930	405,247
Profit and total comprehensive income for the period	–	–	–	62,967	62,967
Recognition of equity-settled share-based payments (note 29)	–	1	–	–	1
Transfer to surplus reserve	–	–	6,378	(6,378)	–
As at May 31, 2024 (unaudited)	<u>67,207</u>	<u>219,527</u>	<u>19,962</u>	<u>161,519</u>	<u>468,215</u>

Notes:

- (i) Amount as at January 1, 2022 represents the surplus of the equity contributions from shareholders over the registered capital of the Company, accumulated from prior years, of RMB93,658,000 and contribution from a shareholder for equity-settled share incentive schemes (details of which are disclosed in note 29) of the Company of RMB210,000.
- (ii) According to the relevant laws in the People's Republic of China (the "PRC"), companies established in the Mainland China with limited liability are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (iii) Amount represents the effect of the conversion of the Company into a joint stock company with limited liability during the year ended December 31, 2022. According to the relevant rules in the PRC, the shortfall of the net assets of the Company prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the Mainland China over the 67,207,000 ordinary shares of the Company with a nominal value of RMB1.0 each issued upon the conversion of RMB26,876,000 is deducted from the capital reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Five months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	73,764	132,813	148,994	71,374	103,466
Adjustments for:					
Interest expenses	24,733	7,748	7,221	2,976	2,249
Interest income	(6,385)	(7,086)	(5,640)	(1,296)	(1,609)
Depreciation of property, plant and equipment	1,880	2,326	2,929	1,091	1,231
Depreciation of right-of-use assets	927	1,559	2,051	854	854
(Reversal of) allowances for inventories, net	(243)	177	(125)	–	(1)
(Reversal of) impairment losses under expected credit loss ("ECL") model, net of reversal	(56)	671	129	(396)	205
Loss on disposal of property, plant and equipment	17	33	–	–	6
Loss (gain) on fair value change of financial assets at FVTPL	143	–	(1,141)	(313)	(4,082)
Equity-settled share-based payments	28	12	1	1	–
Release of deferred income to profit or loss	(31)	(31)	(31)	(12)	(12)
Change in the carrying amount of other borrowings measured at amortized cost	–	–	–	–	(5,248)
Operating cash flows before movements in working capital	94,777	138,222	154,388	74,279	97,059
(Increase) decrease in inventories	(5,544)	3,395	(10,407)	(2,855)	(7,581)
Decrease (increase) in trade and other receivables	5,436	(22,783)	(22,757)	10,957	(8,269)
Decrease (increase) in contract assets	183	(2,690)	(25)	647	2,229
(Decrease) increase in trade and other payables	(13,196)	25,605	33,901	(4,147)	5,548
(Decrease) increase in contract liabilities	(2,731)	(1,719)	7,784	15,132	(2,600)
Cash generated from operations	78,925	140,030	162,884	94,013	86,386
Income tax paid	–	(10)	(4,284)	(2,668)	(7,500)
Interest received	6,385	7,086	5,342	1,296	1,249
NET CASH FROM OPERATING ACTIVITIES	85,310	147,106	163,942	92,641	80,135

	Year ended December 31,			Five months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
INVESTING ACTIVITIES					
Purchase of financial assets at FVTPL	(489,045)	(350,260)	(583,764)	(271,220)	(376,100)
Placement of short-term and long-term fixed deposits	(199,950)	(120,000)	(30,592)	–	(15,044)
Payments for leasehold land	(28,634)	(783)	–	–	–
Advance to a director of the Company	(3,283)	–	–	–	–
Purchase of property, plant and equipment	(2,660)	(44,388)	(138,218)	(69,181)	(8,723)
Deposit paid for property, plant and equipment	(406)	(14,326)	(40,343)	(14,410)	(11,827)
Payment of rental deposits	(18)	(2,634)	–	–	–
Repayment of advance to a director of the Company	3,283	–	–	–	–
Proceeds from withdrawal of short-term fixed deposits	79,596	220,080	20,274	20,274	–
Proceeds from maturity of financial assets at FVTPL	587,360	370,597	349,949	100,000	353,579
Investment in equity investment at FVTOCI	–	(20,000)	–	–	–
Placement of restricted bank balances	–	(51,056)	–	–	–
Withdrawal of restricted bank balances	–	–	43,978	–	1,572
NET CASH USED IN INVESTING ACTIVITIES	(53,757)	(12,770)	(378,716)	(234,537)	(56,543)
FINANCING ACTIVITIES					
Proceeds from capital injection by shareholders	157,600	–	–	–	–
Repayment of lease liabilities	(828)	(862)	(1,440)	(592)	(621)
Repayment of bank and other borrowings	(9,013)	(46,050)	(3,394)	(1,680)	(10,161)
Proceeds from bank borrowings	–	5,568	17,831	–	7,632
Payment of accrued issue costs	–	–	(839)	–	(502)
Interest paid	(14,630)	(10,145)	(13,426)	(8,544)	(11,963)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	133,129	(51,489)	(1,268)	(10,816)	(15,615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	164,682	82,847	(216,042)	(152,712)	7,977
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	6,795	171,477	254,324	254,324	38,282
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	171,477	254,324	38,282	101,612	46,259

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION

The Company was established in the Mainland China in 2012 as a limited liability company under the Company Law of the PRC. On November 15, 2022, the name of the Company changed from “福建海西新藥創制有限公司” to “福建海西新藥創制股份有限公司”. During the Track Record Period, (i) Dr. Kang Xinshan, founder, chairman and executive director of the Company; (ii) Ms. Feng Yan, the spouse of Dr. Kang Xinshan and executive director of the Company; (iii) and an entity controlled by Dr. Kang Xinshan have been acting in concert and are considered to be the controlling shareholders of the Company. The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus.

The Group engages in the businesses of research and development, and manufacture and sale of pharmaceutical products.

The Historical Financial Information has been prepared based on the accounting policies which conform with the IFRS Accounting Standards issued by the IASB. Further details of the material accounting policy information are set out in note 3.

The Historical Financial Information is presented in RMB, which is the currency of the economic environment in which the Company operates.

2. APPLICATION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025, throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Group has not early adopted the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³

¹ Effective for annual periods beginning on or after a date to be determined

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

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

IFRS 18 “Presentation and Disclosure in Financial Statements” sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 “Presentation of Financial Statements”. The new IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18 will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

Except as described above, the directors of the Company consider that the application of all the amendments to IFRS Accounting Standards is unlikely to have a material impact on the Group's financial position and performance in foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in notes 5 and 19.

Leases

Definition of a lease

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income, expenses, gains and losses, net".

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefits scheme are classified as defined contribution plans and are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions: restricted share units granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (included in capital reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve.

When restricted share units are exercised, the amount previously recognized in capital reserve will be transferred to accumulated losses/retained profits. When the restricted share units are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in capital reserve will be transferred to accumulated losses/retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes to the same taxable entity levied by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity investment classified as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses/retained profits.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, expenses, gains and losses, net" line item.

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 "Financial Instrument"

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amount due from a subsidiary, short-term and long-term fixed deposits, restricted bank balances, bank balances) and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivable and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a bill receivable has not increased significantly since initial recognition if the bill receivable is determined to have low credit risk if i) it has credit risk at the reporting date. A bill receivable is determined to have low credit risk if i) it has a low risk of default, ii) the issuer has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the issuer to fulfil its contractual cash flow obligations. The Group considers a bill receivable to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for not credit-impaired trade receivables and contract assets are assessed on a collective basis, taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Repayment history; and
- Nature, size and industry of debtor.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and bill receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an equity instrument designated at FVTOCI, the cumulative gain or loss previously accumulated in the reserve is transferred to accumulated losses/retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

All financial liabilities including trade and other payables and bank and other borrowings are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of sale of products of similar natures. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates periodically. The carrying amounts of the Group's and the Company's inventories are set out in note 18.

Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves several assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

The information about the Group's and the Company's deferred tax assets is disclosed in note 16.

Estimated impairment of trade receivables

Trade receivables which considered to be credit-impaired are assessed on individual basis. In addition, the Group uses collective assessment to calculate ECL for trade receivables balances which are not assessed individually at the end of each reporting period. The ECL rates are based on internal credit ratings by groupings of various debtors that have similar loss patterns. The collective assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. The historical observed default rates are reassessed and changes in the forward-looking information are considered at the end of each reporting period. The provision of ECL is sensitive to changes in estimates.

The information about the Group's and the Company's trade receivables and the related ECL disclosures are set out in notes 19 and 30, respectively.

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,			Five months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Type of goods/services					
Sale of pharmaceutical products	205,334	311,529	461,529	177,775	249,147
Service income	7,131	5,104	5,154	2,828	69
Total	<u>212,465</u>	<u>316,633</u>	<u>466,683</u>	<u>180,603</u>	<u>249,216</u>
Timing of revenue recognition for contracts with customers					
At point in time	205,334	311,529	461,529	177,775	249,147
Over time	7,131	5,104	5,154	2,828	69
Total	<u>212,465</u>	<u>316,633</u>	<u>466,683</u>	<u>180,603</u>	<u>249,216</u>

(ii) Revenue accounting policies and performance obligations for contracts with customers

Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognized at point in time when control of the goods has transferred, being when the goods have been shipped to the customers' specific locations and accepted. Following delivery, the customers have the primary responsibility for the risks of obsolescence and loss in relation to the goods while they can request for return only if the goods delivered do not meet the required quality standards.

The credit period granted to customers by the Group is determined based on the characteristics of customers' credit risks. Sales are typically due for payment on delivery and no credit period is typically granted to customers. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

All the sales contracts that are unsatisfied are for periods of one year or less. As the Group applies the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Service income

The Group entered into research and development agreements with customers. The Group earns revenues by providing research services to the customers. Upfront payments of no more than 30% of the contract sums received by the Group was initially recognized as a contract liability. When the Group satisfies its performance obligations by providing services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset. The management of the Group considers that there is no significant financing component. Service income is recognized as a performance obligation satisfied over time. The Group uses services transferred to the customer to date (output method) to measure progress towards complete satisfaction of these performance obligations.

All the service contracts that are unsatisfied are for periods of one year or less. As the Group applies the practical expedient in IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Segment information

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and accordingly, the Group has only one reportable segment and no further analysis of this single segment is presented.

(iv) Geographical information

Substantially all of the Group's non-current assets are located in the Mainland China and substantially all of the Group's external customers are based in the Mainland China. Accordingly, no analysis of the operations of its external customers' geographical segment is presented.

(v) Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group for each reporting period is as below:

Type of revenue	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A Sale of pharmaceutical products	124,965	153,688	212,664	84,238	110,997

Note: Based on the best knowledge of the directors of the Company, Customer A is a group of companies under the control of the same holding company.

6. FINANCE COSTS

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expense on:					
– lease liabilities	398	364	379	166	137
– bank and other borrowings	24,335	7,384	6,842	2,810	2,112
Total	24,733	7,748	7,221	2,976	2,249

7. OTHER INCOME, EXPENSES, GAINS AND LOSSES, NET

	Year ended December 31,			Five months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other income (expenses):					
– interest income from					
– short-term and long-term fixed deposits	5,933	6,287	4,364	792	1,544
– bank deposits	385	799	1,276	504	65
– advance to a director of the Company	67	–	–	–	–
– government grants					
– related to assets (Note i)	31	31	31	12	12
– related to expense items (Note ii)	725	5,970	7,569	459	1,260
– others	329	2	54	10	111
	<u>7,470</u>	<u>13,089</u>	<u>13,294</u>	<u>1,777</u>	<u>2,992</u>
Impairment losses (recognized) reversed on:					
– trade receivables	(128)	(335)	81	129	(255)
– bills receivables	–	(278)	(221)	232	(54)
– other receivables	184	81	–	–	–
– contract assets	–	(139)	11	35	104
	<u>56</u>	<u>(671)</u>	<u>(129)</u>	<u>396</u>	<u>(205)</u>
Other gains (losses):					
– gains from partners of collaborative arrangements (Note iii)	10,779	7,895	16,717	472	–
– loss on disposal of property, plant and equipment	(17)	(33)	–	–	(6)
– fair value (loss) gain of financial assets at FVTPL	(143)	–	1,141	313	4,082
– change in the carrying amount of other borrowings measured at amortized cost	–	–	–	–	5,248
	<u>10,619</u>	<u>7,862</u>	<u>17,858</u>	<u>785</u>	<u>9,324</u>
Total	<u>18,145</u>	<u>20,280</u>	<u>31,023</u>	<u>2,958</u>	<u>12,111</u>

Notes:

- (i) Amount being granted by a local government in the Mainland China for the addition of property, plant and equipment, which is recognized as deferred income and is transferred to profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure.
- (ii) Amount recognized mainly represent subsidies granted by certain local government authorities to support the operating activities of the Group, in which no future related cost is expected to be incurred. These government grants with no unfulfilled conditions are recognized when payments were received or became receivable.
- (iii) Amount recognized represent gain on derecognition of the payables to partners of collaborative generic drug research and development arrangements (under trade and other payables) that are not required to be returned to the relevant counterparties.

8. INCOME TAX EXPENSE

	Year ended December 31,			Five months ended	
	2022	2023	2024	May 31, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
PRC Enterprise Income Tax ("EIT")					
– current year	10	–	9,361	4,935	11,010
– underprovision in prior years	–	–	–	–	340
Deferred tax (note 16)	4,773	15,359	3,554	3,472	1,907
	<u>4,783</u>	<u>15,359</u>	<u>12,915</u>	<u>8,407</u>	<u>13,257</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiary established in the Mainland China (other than those as described below) is 25% for the Track Record Period.

In December 2021, the "Certificate of New Hi-tech Enterprise" was granted to the Company for a period of three year from December 2021. The same qualification has been renewed and granted to the Company for another three years in December 2024. Accordingly, the Company is subject to the preferential EIT rate of 15% for the Track Record Period.

In 2022, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Further Implementation of Preferential Income Tax for Small and Micro Enterprises (Cai Shui [2022] No. 13), which provides that the portion of annual taxable income of small and micro enterprises exceeding RMB1,000,000 but not exceed in RMB3,000,000 shall be deducted to 25% of the taxable income and subject to income tax at a rate of 20% for the period from January 1, 2022 to December 31, 2024. The subsidiary of the Company was recognized as a small and micro enterprise for the purposes of Cai Shui [2022] No. 13 up to June 30, 2023 and was entitled to a preferential tax rate of 20% from January 1, 2022 to June 30, 2023. The subsidiary of the Company was charged at the tax rate of 25% from July 1, 2023 to May 31, 2025.

The taxation for the Track Record Period can be reconciled to profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Five months ended	
	2022	2023	2024	May 31, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	73,764	132,813	148,994	71,374	103,466
Tax at applicable tax rate of 25%	18,441	33,204	37,249	17,843	25,866
Tax effect of expenses not deductible for tax purposes	22	83	84	26	19
Underprovision in respect of prior years	–	–	–	–	340
Tax effect of tax losses not recognized	–	362	1,168	201	390
Extra deduction of research and development expenses (Note)	(5,074)	(4,878)	(9,801)	(2,444)	(2,860)
Tax effect of income tax at concessionary rate	(8,606)	(13,412)	(15,785)	(7,219)	(10,498)
Income tax expense	<u>4,783</u>	<u>15,359</u>	<u>12,915</u>	<u>8,407</u>	<u>13,257</u>

Note: The eligible expenditures of research and development costs incurred in the Mainland China and charged to profit or loss is subject to an additional 75% to 100% tax deduction in the calculation of income tax expense in the Track Record Period.

9. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended December 31,			Five months ended	
	2022	2023	2024	May 31, 2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Directors', chief executive's and supervisors' remuneration (note 11)	2,610	3,187	3,438	1,032	1,504
Other staff costs					
– salaries, wages and allowances	11,760	20,194	27,543	7,447	10,293
– performance-related bonus	1,129	1,956	3,385	1,256	1,737
– retirement benefits	457	621	869	321	561
Total staff costs	15,956	25,958	35,235	10,056	14,095
Less: capitalized in inventories	(382)	(473)	(730)	(183)	(325)
	15,574	25,485	34,505	9,873	13,770
Depreciation of property, plant and equipment	1,880	2,326	2,929	1,091	1,231
Depreciation of right-of-use assets	927	1,559	2,051	854	854
Total depreciation	2,807	3,885	4,980	1,945	2,085
Less: capitalized in inventories	(219)	(212)	(256)	(110)	(120)
	2,588	3,673	4,724	1,835	1,965
(Reversal of) allowances for inventories, net (included in cost of sales/services)	(243)	177	(125)	–	(1)
Marketing expenses (included in distribution and selling expenses) (Note)	43,118	85,629	156,353	53,769	79,884

Note: Amounts mainly represent service fees paid to third-party marketing service providers for various marketing services.

10. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period, nor proposed since the end of the Track Record Period.

11. DIRECTORS', CHIEF EXECUTIVES', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', chief executives' and supervisors' emoluments

Directors', chief executives' and supervisors' remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules, is as follows:

Year ended December 31, 2022

	Fees RMB'000	Salaries, wages and allowances RMB'000	Performance- related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors:					
Dr. Kang Xinshan (Note ii)	-	964	341	18	1,323
Ms. Feng Yan (Note iii)	-	-	-	-	-
Dr. Chen Guangming (Note iv)	-	483	123	7	613
Dr. Chen Shuyi (Note v)	-	385	69	12	466
Non-executive Directors:					
Mr. Xu Dong (Note vi)	-	-	-	-	-
Mr. Wang Xinkun (Note vii)	-	-	-	-	-
Independent Non-executive Director:					
Mr. Gong Weimin (Note viii)	-	6	-	-	6
Supervisors:					
Ms. Chen Xia (Note ix)	-	148	46	8	202
Mr. Wu Jiang (Note x)	-	-	-	-	-
Mr. Yang Jianwei (Note xi)	-	-	-	-	-
	-	1,986	579	45	2,610

Year ended December 31, 2023

	Fees RMB'000	Salaries, wages and allowances RMB'000	Performance- related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors:					
Dr. Kang Xinshan (Note ii)	-	952	349	18	1,319
Ms. Feng Yan (Note iii)	-	-	-	-	-
Dr. Chen Guangming (Note iv)	-	802	346	12	1,160
Dr. Chen Shuyi (Note v)	-	388	46	12	446
Non-executive Directors:					
Mr. Xu Dong (Note vi)	-	-	-	-	-
Mr. Wang Xinkun (Note vii)	-	-	-	-	-
Independent Non-executive Director:					
Mr. Gong Weimin (Note viii)	-	36	-	-	36
Supervisors:					
Ms. Chen Xia (Note ix)	-	162	56	8	226
Mr. Wu Jiang (Note x)	-	-	-	-	-
	-	2,340	797	50	3,187

Year ended December 31, 2024

	Fees RMB'000	Salaries, wages and allowances RMB'000	Performance- related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors:					
Dr. Kang Xinshan (Note ii)	-	933	354	18	1,305
Ms. Feng Yan (Note iii)	-	246	-	-	246
Dr. Chen Guangming (Note iv)	-	799	304	1	1,104
Dr. Chen Shuyi (Note v)	-	405	50	12	467
Non-executive Directors:					
Mr. Xu Dong (Note vi)	-	-	-	-	-
Mr. Wang Xinkun (Note vii)	-	-	-	-	-
Independent Non-executive Directors:					
Mr. Gong Weimin (Note viii)	10	33	-	-	43
Ms. Wang Shanshan (Note xiii)	10	-	-	-	10
Ms. Pu Meiting (Note xiii)	10	-	-	-	10
Supervisors:					
Ms. Chen Xia (Note ix)	-	180	65	8	253
Mr. Wu Jiang (Note x)	-	-	-	-	-
Ms. Xu Lixia (Note xii)	-	-	-	-	-
	30	2,596	773	39	3,438

Five months ended May 31, 2024 (unaudited)

	Fees RMB'000	Salaries, wages and allowances RMB'000	Performance- related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors:					
Dr. Kang Xinshan (Note ii)	-	372	21	7	400
Ms. Feng Yan (Note iii)	-	-	-	-	-
Dr. Chen Guangming (Note iv)	-	330	5	1	336
Dr. Chen Shuyi (Note v)	-	167	20	5	192
Non-executive Directors:					
Mr. Xu Dong (Note vi)	-	-	-	-	-
Mr. Wang Xinkun (Note vii)	-	-	-	-	-
Independent Non-executive Directors:					
Mr. Gong Weimin (Note viii)	-	15	-	-	15
Ms. Wang Shanshan (Note xiii)	-	-	-	-	-
Ms. Pu Meiting (Note xiii)	-	-	-	-	-
Supervisors:					
Ms. Chen Xia (Note ix)	-	76	10	3	89
Mr. Wu Jiang (Note x)	-	-	-	-	-
Ms. Xu Lixia (Note xii)	-	-	-	-	-
	-	960	56	16	1,032

Five months ended May 31, 2025

	Fees RMB'000	Salaries, wages and allowances RMB'000	Performance- related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors:					
Dr. Kang Xinshan (Note ii)	-	401	22	7	430
Ms. Feng Yan (Note iii)	-	176	1	-	177
Dr. Chen Guangming (Note iv)	-	435	2	-	437
Dr. Chen Shuyi (Note v)	-	170	21	5	196
Non-executive Directors:					
Mr. Xu Dong (Note vi)	-	-	-	-	-
Mr. Wang Xinkun (Note vii)	-	-	-	-	-
Independent Non-executive Directors:					
Mr. Gong Weimin (Note viii)	50	-	-	-	50
Ms. Wang Shanshan (Note xiii)	50	-	-	-	50
Ms. Pu Meiting (Note xiii)	50	-	-	-	50
Supervisors:					
Ms. Chen Xia (Note ix)	-	93	15	6	114
Mr. Wu Jiang (Note x)	-	-	-	-	-
Ms. Xu Lixia (Note xii)	-	-	-	-	-
	150	1,275	61	18	1,504

Notes:

- (i) The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company. The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors and supervisors of the Group, respectively. The performance-related bonuses were determined by the management of the Group by reference to the performance.
- (ii) Dr. Kang Xinshan is the chief executive of the Group and the emoluments disclosed above include those for services rendered as the chief executive and executive director of the Company. Dr. Kang Xinshan was appointed as a director of the Company since 2012 and re-designated as executive director in December 2024.
- (iii) Ms. Feng Yan was appointed as a director of the Company in November 2017 and was re-designated as executive director in December 2024.
- (iv) Dr. Chen Guangming was appointed as a director of the Company in October 2023 and was re-designated as executive director in December 2024.
- (v) Dr. Chen Shuyi was appointed as a director of the Company in July 2022 and re-designated as executive director in December 2024.
- (vi) Mr. Xu Dong was appointed as a director of the Company in August 2023 and was re-designated as a non-executive director in December 2024.
- (vii) Mr. Wang Xinkun was appointed as a director of the Company in March 2024 and was re-designated as a non-executive director in December 2024. Mr. Wang Xinkun served as a supervisor of the Company from October 2022 to March 2024.

- (viii) Mr. Gong Weimin was appointed as a director of the Company in October 2022 and re-designated as an independent non-executive director in December 2024.
- (ix) Ms. Chen Xia was appointed as supervisor of the Company in April 2016.
- (x) Mr. Wu Jiang was appointed as a supervisor of the Company in November 2020.
- (xi) Mr. Yang Jianwei was appointed as a supervisor of the Company in December 2020 and resigned from this office in November 2022.
- (xii) Ms. Xu Lixia was appointed as a supervisor of the Company in March 2024.
- (xiii) Ms. Wang Shanshan and Ms. Pu Meiting were appointed as independent non-executive directors of the Company in December 2024.

Five individuals with the highest emoluments

The five highest paid individuals of the Group included 3, 2, 2, 3 (unaudited) and 3 directors and supervisors for the years ended December 31, 2022, 2023 and 2024, and the five months ended May 31, 2024 and 2025, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 2, 3, 3, 2 (unaudited) and 2 individuals for the years ended December 31, 2022, 2023, 2024, and the five months ended May 31, 2024 and 2025, respectively, are as follows:

	Year ended December 31,			Five months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages and allowances	807	1,181	1,073	327	339
Performance-related bonuses	137	541	825	41	43
Retirement benefits	16	16	15	8	8
	<u>960</u>	<u>1,738</u>	<u>1,913</u>	<u>376</u>	<u>390</u>

The number of the highest paid employees for the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2024 and 2025 who are not the directors nor the supervisors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees			Five months ended	
	Year ended December 31,	2023	2024	May 31,	2025
	2022			2024	
				(unaudited)	
Emolument bands					
Nil to Hong Kong Dollar ("HK\$")					
1,000,000	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>

No emoluments were paid by the Group to the directors, the supervisors of the Company or the five highest paid individuals, as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. None of the directors or supervisors waived any emoluments during the Track Record Period.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,			Five months ended	
	2022	2023	2024	May 31,	2025
				(unaudited)	
Earnings for the year (RMB'000):					
Earnings for the purpose of basic earnings per share	68,981	117,454	136,079	62,967	90,209
Number of shares ('000):					
Weighted average number of ordinary shares for the purpose of basic earnings per share	64,270	67,207	67,207	67,207	67,207

No diluted earnings per share for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025 were presented as there were no potential ordinary shares in issue for any of those reporting periods.

13. INVESTMENT IN A SUBSIDIARY

(a) Particulars of a subsidiary

The Company

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Unlisted investments, at cost				
– 海西新藥創制(福州)有限公司				
Haixi New Drug Creation				
(Fuzhou) Co., Ltd.* ("Haixi				
Fuzhou")	30,000	160,000	160,000	160,000

* for identification purpose only

Since its establishment during the Track Record Period and as at the date of this report, the above subsidiary is directly held by the Company. Particulars of this investment are as follow:

Place and date of incorporation	Equity interest attributable to the Group				At date of this report	Paid up issued/registered capital	Principal activities
	As at December 31, 2022	2023	2024	As at May 31, 2025			
PRC June 30, 2022	100%	100%	100%	100%	100%	December 31, 2022: RMB30,000,000 December 31, 2023, 2024, May 31, 2025 and date of report: RMB160,000,000	Manufacture, wholesale, retail and commissioned manufacture of pharmaceutical products

Haixi Fuzhou is a limited liability company and had no debt securities outstanding as at December 31, 2022, 2023, 2024 or May 31, 2025 or at any time during the Track Record Period.

The statutory financial statements of the Company for each of the years ended December 31, 2022 and 2023 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprise and were audited by Fujian Mincai Certified Public Accountants Co., Ltd. 福建閩才會計師事務所有限公司, certified public accountants, registered in the Mainland China.

The statutory financial statements of the Company for the year ended December 31, 2024 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprise and were audited by Fujian Zhongzhenghengrui Certified Public Accountants Co., Ltd. 福建中正恆瑞會計師事務所有限公司, certified public accountants, registered in the Mainland China.

No statutory financial statements have been prepared for Haixi Fuzhou since there are no statutory audit requirements.

(b) Amount due from a subsidiary

Amount is non-trade-related, unsecured, interest free and repayable on demand.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Construction in progress RMB'000	Laboratory equipment RMB'000	Leasehold improvement RMB'000	Others RMB'000	Total RMB'000
Cost					
At January 1, 2022	–	17,151	2,723	1,664	21,538
Additions	–	2,754	–	24	2,778
Disposals/written-off	–	(149)	–	(2)	(151)
At December 31, 2022	–	19,756	2,723	1,686	24,165
Additions	80,081	5,290	–	377	85,748
Disposals/written-off	–	(536)	–	(120)	(656)
At December 31, 2023	80,081	24,510	2,723	1,943	109,257
Additions	183,118	1,358	363	161	185,000
At December 31, 2024	263,199	25,868	3,086	2,104	294,257
Additions	9,913	570	–	104	10,587
Disposals/written-off	–	(122)	–	–	(122)
At May 31, 2025	273,112	26,316	3,086	2,208	304,722
Depreciation					
At January 1, 2022	–	11,787	326	709	12,822
Provided for the year	–	1,369	279	232	1,880
Eliminated on disposals/written-off	–	(132)	–	(2)	(134)
At December 31, 2022	–	13,024	605	939	14,568
Provided for the year	–	1,779	279	268	2,326
Eliminated on disposals/written-off	–	(509)	–	(114)	(623)
At December 31, 2023	–	14,294	884	1,093	16,271
Provided for the year	–	2,362	289	278	2,929
At December 31, 2024	–	16,656	1,173	1,371	19,200
Provided for the period	–	982	123	126	1,231
Eliminated on disposals/written-off	–	(116)	–	–	(116)
At May 31, 2025	–	17,522	1,296	1,497	20,315
Carrying values					
At December 31, 2022	–	6,732	2,118	747	9,597
At December 31, 2023	80,081	10,216	1,839	850	92,986
At December 31, 2024	263,199	9,212	1,913	733	275,057
At May 31, 2025	273,112	8,794	1,790	711	284,407

The Company

	Laboratory Equipment RMB'000	Leasehold Improvement RMB'000	Others RMB'000	Total RMB'000
Cost				
At January 1, 2022	17,151	2,723	1,664	21,538
Additions	2,754	–	24	2,778
Disposals/written-off	(149)	–	(2)	(151)
At December 31, 2022	19,756	2,723	1,686	24,165
Additions	5,290	–	121	5,411
Disposals/written-off	(536)	–	(120)	(656)
At December 31, 2023	24,510	2,723	1,687	28,920
Additions	1,358	363	161	1,882
Disposed to a subsidiary	(803)	–	–	(803)
At December 31, 2024	25,065	3,086	1,848	29,999
Additions	570	–	104	674
Disposals/written-off	(122)	–	–	(122)
At May 31, 2025	25,513	3,086	1,952	30,551
Depreciation				
At January 1, 2022	11,787	326	709	12,822
Provided for the year	1,369	279	232	1,880
Eliminated on disposals/written-off	(132)	–	(2)	(134)
At December 31, 2022	13,024	605	939	14,568
Provided for the year	1,779	279	253	2,311
Eliminated on disposals/written-off	(509)	–	(114)	(623)
At December 31, 2023	14,294	884	1,078	16,256
Provided for the year	2,333	289	228	2,850
Eliminated on disposals to a subsidiary	(409)	–	–	(409)
At December 31, 2024	16,218	1,173	1,306	18,697
Provided for the period	946	123	104	1,173
Eliminated on disposals/written-off	(116)	–	–	(116)
At May 31, 2025	17,048	1,296	1,410	19,754
Carrying values				
At December 31, 2022	6,732	2,118	747	9,597
At December 31, 2023	10,216	1,839	609	12,664
At December 31, 2024	8,847	1,913	542	11,302
At May 31, 2025	8,465	1,790	542	10,797

The above items of property, plant and equipment of the Group and the Company, except for construction in progress of the Group, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Laboratory equipment	10%-20%
Leasehold improvement	10%
Others	20%-33.3%

15. RIGHT-OF-USE ASSETS

The Group

	Leased properties RMB'000	Leasehold land RMB'000	Total RMB'000
At January 1, 2022	7,957	–	7,957
Depreciation	(927)	–	(927)
At December 31, 2022	7,030	–	7,030
Addition	1,654	29,417	31,071
Depreciation	(973)	(586)	(1,559)
At December 31, 2023	7,711	28,831	36,542
Depreciation	(1,465)	(586)	(2,051)
At December 31, 2024	6,246	28,245	34,491
Depreciation	(610)	(244)	(854)
At May 31, 2025	5,636	28,001	33,637

The Company

	Leased properties RMB'000
At January 1, 2022	7,957
Depreciation	(927)
At December 31, 2022	7,030
Addition	1,654
Depreciation	(973)
At December 31, 2023	7,711
Depreciation	(1,465)
At December 31, 2024	6,246
Depreciation	(610)
At May 31, 2025	5,636

	The Group				The Company			
	Year ended December 31,			Five months ended	Year ended December 31,			Five months ended
	2022	2023	2024	May 31, 2025	2022	2023	2024	May 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total cash outflow for leases	29,860	2,009	1,819	758	1,226	1,226	1,819	758

During the Track Record Period, the Group leases buildings for its operations. Lease contracts are entered into for fixed term of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The above items of right-of-use assets are depreciated on a straight-line basis over their estimated useful lives based on lease terms at the following rates per annum:

Leased properties	10%-33.3%
Leasehold land	2%

16. DEFERRED TAX ASSETS

The followings are the major deferred tax assets and liabilities recognized and movements thereon during the Track Record Period:

The Group and Company

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Other borrowings RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	(1,193)	1,292	16,194	12,395	865	29,553
Credit (charge) to profit or loss	139	(124)	1,635	(6,494)	71	(4,773)
At December 31, 2022	(1,054)	1,168	17,829	5,901	936	24,780
(Charge) credit to profit or loss	(102)	119	(14,874)	(509)	7	(15,359)
At December 31, 2023	(1,156)	1,287	2,955	5,392	943	9,421
(Charge) credit to profit or loss	219	(216)	(2,955)	(605)	3	(3,554)
At December 31, 2024	(937)	1,071	–	4,787	946	5,867
Credit (charge) to profit or loss	91	(93)	–	(1,094)	(811)	(1,907)
At May 31, 2025	(846)	978	–	3,693	135	3,960

As at December 31, 2022, 2023, 2024 and May 31, 2025, the Group had unused tax losses of RMB118,860,000, RMB21,146,000, RMB6,117,000 and RMB7,724,000, under PRC EIT, respectively, available to offset against future profits. A deferred tax asset has been recognized in respect of RMB118,860,000, RMB19,700,000, nil and nil of such losses as at December 31, 2022, 2023, 2024 and May 31, 2025, respectively. No deferred tax asset has been recognized in respect of the remaining balance of nil, RMB1,446,000, RMB6,117,000 and RMB7,724,000 as at December 31, 2022, 2023, 2024 and May 31, 2025, respectively, due to the unpredictability of future profit streams. The unrecognized tax losses as at December 31, 2023 will expire in 2028, the balances as at December 31, 2024 will expire in 2028 and 2029, and the balances as at May 31, 2025 will expire in 2028, 2029 and 2030.

As at December 31, 2022, 2023, 2024 and May 31, 2025, the Company had unused tax losses of RMB118,860,000, RMB19,700,000, nil and nil, under PRC EIT, respectively, available to offset against future profits. A deferred tax asset has been recognized in respect of RMB118,860,000, RMB19,700,000, nil and nil of such losses as at December 31, 2022, 2023, 2024 and May 31, 2025, respectively.

17. EQUITY INSTRUMENT AT FVTOCI

The Group and Company

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Unlisted equity securities	–	20,000	20,000	20,000

In July 2023, the Company completed the capital injection into a private entity incorporated in the Cayman Islands, an independent third party, for an aggregate consideration of RMB20,000,000 in cash, for 4.58% of equity interest therein.

In the opinion of the directors of the Company, this investment is for long-term strategic purposes and not for trading. The directors of the Company elect to present subsequent changes in fair value of this equity investment in other comprehensive income. Accordingly, this equity investment is classified as at FVTOCI.

18. INVENTORIES

The Group and Company

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Raw materials and consumables	16,209	11,824	16,207	25,676
Work in progress	4,754	3,573	8,104	5,200
Finished goods	7,410	9,404	11,022	12,039
	<u>28,373</u>	<u>24,801</u>	<u>35,333</u>	<u>42,915</u>

19. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2022	2023	2024	May 31,	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025	RMB'000	RMB'000	RMB'000	2025
Trade receivables — contract with customers	3,852	10,504	8,189	11,047	3,852	10,504	8,189	11,047
Less: allowance for credit losses	(193)	(528)	(370)	(625)	(193)	(528)	(370)	(625)
	<u>3,659</u>	<u>9,976</u>	<u>7,819</u>	<u>10,422</u>	<u>3,659</u>	<u>9,976</u>	<u>7,819</u>	<u>10,422</u>
Bills receivables	2,375	9,891	12,488	11,055	2,375	9,891	12,488	11,055
Less: allowance for credit losses	—	(278)	(499)	(553)	—	(278)	(499)	(553)
	<u>2,375</u>	<u>9,613</u>	<u>11,989</u>	<u>10,502</u>	<u>2,375</u>	<u>9,613</u>	<u>11,989</u>	<u>10,502</u>
Rental deposit	322	477	477	477	322	477	477	477
Other receivables	1,664	214	280	338	1,661	196	267	327
Prepayments to suppliers	1,265	8,874	9,213	12,295	1,265	8,869	8,763	11,914
Other tax recoverables	631	5,647	27,640	31,344	613	3,150	4,419	3,946
Deferred issue cost	—	—	1,325	1,705	—	—	1,325	1,705
	<u>3,882</u>	<u>15,212</u>	<u>38,935</u>	<u>46,159</u>	<u>3,861</u>	<u>12,692</u>	<u>15,251</u>	<u>18,369</u>
	<u>9,916</u>	<u>34,801</u>	<u>58,743</u>	<u>67,083</u>	<u>9,895</u>	<u>32,281</u>	<u>35,059</u>	<u>39,293</u>
Analyzed as:								
Current	9,576	31,827	35,044	39,208	9,573	31,804	34,582	38,816
Non current	340	2,974	23,699	27,875	322	477	477	477
	<u>9,916</u>	<u>34,801</u>	<u>58,743</u>	<u>67,083</u>	<u>9,895</u>	<u>32,281</u>	<u>35,059</u>	<u>39,293</u>

As at January 1, 2022, the carrying amount of trade receivables net of allowance for credit losses from contracts with customers of the Group and the Company amounted to RMB1,227,000.

	The Group and Company			As at
	As at December 31,			May 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 90 days	5,944	18,030	13,456	14,218
More than 90 days	90	1,559	6,352	6,706
	6,034	19,589	19,808	20,924

	The Group and Company			As at
	As at December 31,			May 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets for service income	56	2,607	2,643	518

20. FINANCIAL ASSETS AT FVTPL

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2022	2023	2024	May 31,	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025	RMB'000	RMB'000	RMB'000	2025
Money market funds	20,337	–	234,956	238,558	20,337	–	206,570	215,120
Convertible notes	–	–	–	23,001	–	–	–	23,001
	<u>20,337</u>	<u>–</u>	<u>234,956</u>	<u>261,559</u>	<u>20,337</u>	<u>–</u>	<u>206,570</u>	<u>238,121</u>

In January 2025, the Company completed the subscription of the convertible notes issued by a private entity incorporated in the Cayman Islands, an independent third party, for a principal amount of RMB20,000,000.

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21. **RESTRICTED BANK BALANCES, SHORT-TERM FIXED DEPOSITS AND CASH AND CASH EQUIVALENTS**

(a) **Long-term fixed deposits**

Long-term fixed deposits of the Group and the Company as at December 31, 2024 and May 31, 2025 represent deposits with a bank with a maturity period of more than three months when acquired, and will mature after twelve months from the end of the reporting period, and are therefore classified as non-current assets as at December 31, 2024 and May 31, 2025. The deposits carry an interest rate of 2.90% per annum upon maturity or carry a floating rate based on daily bank deposit rate if the Group redeems them early at any time before the maturity date.

(b) **Restricted bank balances**

Restricted bank balances of the Group as at December 31, 2023 represent bank balances (i) placed in a designated bank account of the Group whose uses were restricted for acquisition of certain laboratory equipments from an independent third party amounting to RMB33,000,000 and (ii) received from a contractor as a performance guarantee for the construction of the construction in progress of the Group amounting to RMB18,056,000.

Restricted bank balances of the Group as at December 31, 2024 and May 31, 2025 represent bank balances placed in a designated bank account of the Group whose uses were restricted for acquisition of certain laboratory equipments from an independent third party.

(c) **Short-term fixed deposits**

Short-term fixed deposits of the Group and the Company are deposits with a financial institution with a maturity period within twelve months when acquired.

(d) **Cash and cash equivalents**

Cash and cash equivalents consist of bank balances and demand deposits for the purpose of meeting the Group's short term cash commitment.

The ranges of effective interest rate of the bank balances and deposits of the Group and the Company are:

	2022	As at December 31, 2023	2024	As at May 31, 2025
Interest rate per annum	0.05%-3.00%	0.20%-3.20%	0.20%-2.90%	0.05%-2.90%

Details of impairment assessment of the above balances are set out in note 30.

22. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	The Group				The Company			
	As at December 31,			As at	As at December 31,			As at
	2022	2023	2024	May 31, 2025	2022	2023	2024	May 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	3,109	2,804	5,744	10,094	3,109	2,804	5,744	10,094
Bills payables	–	–	10,039	13,043	–	–	10,039	13,043
	3,109	2,804	15,783	23,137	3,109	2,804	15,783	23,137
Salaries and wages payables	3,121	6,834	8,902	2,335	3,092	6,534	8,490	2,255
Other tax payables	2,582	5,574	2,641	5,221	2,582	5,536	2,641	4,713
Deposits received from suppliers	7,760	4,021	1,148	588	7,760	3,370	1,148	588
Payables for research services	4,994	3,542	11,109	9,350	4,994	3,542	11,109	9,350
Payables for marketing expenses	5,134	21,171	29,867	36,143	5,134	21,171	29,867	36,143
Payables for purchases of property, plant and equipment	73	41,360	45,546	32,886	73	842	–	84
Payables to partners of collaborative arrangements	11,471	20,057	23,867	24,592	11,471	20,057	23,867	24,592
Accrued listing expenses	–	–	4,711	2,007	–	–	4,711	2,007
Accrued issue costs	–	–	486	364	–	–	486	364
Others	535	381	257	460	489	381	237	458
	35,670	102,940	128,534	113,946	35,595	61,433	82,556	80,554
	38,779	105,744	144,317	137,083	38,704	64,237	98,339	103,691

The credit period on trade and bills payables is 0-90 days. The following is an aging analysis of trade and bills payables of the Group and the Company presented based on the invoice date/issuance date at the end of each reporting period:

	The Group and Company			
	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Less than 90 days	3,079	2,662	15,703	7,344
More than 90 days	30	142	80	15,793
	3,109	2,804	15,783	23,137

	The Group and Company			As at
	As at December 31,			May 31,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
– from sale of pharmaceutical products	1,408	261	7,609	4,868
– from service income	572	–	436	577
	<u>1,980</u>	<u>261</u>	<u>8,045</u>	<u>5,445</u>

As at January 1, 2022, the Group and the Company had contract liabilities of RMB4,711,000, arising from the sale of pharmaceutical products amounting to RMB903,000 and service income amounting to RMB3,808,000.

Contract liabilities are expected to be settled within the Group's and the Company's normal operating cycle.

The contract liabilities for sales of goods are classified as current based on the Group's and the Company's earliest obligation to transfer goods to the customers. Revenue recognized during each reporting period with performance obligation satisfied includes the entire balance of contract liability at the beginning of each reporting period. The contract liabilities for service income are classified as current based on Group's and the Company's earliest obligation to transfer services to the customers.

23. BANK AND OTHER BORROWINGS

The Group and Company

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Bank borrowings				
Advances drawn on bills receivables				
discounted with recourse, secured and				
unguaranteed	–	5,568	9,713	7,632
Borrowing, unsecured and unguaranteed	–	–	8,118	–
	–	5,568	17,831	7,632
Other borrowings				
Advances from third parties, unsecured and				
unguaranteed	84,394	35,947	31,916	24,624
	84,394	41,515	49,747	32,256
Carrying amounts of bank borrowings are				
repayable:				
Within one year	–	5,568	17,831	7,632
Carrying amounts of other borrowings are				
repayable:				
Within one year	48,447	4,031	5,292	2,303
Within a period of more than one year but				
not exceeding two years	4,031	5,292	5,467	4,667
Within a period of more than two years but				
not exceeding five years	17,472	13,982	10,308	8,253
Within a period of more than five years	14,444	12,642	10,849	9,401
Total other borrowings	84,394	35,947	31,916	24,624
Less: amount due for settlement within 12				
months shown under current				
liabilities	(48,447)	(4,031)	(5,292)	(2,303)
Amount due for settlement after 12 months				
shown under non-current liabilities	35,947	31,916	26,624	22,321
Total bank and other borrowings shown				
under:				
Current liabilities	48,447	9,599	23,123	9,935
Non-current liabilities	35,947	31,916	26,624	22,321
	84,394	41,515	49,747	32,256

In previous years, agreements were entered into by the Company with independent third parties which entitled each of the counterparty to certain percentages of the profit from the sales of specific drug candidates upon commercialization. In consideration, the Company is entitled to receive upfront fees from these counterparties on entering into the respective agreements. In the opinion of the directors of the Company, these amounts are considered as borrowings for the Group based on the substance of the contractual arrangements and satisfaction of the definition of a financial liability. These amounts are measured at amortized cost as at December 31, 2022, 2023, 2024 and May 31, 2025.

During the five months ended May 31, 2025, an adjustment of RMB5,248,000 to the amortized cost of the other borrowings has been made to reflect the actual contractual cash flows and is recognized in the profit or loss (note 7).

24. LEASE LIABILITIES

The Group and Company

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Within one year	869	1,440	1,511	1,542
Within a period of more than one year but not more than two years	912	1,511	1,586	1,368
Within a period of more than two years but not more than five years	3,021	3,752	3,331	3,400
More than five years	2,981	1,872	707	204
	<u>7,783</u>	<u>8,575</u>	<u>7,135</u>	<u>6,514</u>
Less: amount due for settlement within 12 months shown under current liabilities	<u>(869)</u>	<u>(1,440)</u>	<u>(1,511)</u>	<u>(1,542)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>6,914</u>	<u>7,135</u>	<u>5,624</u>	<u>4,972</u>

The weighted average incremental borrowing rates applied to lease liabilities is 4.90% as at December 31, 2022 and 4.87% as at December 31, 2023, 2024 and May 31, 2025.

25. RETIREMENT BENEFIT PLANS

In accordance with the rules and regulations in the Mainland China, the employees of the Group based in the Mainland China participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the Mainland China under which the Group and the relevant employees are required to make monthly contributions to these plans calculated at a certain percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Mainland China-based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefit of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government. The contributions to these plans are recognized as employee benefit charged to profit or loss and capitalized where applicable.

Contributions to the above schemes for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025 made by the Group amounted to RMB502,000, RMB671,000, RMB908,000, RMB337,000 (unaudited) and RMB579,000, respectively.

26. REGISTERED CAPITAL AND RESERVES OF THE COMPANY

(a) Registered capital of the Company

On January 1, 2022, the registered capital of the Company was RMB62,101,170. It increased to RMB67,207,270 in July 2022 upon capital injection by certain shareholders for a total consideration of RMB157,600,000. Upon conversion into a joint stock limited liability company in November 2022, the then registered capital of the Company was converted into 67,207,270 ordinary shares of the Company in a nominal value of RMB1.0 each.

The details of the share capital of the Company after the conversion into a joint stock limited liability company to the end of each reporting period are as follow:

	Number of shares '000	RMB'000
Ordinary shares of RMB1.0 each		
At November 15, 2022, December 31, 2022, December 31, 2023, December 31, 2024 and May 31, 2025	67,207	67,207

(b) Reserves of the Company

	Capital Reserve RMB'000	Surplus reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total RMB'000
As at January 1, 2022	93,868	–	(94,799)	(931)
Profit and total comprehensive income for the year	–	–	68,575	68,575
Capital injection by shareholders	152,494	–	–	152,494
Conversion into a joint stock company with limited liability	(26,876)	–	26,876	–
Recognition of equity-settled share-based payments	28	–	–	28
Transfer to surplus reserve	–	1,705	(1,705)	–
As at December 31, 2022	219,514	1,705	(1,053)	220,166
Profit and total comprehensive income for the year	–	–	118,900	118,900
Recognition of equity-settled share-based payments	12	–	–	12
Transfer to surplus reserve	–	11,839	(11,839)	–
As at December 31, 2023	219,526	13,544	106,008	339,078
Profit and total comprehensive income for the year	–	–	140,750	140,750
Recognition of equity-settled share-based payments	1	–	–	1
Transfer to surplus reserve	–	14,075	(14,075)	–
As at December 31, 2024	219,527	27,619	232,683	479,829
Profit and total comprehensive income for the period	–	–	91,816	91,816
Transfer to surplus reserve	–	9,182	(9,182)	–
As at May 31, 2025	219,527	36,801	315,317	571,645

27. CAPITAL COMMITMENT

	As at December 31,			As at
	2022	2023	2024	May 31,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Capital expenditure in respect of:				
– acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	2,834	140,812	27,015	3,050

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in note 23 and lease liabilities disclosed in note 24, net of long-term fixed deposits, restricted bank balances, short-term fixed deposits and cash and cash equivalents disclosed in note 21(d), and equity attributable to owners of the Company, comprising share capital and various reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, issue of new shares or new debts and redemption of existing debts.

29. SHARE-BASED PAYMENTS

Equity-settled share incentive scheme of the Company

In 2017, a share incentive plan was established by the Company and Dr. Kang Xinshan to grant restricted share units ("RSUs") to eligible employees of the Group (the "2017 Equity Incentive Scheme") for the purpose of incentivising them for the interests of the substantiable growth of the Group. According to the 2017 Equity Incentive Scheme, the grantees will become limited partners of an established limited liability partnership, Xiamen Tairuihe Investment Partnership (Limited) Partnership (the "RSU Platform", which is controlled and managed by its sole general partner, Dr. Kang Xinshan) on the grant date. The RSU Platform in turn is a shareholder of the Company.

Eligible persons of the Group participated in the 2017 Equity Incentive Scheme by obtaining partnership interests of the RSU Platform through transfer of interest therein from Dr. Kang Xinshan. Based on the 2017 Equity Incentive Scheme entered into by each of Dr. Kang Xinshan, the RSU Platform and the eligible participants, the RSUs were granted to each eligible participant over a five-year period, with 20% of the total RSUs granted on each of the five anniversary since November 2017. Each RSU will vest in three years following the relevant grant date provided that the grantee continued to be an employee of the Group by then. If a grantee ceases to be employed by the Group within the vesting period, the granted RSUs should be repurchased by Dr. Kang Xinshan, who also determines the transaction prices.

In 2021, eligible persons of the Group were invited to participate in another share incentive plan (the "2021 Equity Incentive Scheme") under which the grantees were granted with RSUs in the RSU Platform. All of the RSUs granted under the 2021 Equity Incentive Scheme were vested and exercised in 2021. The fair value of the RSUs as at the grant date of the 2021 Equity Incentive Scheme was RMB10.83 per RSU.

The fair value of the RSUs granted under the 2017 Equity Incentive Scheme as at different grant dates were estimated using the Black-Scholes model by an independent valuer, Yinxin Appraisal Co., Ltd., as of respective grant dates while the fair value of the RSU granted under the 2021 Equity Incentive Scheme was estimated by reference to the then latest round of financing of the Group. These equity incentive schemes are considered as equity-settled share-based payments to employees by the Group. The Group recognized a total expense of RMB28,000, RMB12,000, RMB1,000, RMB1,000 (unaudited) and nil, for the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2024 and 2025, respectively. As the grantees became the limited partners of the RSU Platform, being a shareholder of the Company, the issuance of the RSUs to the Group's employees is regarded as a contribution from a shareholder and was credited to the capital reserve in the equity.

The following table discloses movements of the RSUs under the 2017 Equity Incentive Scheme during the Track Record Period:

Tranche	Outstanding	Vested and	Outstanding	Vested and	Outstanding	Vested and	Outstanding
	at	exercised	at	exercised	at	exercised	at
	January 1, 2022 RMB'000	during the year RMB'000	December 31, 2022 RMB'000	during the year RMB'000	December 31, 2023 RMB'000	during the year RMB'000	December 31, 2024 and May 31, 2025 RMB'000
Lot i	226,990	(226,990)	–	–	–	–	–
Lot ii	86,327	–	86,327	(86,327)	–	–	–
Lot iii	42,896	–	42,896	–	42,896	(42,896)	–
Total	356,213	(226,990)	129,223	(86,327)	42,896	(42,896)	–

Tranche	Vesting period	Exercisable date	Grant date fair value per RSU RMB
Lot i	30.11.2017-29.11.2022	30.11.2022	0.38
Lot ii	30.11.2017-29.11.2023	30.11.2023	0.57
Lot iii	30.11.2017-29.11.2024	30.11.2024	0.63

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company			
	As at December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000	As at May 31, 2025 RMB'000	As at December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000	As at May 31, 2025 RMB'000
Financial assets								
Equity instrument at FVTOCI	–	20,000	20,000	20,000	–	20,000	20,000	20,000
Financial assets at FVTPL	20,337	–	234,956	261,559	20,337	–	206,570	238,121
At amortized cost	299,786	345,745	96,610	119,460	298,354	271,382	253,214	293,981
	<u>320,123</u>	<u>365,745</u>	<u>351,566</u>	<u>401,019</u>	<u>318,691</u>	<u>291,382</u>	<u>479,784</u>	<u>552,102</u>
Financial liabilities								
At amortized cost	117,470	134,851	182,521	161,783	117,424	93,682	136,955	128,979
Lease liabilities	7,783	8,575	7,135	6,514	7,783	8,575	7,135	6,514
	<u>125,253</u>	<u>143,426</u>	<u>189,656</u>	<u>168,297</u>	<u>125,207</u>	<u>102,257</u>	<u>144,090</u>	<u>135,493</u>

(b) **Financial risk management objectives and policies**

The Group's and Company's major financial instruments include equity instrument at FVTOCI, trade and bills receivables, certain other receivables, financial assets at FVTPL, long-term fixed deposits, restricted bank balances, short-term fixed deposits, cash and cash equivalents, trade payables, certain other payables, bank and other borrowings and lease liabilities. The Company's financial instruments also include amount due from a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The directors of the Company consider the Group and the Company do not subject to foreign exchange rate risk.

Market risks

(i) *Interest rate risk*

The Group and Company is exposed to fair value interest rate risk in relation to short-term fixed deposits, fixed-rate bank and other borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and restricted bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management of the Group considers that the impacts of interest rate risk to profit or loss for the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2024 and 2025 are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

(ii) *Other price risk*

The Group and Company is exposed to equity price risk through its equity instrument at FVTOCI and the money market funds measured at FVTPL.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the end of each reporting period.

The management of the Group considers that all of the equity instrument at FVTOCI and financial assets at FVTPL of the Group and the Company are categorized as Level 2 as at December 31, 2022, 2023 and 2024 and May 31, 2025.

If the prices of the equity instrument at FVTOCI had been 10% higher/lower, the Group and Company's other comprehensive income would increase/decrease by RMB 1,700,000, RMB 1,700,000, RMB1,700,000 (unaudited) and RMB1,700,000 for the years ended December 31, 2023 and 2024 and the five months ended May 31, 2024 and 2025, respectively. The Group nor the Company was subject to other price risk from the equity instrument at FVTOCI for the year ended December 31, 2022.

If the prices of the financial assets at FVTPL had been 10% higher/lower, the Group's post-tax profit for the years ended December 31, 2022 and 2024 and the five months ended May 31, 2024 and 2025 would increase/decrease by RMB1,729,000, RMB19,971,000 RMB14,580,000 (unaudited) and RMB22,233,000, respectively, while the Company's post-tax profit for the years ended December 31, 2022 and 2024 and the five months ended May 31, 2024 and 2025 would increase/decrease by RMB1,729,000, RMB17,558,000, RMB14,580,000 (unaudited) and RMB20,240,000, respectively. The Group nor the Company was subject to other price risk from the financial instrument at FVTPL for the year ended December 31, 2023.

In the opinion of the directors of the Company, the sensitivity analysis above is unrepresentative for the other price risk as the exposure at the end of reporting period does not reflect the exposure during each reporting period.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to trade and bills receivables, certain other receivables (including rental deposits), financial assets at FVTPL, restricted bank balances, short-term and long-term fixed deposits and cash and cash equivalents. The Group or the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bill receivables is mitigated because settlement of certain bills receivables are backed by bills issued by reputable banks and financial institutions. Except for financial assets at FVTPL, the Group and the Company performed impairment assessment for financial assets and other items under ECL model.

The Group and Company manages the risk with respect to restricted bank deposit, short-term and long-term fixed deposits and bank balances by placing in or entered into the contract with the banks with high reputation only.

The Group and Company has policies in place to ensure that sales are made to reputable customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group and Company reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of the business of sale of pharmaceutical products, the Group and Company normally grants credit periods from 15 to 90 days to reputable customers only and request for full payments upon deliveries of pharmaceutical products and service for other customers.

The Group and Company have receivables from different customers and other debtors operate in different geographic regions in the country and of different commercial scales. Thus, the Group and Company classified the above assets into below categories:

- Category 1: trade receivables and contract assets;
- Category 2: bill receivables; and
- Category 3: other receivables.

(i) *Trade receivables and contract assets*

The Group and Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics by reference to aging based on the dates of goods delivery.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index to be the most relevant factors for pharmaceutical customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as a net basis in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

The Group and Company

	Lifetime ECL (not credit- impaired) RMB'000
As at January 1, 2022	(68)
– Impairment losses recognized	(193)
– Impairment losses reversed	65
	<hr/>
As at December 31, 2022	(196)
– Impairment losses recognized	(667)
– Impairment losses reversed	193
	<hr/>
As at December 31, 2023	(670)
– Impairment losses recognized	(498)
– Impairment losses reversed	590
– Write-offs	77
	<hr/>
As at December 31, 2024	(501)
– Impairment losses recognized	(649)
– Impairment losses reversed	498
	<hr/>
As at May 31, 2025	<u>(652)</u>

In the opinion of the management, there was no significant changes to the loss rates for each ageing category during the Track Record Period.

(ii) *Bill receivables*

The Group and the Company assesses the credit losses of bill receivables individually using three-stage approach. The credit risk of bill receivables is considered not significantly increased since initial recognition, and thus the impairment provision is determined as 12m ECL. As at December 31, 2022, 2023 and 2024 and May 31, 2025, insignificant balance, RMB278,000, RMB499,000 and RMB553,000, respectively, were provided as loss allowance for bill receivables.

(iii) *Other receivables*

The Group and the Company applies the IFRS 9 three-stage approach to measure ECL. Other receivables comprise rental deposits and others. Since the credit risk of other receivables is considered not significantly increased since initial recognition, therefore the impairment provision is determined as 12m ECL. As at December 31, 2022, 2023 and 2024 and May 31, 2025, balances of RMB82,000, RMB1,000, RMB1,000 and RMB1,000, respectively, were provided as loss allowance for other receivables.

The Group's and the Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	Amount is 30 days past due or more, or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	Amount is 90 days past due and there is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets and contract assets, which are subject to ECL assessment:

The Group

	Internal credit rating	12m or lifetime ECL	2022		As at December 31, 2023		2024		As at May 31, 2025	
			Average loss rate	Gross carrying amount	Average loss rate	Gross carrying amount	Average loss rate	Gross carrying amount	Average loss rate	Gross carrying amount
				RMB'000		RMB'000		RMB'000		RMB'000
Trade receivables	Low risk	Lifetime ECL	5.01%	3,852	5.03%	10,504	4.52%	8,189	5.66%	11,047
Bill receivables	Low risk	12m ECL	—	2,375	2.81%	9,891	4.00%	12,488	5.00%	11,055
Other receivables	Low risk	12m ECL	4.09%	2,003	0.20%	512	0.18%	553	0.21%	478
Contract assets	Low risk	Lifetime ECL	5.08%	59	5.17%	2,749	4.72%	2,774	4.95%	545
Long-term fixed deposits	(Note)	12m ECL	—	—	—	—	—	30,890	—	31,250
Restricted bank balances	(Note)	12m ECL	—	—	—	51,056	—	7,078	—	5,506
Short-term fixed deposits	(Note)	12m ECL	—	120,354	—	20,274	—	—	—	15,044
Cash and cash equivalents	(Note)	12m ECL	—	171,477	—	254,324	—	38,282	—	46,259

Note: The counterparties are licensed banks with high credit ratings and the directors of the Company consider the risk of default on liquid funds is limited.

The Company

		As at December 31,								As at May 31,	
		2022		2023		2024		2025			
	Internal	12m or	Average	Gross	Average	Gross	Average	Gross	Average	Gross	
	credit rating	lifetime	loss	carrying	loss	carrying	loss	carrying	loss	carrying	
		ECL	rate	amount	rate	amount	rate	amount	rate	amount	
				RMB'000		RMB'000		RMB'000		RMB'000	
Trade receivables	Low risk	Lifetime ECL	5.01%	3,852	5.03%	10,504	4.52%	8,189	5.01%	11,047	
Bill receivables	Low risk	12m ECL	–	2,375	2.81%	9,891	4.00%	12,488	5.00%	11,055	
Other receivables	Low risk	12m ECL	4.09%	2,003	0.20%	503	0.18%	553	0.21%	478	
Contract assets	Low risk	Lifetime ECL	5.08%	59	5.17%	2,749	4.72%	2,774	4.95%	545	
Amount due from a subsidiary	Low risk	12m ECL	–	1,000	–	10,132	–	165,901	–	181,845	
Long-term fixed deposits	(Note)	12m ECL	–	–	–	–	–	30,890	–	31,250	
Restricted bank balances	(Note)	12m ECL	–	–	–	–	–	–	–	–	
Short-term fixed deposits	(Note)	12m ECL	–	120,354	–	20,274	–	–	–	15,044	
Cash and cash equivalents	(Note)	12m ECL	–	169,045	–	220,885	–	36,063	–	44,441	

Note: The counterparties are licensed banks with high credit ratings and the directors of the Company consider the risk of default on liquid funds is limited.

Liquidity risk

The management of the Group and the Company are satisfied that the Group and Company will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Group's and the Company's cash flow projection, and the Group's and the Company's future capital expenditure in respect of the non-cancellable capital commitments, the management considers that the Group and the Company have sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of each reporting period.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows. The table includes both interest and principal cash flows, where applicable.

The Group

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at December 31, 2022							
<i>Non-interest bearing</i>							
Trade and other payables	-	33,076	-	-	-	33,076	33,076
<i>Interest bearing</i>							
Other borrowings	18.77%	55,830	10,777	32,429	29,159	128,195	84,394
Lease liabilities	4.90%	1,225	1,225	3,679	3,167	9,296	7,783
		57,055	12,002	36,108	32,326	137,491	92,177
Total		90,131	12,002	36,108	32,326	170,567	125,253
As at December 31, 2023							
<i>Non-interest bearing</i>							
Trade and other payables	-	93,336	-	-	-	93,336	93,336
<i>Interest bearing</i>							
Bank borrowing	2.20%	5,568	-	-	-	5,568	5,568
Other borrowings	18.77%	10,777	11,281	25,660	24,647	72,365	35,947
Lease liabilities	4.87%	1,818	1,818	4,270	1,942	9,848	8,575
		18,163	13,099	29,930	26,589	87,781	50,090
Total		111,499	13,099	29,930	26,589	181,117	143,426
As at December 31, 2024							
<i>Non-interest bearing</i>							
Trade and other payables	-	132,774	-	-	-	132,774	132,774
<i>Interest bearing</i>							
Bank borrowing	2.30%	18,049	-	-	-	18,049	17,831
Other borrowings	18.77%	10,777	11,281	19,362	20,481	61,901	31,916
Lease liabilities	4.87%	1,818	1,818	3,678	715	8,029	7,135
		30,644	13,099	23,040	21,196	87,979	56,882
Total		163,418	13,099	23,040	21,196	220,753	189,656

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at May 31, 2025							
<i>Non-interest bearing</i>							
Trade and other payables	-	129,527	-	-	-	129,527	129,527
<i>Interest bearing</i>							
Bank borrowings	2.60%	7,978	-	-	-	7,978	7,632
Other borrowings	18.77%	7,305	10,555	16,502	18,890	53,252	24,624
Lease liabilities	4.87%	1,818	1,571	3,678	205	7,272	6,514
		17,101	12,126	20,180	19,095	68,502	38,770
Total		146,628	12,126	20,180	19,095	198,029	168,297

The Company

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at December 31, 2022							
<i>Non-interest bearing</i>							
Trade and other payables	-	33,030	-	-	-	33,030	33,030
<i>Interest bearing</i>							
Other borrowings	18.77%	55,830	10,777	32,429	29,159	128,195	84,394
Lease liabilities	4.90%	1,225	1,225	3,679	3,167	9,296	7,783
		57,055	12,002	36,108	32,326	137,491	92,177
Total		90,085	12,002	36,108	32,326	170,521	125,207
As at December 31, 2023							
<i>Non-interest bearing</i>							
Trade and other payables	-	52,167	-	-	-	52,167	52,167
<i>Interest bearing</i>							
Bank borrowing	2.20%	5,568	-	-	-	5,568	5,568
Other borrowings	18.77%	10,777	11,281	25,660	24,647	72,365	35,947
Lease liabilities	4.87%	1,818	1,818	4,270	1,942	9,848	8,575
		18,163	13,099	29,930	26,589	87,781	50,090
Total		70,330	13,099	29,930	26,589	139,948	102,257

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at December 31, 2024							
<i>Non-interest bearing</i>							
Trade and other payables	-	87,208	-	-	-	87,208	87,208
<i>Interest bearing</i>							
Bank borrowing	2.30%	18,049	-	-	-	18,049	17,831
Other borrowings	18.77%	10,777	11,281	19,362	20,481	61,901	31,916
Lease liabilities	4.87%	1,818	1,818	3,678	715	8,029	7,135
		30,644	13,099	23,040	21,196	87,979	56,882
Total		117,852	13,099	23,040	21,196	175,187	144,090
As at May 31, 2025							
<i>Non-interest bearing</i>							
Trade and other payables	-	96,723	-	-	-	96,723	96,723
<i>Interest bearing</i>							
Bank borrowings	2.60%	7,978	-	-	-	7,978	7,632
Other borrowings	18.77%	7,305	10,555	16,502	18,890	53,252	24,624
Lease liabilities	4.87%	1,818	1,571	3,678	205	7,272	6,514
		17,101	12,126	20,180	19,095	68,502	38,770
Total		113,824	12,126	20,180	19,095	165,225	135,493

(c) Fair value measurements of financial instruments

The management of the Group has closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of financial instruments, the Group uses market-observable data to the extent it is available. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The Group and Company

Financial assets	Fair value			As at	Fair value hierarchy	Valuation technique(s) and key input(s)
	As at December 31,			May 31,		
	2022	2023	2024	2025		
	RMB'000	RMB'000	RMB'000	RMB'000		
Equity instrument at FVTOCI						
Unlisted equity securities	–	20,000	20,000	20,000	Level 2	December 31, 2023: Recent transaction; December 31, 2024 and May 31, 2025: Market approach. Valuation is derived by trending analyses of comparable companies
Financial assets at FVTPL						
Unlisted money market funds	20,337	–	The Group: 234,956, The Company: 206,570	The Group: 238,558, The Company: 215,120	Level 2	Redemption value quoted by the relevant investment funds with reference to the underlying assets (mainly listed securities and bonds) of the fund
Convertible notes	–	–	–	23,001	Level 2	Binomial valuation model. Key inputs to the model include coupon interest rate, conversion price of the financial instrument and expected volatility of the comparable companies

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Accrued issue cost RMB'000	Total RMB'000
At January 1, 2022	83,304	8,611	–	91,915
Financing cash flows	(23,245)	(1,226)	–	(24,471)
Finance costs recognized (note 6)	24,335	398	–	24,733
At December 31, 2022	84,394	7,783	–	92,177
Financing cash flows	(50,263)	(1,226)	–	(51,489)
Finance costs recognized (note 6)	7,384	364	–	7,748
New lease entered	–	1,654	–	1,654
At December 31, 2023	41,515	8,575	–	50,090
Financing cash flows	1,390	(1,819)	(839)	(1,268)
Deferred issue cost	–	–	1,325	1,325
Finance costs recognized (note 6)	6,842	379	–	7,221
At December 31, 2024	49,747	7,135	486	57,368
Financing cash flows	(14,355)	(758)	(502)	(15,615)
Deferred issue cost	–	–	380	380
Finance costs recognized (note 6)	2,112	137	–	2,249
Change in the carrying amount of other borrowings measured at amortized cost	(5,248)	–	–	(5,248)
At May 31, 2025	<u>32,256</u>	<u>6,514</u>	<u>364</u>	<u>39,134</u>
(Unaudited)				
At January 1, 2024	41,515	8,575	–	50,090
Financing cash flows	(10,058)	(758)	–	(10,816)
Finance costs recognized (note 6)	2,810	166	–	2,976
At May 31, 2024	<u>34,267</u>	<u>7,983</u>	<u>–</u>	<u>42,250</u>

32. RELATED PARTY DISCLOSURES

(a) Related party transactions

The Group and the Company have following transactions with related parties:

Related party	Nature of transactions	For the year ended December 31,			For the five months ended May 31,	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
萊必宜科技(廈門)有限責任公司 Laibiyi Technology (Xiamen) Co., Ltd.* (Note i)	Fee paid for research services	6,452	-	-	-	-
福州閩諾檢測科技有限公司 (Fuzhou Minnuo Testing Technology Co., Ltd.)* (Note ii)	Fee paid for testing services	106	-	-	-	-
Dr. Kang Xinshan (Note iii)	Interest income from advances to a director of the Company	67	-	-	-	-

* for identification purpose only

Notes:

- (i) Ms. Feng Yan was the chairwoman of the board of directors of Laibiyi Technology (Xiamen) Co., Ltd. up to June 2022 and serves as a consultant since July 2022.
- (ii) Fuzhou Minnuo Testing Technology Co., Ltd is indirectly controlled by Mr. Yang Jianwei, who was a supervisor of the Company and ceased to assume any roles in the Group since November 2022.
- (iii) In February 2022, the Group made advances to Dr. Kang Xinshan in the total principal amounts of RMB3,283,000. The loans bore interest at 4.35% per annum and were fully repaid in July 2022.

Save as disclosed above, as set out in the “History, Development and Corporate Structure” section of the Prospectus, prior to the Track Record Period, certain shareholders of the Company were granted with certain special rights, which were subsequently cancelled during 2023. Among these special rights, the redemption right granted to these shareholders for redemption of their relevant shares under some pre-determined conditions were borne by Dr. Kang Xinshan and the Group was not obliged to such liability. Accordingly, the relevant investments from these shareholders were accounted for as equity instruments, and no redemption liability was recognized by the Group as at January 1, 2022, December 31, 2022 or prior to the cancellation during 2023. No consideration has been paid or borne by the Group to Dr. Kang Xinshan for the performance of such redemption obligations prior to their cancellation.

(b) Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management including chief executive of the Company during the Track Record Period was as follow:

	Year ended December 31,			Five months ended	
	2022	2023	2024	May 31,	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fees	–	–	30	–	150
Salaries, wages and allowances	2,793	3,159	3,438	1,305	1,636
Performance-related bonuses	716	973	972	76	61
Retirement benefits	61	58	47	19	18
	<u>3,570</u>	<u>4,190</u>	<u>4,487</u>	<u>1,400</u>	<u>1,865</u>

The remuneration of key management personnel is determined with reference to the performance of the individuals and the market trends.

33. EVENTS AFTER REPORTING PERIOD

No significant events have taken place subsequent to May 31, 2025.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, its subsidiary or the Group have been prepared in respect of any period subsequent to May 31, 2025.