

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is the text of a report set out on pages IA-1 to IA-18 received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AB&B BIO-TECH CO., LTD. JS

Introduction

We have reviewed the condensed consolidated financial statements of Ab&B Bio-Tech Co., Ltd. JS (“江蘇中慧元通生物科技股份有限公司”) (the “Company”) and its subsidiary (together, the “Group”) set out on pages IA-3 to IA-18, which comprise the condensed consolidated statement of financial position as of September 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and notes to the condensed consolidated financial statements. The condensed consolidated financial statements have been prepared by the directors of the Company solely for the purpose of application of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited. As a result, the condensed consolidated financial statements may not be suitable for another purpose. The directors of the Company are responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 of these condensed consolidated financial statements 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.

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

January 23, 2025

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Nine months ended September 30,	
		2023	2024
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Revenue	3	4,532	217,185
Cost of sales		(2,156)	(80,159)
Gross profit		2,376	137,026
Other income	5	4,216	16,369
Impairment losses under expected credit loss model, net of reversal		—	(86)
Other gains and losses	6	1,297	236
Selling expenses		(26,796)	(115,018)
Administrative expenses		(56,362)	(51,423)
Research and development expenses		(164,878)	(142,631)
Finance costs	7	(4,099)	(12,585)
Loss before tax	8	(244,246)	(168,112)
Income tax expense		—	—
Loss and total comprehensive expense for the period		(244,246)	(168,112)
Loss per share			
– Basic and diluted (RMB)	9	(0.68)	(0.47)

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31, 2023	As at September 30, 2024
	Notes	RMB'000 (audited)	RMB'000 (unaudited)
Non-current assets			
Property, plant and equipment	11	740,782	908,021
Right-of-use assets		94,476	88,187
Intangible assets	12	26,844	25,976
Other receivables and prepayments	14	44,396	25,709
		<u>906,498</u>	<u>1,047,893</u>
Current assets			
Inventories		41,818	62,724
Trade receivables	13	73,595	317,762
Other receivables and prepayments	14	14,772	14,615
Financial assets at fair value through profit or loss (“FVTPL”)	15	10,020	—
Pledged bank deposits		5,486	—
Time deposits		22,236	—
Cash and cash equivalents		45,318	114,513
		<u>213,245</u>	<u>509,614</u>
Current liabilities			
Trade and other payables	16	291,550	429,066
Amounts due to shareholders	24	—	4,000
Refund liabilities	17	13,259	71,748
Borrowings	18	217,887	254,238
Lease liabilities		6,467	7,261
		<u>529,163</u>	<u>766,313</u>
Net current liabilities		<u>(315,918)</u>	<u>(256,699)</u>
Total assets less current liabilities		<u>590,580</u>	<u>791,194</u>
Non-current liabilities			
Borrowings	18	148,262	478,743
Lease liabilities		48,808	43,841
Deferred income	19	30,240	38,408
		<u>227,310</u>	<u>560,992</u>
Net asset		<u>363,270</u>	<u>230,202</u>
Capital and reserves			
Share capital	21	360,000	360,000
Reserves		3,270	(129,798)
Total equity		<u>363,270</u>	<u>230,202</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payment reserves	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 21</i>		<i>Note 20</i>		
As at January 1, 2024	360,000	614,930	98,699	(710,359)	363,270
Loss and total comprehensive expense for the year	–	–	–	(168,112)	(168,112)
Recognition of equity-settled share-based payments	–	–	35,044	–	35,044
Vesting of restricted shares	–	69,045	(69,045)	–	–
As at September 30, 2024 (unaudited)	<u>360,000</u>	<u>683,975</u>	<u>64,698</u>	<u>(878,471)</u>	<u>230,202</u>
As at January 1, 2023 (unaudited)	360,000	614,930	50,172	(285,618)	739,484
Loss and total comprehensive expense for the year	–	–	–	(244,246)	(244,246)
Recognition of equity-settled share-based payments	–	–	35,201	–	35,201
As at September 30, 2023 (unaudited)	<u>360,000</u>	<u>614,930</u>	<u>85,373</u>	<u>(529,864)</u>	<u>530,439</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended September 30,	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
NET CASH USED IN OPERATION ACTIVITIES . .	(210,163)	(164,282)
INVESTING ACTIVITIES		
Receipt of interest from banks	2,136	425
Purchases of financial assets measured at FVTPL	(420,600)	(120,000)
Redemption of financial assets at FVTPL	631,544	130,261
Proceeds from disposal of property, plant and equipment	—	353
Purchases of property, plant and equipment	(190,769)	(163,053)
Payments for right-of-use assets	(9,290)	—
Receipt of government grants	1,000	8,550
Payments for rental deposits	(977)	118
Purchases of intangible assets	—	(433)
Placement of pledged bank deposits	(41,583)	(137)
Withdrawal of pledged bank deposits	62,353	5,623
Placement of time deposits with maturity of more than three months	(50,000)	—
Withdrawal of time deposits with maturity of more than three months	60,000	22,236
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>43,814</u>	<u>(116,057)</u>
FINANCING ACTIVITIES		
Proceeds from bank borrowings	211,503	558,582
Repayments of bank borrowings	(34,000)	(191,750)
Loans from shareholders	—	4,000
Interest paid	(3,930)	(17,125)
Payments of lease liabilities	<u>(3,925)</u>	<u>(4,173)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>169,648</u>	<u>349,534</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,299	69,195
Cash and cash equivalents at beginning of the period . .	<u>16,646</u>	<u>45,318</u>
Cash and cash equivalents at end of the period	<u><u>19,945</u></u>	<u><u>114,513</u></u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Ab&B Bio-Tech Co., Ltd. JS (“the Company”) was founded on October 28, 2015, when the Company was founded by An Youcai (“Mr. An”), the controlling shareholder, in Taizhou as a limited liability company under the laws of the People’s Republic of China (“PRC”). On February 22, 2022, the Company was converted to a joint stock company with limited liability under the Company Law of the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the Document.

The Group is principally engaged in the research and development, manufacturing and commercialisation of vaccine products for human use.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at September 30, 2024, the Group’s current liabilities exceeded its current assets by approximately RMB256,699,000. After taking into account of the Group’s cash flow projection, expected working capital requirements and the financing plans, the directors of the Company are satisfied that the Group is able to have sufficient working capital to finance its operations and to meet its financial obligations for no less than twelve months after September 30, 2024, and it is appropriate to prepare Historical Financial Information on a going concern basis.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended September 30, 2024 are the same as those presented in the Group’s historical financial statements for the year ended December 31, 2023 (the “Historical Financial Information”) included in the accountants’ report as set out in Appendix I to this document.

3. REVENUE

(i) Disaggregation of revenue from contracts with the customers:

	Nine months ended September 30,	
	2023	2024
	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Type of goods		
Sales of vaccine products	4,532	217,185
Geographical market		
Mainland China	4,532	217,185
Timing of revenue recognition		
At a point in time	4,532	217,185

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(ii) Performance obligations for contracts with customers and revenue recognition policies.

Revenue from the sales of vaccine products is recognised when control of the vaccine has transferred, being when the goods have been shipped to the specific location and accepted by customers. The normal credit term is mainly 6 to 9 months upon delivery.

At the point of sale, a refund liability and a corresponding adjustment to revenue are made for those products expected to be returned. The Group estimates the future sales return of the products sold based on various factors including but not limited to market data and impact of seasonal effect of the products. The Group’s right to recover the product when customers exercise their right is recognized as a right to return goods asset and a corresponding adjustment to cost of sale.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers.

All the contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENTS INFORMATION

Operating segments are identified on the basis of internal reports about component of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the nine months ended September 30, 2023 and 2024, the CODM reviews the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies as set out in Note 2.

Geographical information

The Group’s operations are located in PRC. As at September 30, 2024, all non-current assets were located in the PRC.

Information about major customers

No single customer contributes over 10% of total revenue of the Group during the nine months ended September 30, 2023 and 2024.

5. OTHER INCOME

	Nine months ended September 30,	
	2023	2024
	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Government grants		
– related to income (<i>note</i>)	1,574	15,425
– related to assets	382	382
Interest income from banks	2,136	425
Others	124	137
	<u>4,216</u>	<u>16,369</u>

Note: The amount represents various unconditional subsidies received from the PRC local government authorities as incentives mainly for the Group’s research and development activities.

6. OTHER GAINS AND LOSSES

	Nine months ended September 30,	
	2023	2024
	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Fair value change of financial assets at FVTPL	1,297	241
Net loss on write-off of property, plant and equipment	–	(5)
	<u>1,297</u>	<u>236</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COSTS

	Nine months ended September 30,	
	2023	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest expense on lease liabilities	1,803	1,800
Interest expense on bank borrowings	2,296	15,612
	4,099	17,412
Less: borrowing costs capitalised in qualifying assets	–	(4,827)
	4,099	12,585

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	Nine months ended September 30,	
	2023	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation of property, plant and equipment	28,942	34,613
Depreciation of right-of-use assets	5,463	6,289
Amortisation of intangible assets	662	1,301
Total depreciation and amortisation charge to profit or loss . .	35,067	42,203
Capitalised in inventories	(9,380)	(14,370)
	25,687	27,833
Auditors' remuneration	967	713
Research and development costs recognised as an expense . . .	164,878	142,631
Cost of inventories recognised as cost of sales (including write-down of inventories amounting to RMB236,000 and RMB19,476,000)	999	62,491
Directors and supervisors' remuneration	10,739	13,580
Other staff costs:		
– Salaries and other benefits	59,146	74,367
– Performance based bonus	10,685	11,440
– Retirement benefit scheme contributions	9,225	10,766
– Share-based payments	28,963	26,113
	118,758	136,266
Capitalised in inventories	(6,169)	(24,479)
Total staff costs charge to profit or loss	112,589	111,787
Impairment losses recognized, under expected credit loss model, net of reversal		
– Trade receivables	–	(86)

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE

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

	Nine months ended September 30,	
	2023	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Loss (RMB'000):		
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share.	(244,246)	(168,112)
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic loss per share.	360,000	360,000
Loss per share (RMB)		
– Basic and diluted	(0.68)	(0.47)

The loss per share (RMB) is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares.

10. DIVIDENDS

No dividend was declared or paid by the Company in respect of the nine months ended September 30, 2023 and 2024.

11. PROPERTY, PLANT AND EQUIPMENT

	Production facilities	Buildings	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at January 1, 2024 . . .	348,801	106,997	9,876	2,731	16,435	351,991	836,831
Additions	14,151	212	27	–	300	187,520	202,210
Transfer from construction in progress	130,944	26,510	260	–	–	(157,714)	–
Disposals	(364)	–	–	–	–	–	(364)
As at September 30, 2024 (unaudited)	493,532	133,719	10,163	2,731	16,735	381,797	1,038,677
DEPRECIATION							
As at January 1, 2024 . . .	67,693	17,615	5,032	971	4,738	–	96,049
Provided for the period . .	27,408	4,135	1,195	389	1,486	–	34,613
Eliminated on disposals . .	(6)	–	–	–	–	–	(6)
As at September 30, 2024 (unaudited)	95,095	21,750	6,227	1,360	6,224	–	130,656
CARRYING VALUES							
As at September 30, 2024 (unaudited)	398,437	111,969	3,936	1,371	10,511	381,797	908,021

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Production facilities	Buildings	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at January 1, 2023 . . .	291,181	102,817	7,333	1,867	14,087	118,119	535,404
Additions	10,215	1,743	145	—	148	134,198	146,449
Transfer from construction in progress	36,941	2,354	2,357	—	2,200	(43,852)	—
As at September 30, 2023 (unaudited)	338,337	106,914	9,835	1,867	16,435	208,465	681,503
DEPRECIATION							
As at January 1, 2023 . . .	37,217	12,601	3,338	589	2,959	—	56,704
Provided for the period . .	22,414	3,744	1,229	266	1,289	—	28,942
As at September 30, 2023 (unaudited)	59,631	16,345	4,567	855	4,248	—	85,646
CARRYING VALUES							
As at September 30, 2023 (unaudited)	278,706	90,569	5,268	1,012	12,187	208,465	596,207

As at September 30, 2024, buildings of RMB111,969,000 and construction in progress of RMB 1,925,000 were pledged to secure banking borrowings (December 31, 2023: RMB89,382,000 and RMB44,798,000).

12. INTANGIBLE ASSETS

	Patent	Development costs	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
As at January 1, 2024	4,215	18,000	5,988	28,203
Additions	226	—	207	433
As at September 30, 2024 (unaudited)	4,441	18,000	6,195	28,636
AMORTISATION				
As at January 1, 2024	166	—	1,193	1,359
Provided for the period.	318	—	983	1,301
As at September 30, 2024	484	—	2,176	2,660
CARRYING AMOUNT				
As at September 30, 2024 (unaudited)	3,957	18,000	4,019	25,976

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Patent	Development costs	Computer software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2023	–	10,000	1,613	11,613
Additions	<u>4,215</u>	<u>8,000</u>	<u>3,611</u>	<u>15,826</u>
As at September 30, 2023 (unaudited).	<u>4,215</u>	<u>18,000</u>	<u>5,224</u>	<u>27,439</u>
AMORTISATION				
As at January 1, 2023	–	–	320	320
Provided for the period.	<u>66</u>	<u>–</u>	<u>596</u>	<u>662</u>
As at September 30, 2023	<u>66</u>	<u>–</u>	<u>916</u>	<u>982</u>
CARRYING AMOUNT				
As at September 30, 2023 (unaudited).	<u>4,149</u>	<u>18,000</u>	<u>4,308</u>	<u>26,457</u>

13. TRADE RECEIVABLES

	As at December 31,2023	As at September 30, 2024
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Trade receivables from contracts with customers	73,643	317,896
Less: Allowance for expected credit losses.	<u>(48)</u>	<u>(134)</u>
	<u>73,595</u>	<u>317,762</u>

The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the dates of delivery of goods.

	As at December 31,2023	As at September 30, 2024
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
1-90 days	67,017	288,348
91-180 days.	6,578	16,353
Over 180 days	<u>–</u>	<u>13,061</u>
	<u>73,595</u>	<u>317,762</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31, 2023	As at September 30, 2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Other Receivables		
Value added tax recoverable	32,978	28,062
Rental deposits	2,441	2,324
Others	1,590	965
	<u>37,009</u>	<u>31,351</u>
Prepayments		
Acquisition of long-term assets	17,031	106
Raw material purchase	2,030	5,300
Service fee	1,904	2,618
Others	1,194	949
	<u>22,159</u>	<u>8,973</u>
	<u>59,168</u>	<u>40,324</u>
Less: non-current assets	(44,396)	(25,709)
Current assets	<u>14,772</u>	<u>14,615</u>

15. FINANCIAL ASSETS AT FVTPL

	As at December 31, 2023	As at September 30, 2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Wealth management products (<i>Note</i>).	<u>10,020</u>	<u>—</u>

Note: During the year ended December 31, 2023 and nine months ended September 30, 2024, the Group entered into contracts of wealth management products with a bank with maturity term within 4 months. The returns of the wealth management products are determined by reference to the performance of the underlying instruments in the currency market, therefore they are recognized as financial assets at FVTPL. The weighted average return rate is 2.52% and 2.21% for year ended December 31, 2023 and nine months ended September 30, 2024, respectively.

The Group has redeemed all the wealth management products as at September 30, 2024.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 23.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

	As at December 31, 2023	As at September 30, 2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Payables for raw material and service fee	83,876	88,184
Notes payables	5,486	–
Payables for acquisition of property, plant and equipment . . .	109,909	142,087
Payroll and welfare payable	38,549	25,403
Payables for marketing activities	19,217	101,914
Deposits from suppliers	18,032	42,381
Other tax payable	863	5,603
Others	15,618	23,494
	<u>291,550</u>	<u>429,066</u>

The following is an aged analysis of the trade payables, presented based on the invoice date, at the end of the reporting period:

	As at December 31, 2023	As at September 30, 2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
1-30 days	81,583	56,068
31 days to 1 year	2,293	32,116
	<u>83,876</u>	<u>88,184</u>

17. REFUND LIABILITIES

The right to returned goods asset represents the Group’s right to recover products from customers where customers exercise their right of return under the Group’s return policy.

	As at December 31, 2023	As at September 30, 2024
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Refund liabilities		
Arising from right of return	<u>13,259</u>	<u>71,748</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS

	As at December 31, 2023	As at September 30, 2024
	RMB'000 (audited)	RMB'000 (unaudited)
Borrowings from banks – unsecured	256,897	358,578
Borrowings from banks – secured	109,252	374,403
	366,149	732,981
Less: current portion	(217,887)	(254,238)
Non-current portion	148,262	478,743
Analyzed as:		
Fixed interest rate	128,087	299,978
Variable interest rate	238,062	433,003
	366,149	732,981
Maturity of borrowings		
The carrying amounts of the borrowings are repayable:		
Within one year	217,887	254,238
Within a period of more than one year but not exceeding two years	–	169,240
Within a period of more than two years but not exceeding five years	124,000	112,363
Within a period of more than five years	24,262	197,140
	366,149	732,981

The ranges of effective interest rates on the Group’s fixed and variable-rate borrowings are as follows:

	As at December 31, 2023	As at September 30, 2024
	(audited)	(unaudited)
Effective interest rate:		
Fixed-rate borrowings	3.20%-3.65%	3.00%-3.60%
Variable-rate borrowings	3.20%-4.10%	3.20%-4.10%

As at September 30, 2024, the secured loan was RMB324,503,000 (December 31, 2023: RMB104,262,000) which were secured against certain of the Group’s buildings and construction in progress and leasehold lands with carrying amount of RMB113,894,000 and RMB35,111,000, respectively (December 31, 2023: RMB134,180,000 and RMB35,697,000). As at September 30, 2024, RMB49,900,000 (December 31, 2023: RMB4,990,000) of secured loan was guaranteed by Mr. An.

19. DEFERRED INCOME

	As at December 31, 2023	As at September 30, 2024
	RMB'000 (audited)	RMB'000 (unaudited)
Government grants		
– Asset-related grants	30,240	38,408

During the nine months ended September 30, 2024, the Group received government subsidies of RMB8,550,000 (nine months ended September 30, 2023: RMB1,000,000) for the purpose of compensation for purchase of the Group’s property, plant and equipment.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE-BASED PAYMENT TRANSACTIONS

Employee Incentive Scheme

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the periods ended September 30, 2023 and 2024:

	Outstanding as at January 1, 2023	Granted	Vested	Forfeited	Outstanding as at September 30, 2023	Fair value per share at the date of grant
	'000	'000	'000	'000	'000	RMB
Directors						
July 18, 2019	65	–	–	–	65	3.029
June 1, 2021	228	–	–	–	228	11.637
September 1, 2021	2,684	–	–	–	2,684	11.637
May 31, 2022	325	–	–	–	325	11.637
December 15, 2022	439	–	–	–	439	11.637
May 4, 2023	–	602	–	–	602	11.637
Employee						
July 18, 2019	1,773	–	–	81	1,692	3.029
June 1, 2021	2,229	–	–	325	1,904	11.637
September 1, 2021	3,693	–	–	439	3,254	11.637
May 31, 2022	2,115	–	–	98	2,017	11.637
December 15, 2022	3,595	–	–	146	3,449	11.637
March 10, 2023	–	2,082	–	–	2,082	11.637
April 1, 2023	–	211	–	–	211	11.637
May 4, 2023	–	1,090	–	–	1,090	11.637
Total	17,146	3,985	–	1,089	20,042	
Weighted average fair value per share (RMB)	10.71	11.64	–	10.99	10.88	
	Outstanding as at January 1, 2024	Granted	Vested	Forfeited	Outstanding as at September 30, 2024	Fair value per share at the date of grant
	'000	'000	'000	'000	'000	RMB
Director						
July 18, 2019	65	–	65	–	–	3.029
June 1, 2021	228	–	228	–	–	11.637
September 1, 2021	2,684	–	2,684	–	–	11.637
May 31, 2022	325	–	–	–	325	11.637
December 15, 2022	439	–	–	–	439	11.637
May 4, 2023	602	–	–	–	602	11.637
Employee						
July 18, 2019	1,692	–	1,692	–	–	3.029
June 1, 2021	1,871	–	1,806	65	–	11.637
September 1, 2021	3,253	–	2,538	65	650	11.637
May 31, 2022	2,017	–	–	65	1,952	11.637
December 15, 2022	3,449	–	–	–	3,449	11.637
March 10, 2023	2,050	–	–	49	2,001	11.637
April 1, 2023	211	–	–	–	211	11.637
May 4, 2023	1,090	–	–	–	1,090	11.637
Total	19,976	–	9,013	244	10,719	
Weighted average fair value per share (RMB)	10.88	–	9.96	11.64	11.64	

The Group has recognized share-based payment expenses of RMB35,044,000 for the nine months ended September 30, 2024 (nine months ended September 30, 2023: RMB35,201,000).

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE CAPITAL

Issued and fully paid:

	Numbers of shares '000	Nominal value of shares RMB'000
As at 1 January 2023 (unaudited), 30 September 2023 (unaudited), 1 January 2024 (audited) and 30 September 2024 (unaudited)	360,000	360,000

22. CAPITAL COMMITMENTS

The following is the details of capital expenditure contracted for but not provided in the consolidated financial statements.

	As at December 31, 2023 RMB'000 (audited)	As at September 30, 2024 RMB'000 (unaudited)
Capital expenditure in respect of the acquisition of property, plant and equipment in the condensed consolidated financial statements contracted for but not provided	175,813	176,416

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability. either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2023 RMB'000 (audited)	September 30, 2024 RMB'000 (unaudited)		
Financial assets at FVTPL . . .	10,020	–	Level 2	Discounted cash flows method, estimated based on expected return

There were no transfers between Level 1 and 2 during both periods.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS

The Group has the following transactions and balances with the related parties during the nine months ended September 30, 2023 and 2024.

(a) Names and relationships with related party

The following individuals are related parties of the Group that had transactions with the Group during the nine months ended September 30, 2023 and 2024.

Name of related party	Relationships
Mr. An	Director of the Company
Mr. He Yiming	Director of the Company

(b) Transactions and outstanding balances with related parties

	As at December 31, 2023	As at September 30, 2024
	RMB'000 (audited)	RMB'000 (unaudited)
Amounts due to directors		
Mr. An	—	3,000
Mr. He Yiming	—	1,000
	—	4,000
	—	—

The amounts due to directors were non-trade in nature, bearing annual interest rate of 3.00%, unsecured and repayable on demand.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and key management of the Group during the nine months ended September 30, 2023 and 2024 were as follows:

	Nine months ended September 30,	
	2023	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Director's fee.	270	270
Salaries and other benefits.	4,384	4,770
Performance based bonus (<i>Note</i>)	1,174	728
Retirement benefit scheme contributions	319	329
Share-based payments	8,893	11,573
	14,770	17,400

Note: Performance based bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

25. SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Company or by the Group after September 30, 2024 and up to the date of this report.