The following is the text of a report set out on pages I-1 to I-[69], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI HUILUN PHARMACEUTICAL CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Shanghai Huilun Pharmaceutical Co., Ltd. (上海滙倫醫藥股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-[69], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2023, 2024 and 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-3 to I-[69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the "Document") in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for 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 and presentation 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 ("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 and presentation 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 the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation 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 of Hong Kong Limited 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-3 have been made.

Dividends

We refer to note 25(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

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HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4(a)*	984,848	685,575	685,842
Cost of sales		(134,852)	(116,890)	(114,651)
Gross profit		849,996	568,685	571,191
Other net income	*5*	3,339	9,609	11,870
Selling and marketing expenses		(476,216)	(365,304)	(375,608)
Administrative expenses		(129,423)	(118,020)	(126,483)
Research and development expenses		(211,109)	(194,791)	(234,273)
(Impairment losses)/reversal of impairment losses on trade and other receivables		(4,044)	(3,098)	2,649
Profit/(loss) from operations		32,543	(102,919)	(150,654)
Finance costs	*6(a)*	(11,884)	(20,776)	(23,274)
Profit/(loss) before taxation	*6*	20,659	(123,695)	(173,928)
Income tax	*7*	—	—	—
Profit/(loss) for the year attributable to equity shareholders of the Company		20,659	(123,695)	(173,928)
Other comprehensive (loss)/income for the year				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of an overseas subsidiary		(63)	20	(24)

	Note	Year ended 31 December 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Other comprehensive (loss)/income for the year		(63)	20	(24)
Total comprehensive income/(loss) for the year attributable to equity shareholders of the Company		20,596	(123,675)	(173,952)
Earnings/(loss) per share	*10*			
Basic and diluted (RMB)		0.05	(0.32)	(0.44)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in RMB)

	Note	As at 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	448,310	500,295	506,883
Right-of-use assets	*12*	79,892	67,828	60,010
Intangible assets	*13*	7,324	9,327	8,589
		535,526	577,450	575,482
Current assets				
Inventories	*15*	132,528	128,065	110,267
Trade and other receivables	*16*	260,312	358,206	247,132
Restricted deposits		4,380	15	1
Cash and cash equivalents	*17*	144,021	66,949	136,856
		541,241	553,235	494,256
Current liabilities				
Trade and other payables	*18*	234,784	204,328	193,322
Contract liabilities	*19*	1,031	266	425
Bank loans and other borrowings	*20*	374,509	477,750	249,359
Lease liabilities	*21*	17,317	15,079	13,109
		627,641	697,423	456,215
Net current (liabilities)/assets		(86,400)	(144,188)	38,041
Total assets less current liabilities		449,126	433,262	613,523
Non-current liabilities				
Bank loans and other borrowings	*20*	80,757	119,413	397,808
Deferred income	*22*	36,435	46,865	53,718
Lease liabilities	*21*	38,410	27,703	22,552
		155,602	193,981	474,078
NET ASSETS		293,524	239,281	139,445

		As at 31 December		
	Note	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Share capital	*25(b)*	387,568	395,180	403,650
Reserves	*25(c)*	(94,044)	(155,899)	(264,205)
TOTAL EQUITY		293,524	239,281	139,445

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at 31 December		
	Note	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	15,079	13,004	11,734
Right-of-use assets	*12*	18,583	10,638	6,757
Intangible assets	*13*	5,798	8,331	7,965
Investment in subsidiaries	*14*	370,526	402,478	403,066
Amounts due from subsidiaries		1,099,876	1,080,405	1,191,896
		1,509,862	1,514,856	1,621,418
Current assets				
Inventories	*15*	2,080	27,448	13,194
Trade and other receivables	*16*	11,706	41,324	61,482
Cash and cash equivalents	*17*	13,968	6,224	19,245
		27,754	74,996	93,921
Current liabilities				
Trade and other payables	*18*	26,533	35,829	37,475
Amounts due to subsidiaries		988	2,294	34,635
Contract liabilities		39	24	173
Bank loans and other borrowings	*20*	219,573	288,126	60,333
Lease liabilities	*21*	6,601	4,882	2,902
		253,734	331,155	135,518
Net current liabilities		(225,980)	(256,159)	(41,597)
Total assets less current liabilities		1,283,882	1,258,697	1,579,821
Non-current liabilities				
Bank loans and other borrowings	*20*	—	—	279,900
Lease liabilities	*21*	12,995	6,411	4,217
		12,995	6,411	284,117
NET ASSETS		1,270,887	1,252,286	1,295,704

		As at 31 December		
	Note	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Share capital		387,568	395,180	403,650
Reserves		883,319	857,106	892,054
TOTAL EQUITY		1,270,887	1,252,286	1,295,704

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Share capital	Capital reserve	Exchange reserve	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		387,568	933,503	120	(1,105,416)	215,775
Changes in equity for 2023:						
Profit for the year		—	—	—	20,659	20,659
Exchange differences on translation of financial statements of an overseas subsidiary		—	—	(63)	—	(63)
Total comprehensive income for the year		—	—	(63)	20,659	20,596
Reclassification of financial liabilities recognised for preferential rights issued to investors to equity	*25(c)*	—	46,944	—	—	46,944
Equity-settled share-based payments	*23*	—	10,209	—	—	10,209
Balance at 31 December 2023		387,568	990,656	57	(1,084,757)	293,524

The accompanying notes form part of the Historical Financial Information.

	Note	**Share capital**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024		387,568	990,656	57	(1,084,757)	293,524
Changes in equity for 2024:						
Loss for the year		—	—	—	(123,695)	(123,695)
Exchange differences on translation of financial statements of an overseas subsidiary		—	—	20	—	20
Total comprehensive loss for the year		—	—	20	(123,695)	(123,675)
Issuance of new shares	*25(b)*	7,612	53,273	—	—	60,885
Equity-settled share-based payments	*23*	—	8,547	—	—	8,547
Balance at 31 December 2024		395,180	1,052,476	77	(1,208,452)	239,281

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital	Capital reserve	Exchange reserve	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2025		395,180	1,052,476	77	(1,208,452)	239,281
Changes in equity for 2025:						
Loss for the year		—	—	—	(173,928)	(173,928)
Exchange differences on translation of financial statements of an overseas subsidiary		—	—	(24)	—	(24)
Total comprehensive loss for the year		—	—	(24)	(173,928)	(173,952)
Issuance of new shares	*25(b)*	8,470	63,530	—	—	72,000
Equity-settled share-based payments	*23*	—	2,116	—	—	2,116
Balance at 31 December 2025		403,650	1,118,122	53	(1,382,380)	139,445

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash (used in)/generated from operations	*17(b)*	(37,475)	(155,849)	8,544
Net cash (used in)/generated from operating activities		(37,475)	(155,849)	8,544
Investing activities				
Payment for purchases of property, plant and equipment and intangible assets		(139,221)	(67,718)	(30,818)
Proceeds from disposals of property, plant and equipment		20	153	—
Proceeds from disposal of financial assets measured at fair value through profit or loss ("FVPL")		11,516	—	—
Net cash used in investing activities		(127,685)	(67,565)	(30,818)
Financing activities				
Proceeds from new bank loans and other borrowings	*17(c)*	383,700	481,800	818,900
Repayment of bank loans and other borrowings	*17(c)*	(253,515)	(348,170)	(764,721)
Proceeds from issuance of new shares	*25(b)*	—	60,885	72,000
Interest paid	*17(c)*	(16,270)	(32,824)	(20,436)
Capital element of lease rentals paid	*17(c)*	(9,466)	(12,838)	(10,805)
Interest element of lease rentals paid	*17(c)*	(2,232)	(2,524)	(1,938)
[REDACTED] expenses paid		—	—	(837)
Net cash generated from financing activities		102,217	146,329	92,163

	Note	Year ended 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Net (decrease)/increase in cash and cash equivalents		(62,943)	(77,085)	69,889
Cash and cash equivalents at the beginning of the year	*17(a)*	206,925	144,021	66,949
Effect of foreign exchange rate changes		39	13	18
Cash and cash equivalents at the end of the year	*17(a)*	144,021	66,949	136,856

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(EXPRESSED IN THOUSANDS OF RMB, UNLESS OTHERWISE STATED)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

(a) General information

Shanghai Huilun Pharmaceutical Co., Ltd. (the "Company") is a limited liability company established in the PRC on 5 February 2004 and converted into a joint stock company with limited liability on 16 June 2022 in Shanghai, People's Republic of China (the "PRC").

During the Track Record Period, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in the research and development, manufacturing and sale of pharmaceutical products.

The Company's financial statements for the years ended 31 December 2023 and 2024 prepared in accordance with the China Accounting Standards for Business Enterprises (the "CASBEs") issued by the Ministry of Finance of the PRC were audited by Shandong Xinyuan Certified Public Accountants 山東信源有限責任會計師事務所 and Shanghai Certified Public Accountants (Special General Partners) 上會會計師事務所(特殊普通合夥), respectively. No statutory financial statements have been prepared for the Company for the year ended 31 December 2025.

(b) Subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Shanghai Huilun (Jiangsu) Pharmaceutical Co., Ltd. ("上海滙倫江蘇藥業有限公司") ("Jiangsu Pharmaceutical") *(note (a) and (c))*	The PRC 29 December 2010	RMB150,000,000	100%	—	Manufacturing and sale of pharmaceutical products
Shanghai Zeyuan Renkang Pharmaceutical Marketing Co., Ltd. ("上海澤源仁康醫藥營銷有限公司") ("Zeyuan Renkang") *(note (b) and (c))*	The PRC 22 October 2024	RMB1,000,000	—	100%	Marketing of pharmaceutical products
Shanghai Huilun (Hubei) Pharmaceutical Co., Ltd. ("上海滙倫湖北製藥有限公司") ("Hubei Pharmaceutical") *(note (b) and (c))*	The PRC 11 November 2019	RMB130,000,000	100%	—	Manufacturing of pharmaceutical products
Shanghai Yidian Pharmaceutical Technology Development Co., Ltd. ("上海壹典醫藥科技開發有限公司") ("Yidian Pharmaceutical") *(note (b) and (c))*	The PRC 9 October 2017	RMB78,000,000	100%	—	Research and development of pharmaceutical products

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Yidi Biological Technology Co., Ltd. ("上海壹迪生物技術有限公司") ("Yidi Biological") *(note (b) and (c))*	The PRC 27 January 2021	RMB15,000,000	—	100%	Research and development of pharmaceutical products
Huilun Biotech LLC ("Huilun USA") *(note (b))*	United States of America 11 May 2021	USD1,000,000	—	100%	Research and development of pharmaceutical products
Shanghai Purui Saisi Biological Technology Co., Ltd. ("上海譜鋭賽思生物技術有限公司") ("Purui Saisi") *(note (b) and (c))*	The PRC 31 October 2018	RMB1,000,000	100%	—	Research and development of pharmaceutical products
Shanghai Huilun Medicine Marketing Co., Ltd. ("上海滙倫醫藥營銷有限公司") ("Huilun Medicine Marketing") *(note (b) and (c))*	The PRC 5 January 2023	RMB1,000,000	100%	—	Marketing of pharmaceutical products
Shanghai Xiaoxiong Cultural Communication Co., Ltd. ("上海梟雄文化傳播有限公司") ("Xiaoxiong Cultural") *(note (b) and (c))*	The PRC 14 December 2021	RMB200,000	100%	—	Marketing of pharmaceutical products
Shanghai Huilun (Guiyang) Technology Development Co., Ltd. ("上海滙倫(貴陽)科技開發有限公司") ("Guiyang Technology") *(note (b) and (c))*	The PRC 28 April 2020	RMB50,000,000	100%	—	Research and development of pharmaceutical products
Wuhan Xu'an Pharmaceutical Co., Ltd. ("武漢煦安醫藥有限公司") ("Wuhan Xu'an") *(note (b) and (c))*	The PRC 10 July 2025	RMB100,000	100%	—	Research and development of pharmaceutical products
Zhengzhou Kerui Pharmaceutical Co., Ltd. ("鄭州柯瑞醫藥有限公司") ("Zhengzhou Kerui") *(note (b) and (c))*	The PRC 10 July 2025	RMB100,000	100%	—	Research and development of pharmaceutical products

Notes:

(a) The financial statements of Jiangsu Pharmaceutical for the year ended 31 December 2023 and 2024 prepared in accordance with CASBEs issued by the Ministry of Finance of the PRC were audited by Taizhou Hongrun Certified Public Accountants (General Partnership) 泰州弘潤會計師事務所(普通合夥). No statutory financial statements have been prepared for the Jiangsu Pharmaceutical for the year ended 31 December 2025.

(b) No audited statutory financial statements have been prepared for these subsidiaries for the years ended 31 December 2023, 2024 and 2025.

(c) These companies were limited liability companies under the law of the PRC. The official names of these companies are in Chinese. The English translation of the company names is for identification only.

(c) Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards consistently throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2025 are set out in note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in RMB, rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement and functional currency

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for the following assets and liabilities as explained in the accounting policies set out below:

— investments in debt and equity securities (see note 2(d)); and

— Redemption liabilities (see note 2(o)).

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency").

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(s)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of other property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Leasehold improvements	3–10 years
— Buildings	30 years
— Machinery and equipment	5–10 years
— Vehicles	5 years

Depreciation methods, useful life and residual values are reviewed annually and adjusted if appropriate.

(f) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(h)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

— Software . . . . 5–10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see note 2(d)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and restricted deposits).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets and trade and other receivables and: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due events;

— the restructuring of a loan or advance by the group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimate costs necessary to make the sale.

When inventories are sold, the carrying amounts of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institution, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

The Group recognises a refund liability if the Group expects to refund some, or all of the consideration of received from the customers. For the sale of pharmaceutical products, the Group recognises the revenue for the transferred products in the amount of consideration to which the Group expects to be entitled. Therefore, revenue would not be recognised for the products expects to be returned and a refund liability is recognised.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(v).

(o) Redemption liabilities

A financial liability is recognised if the Group has the obligation to redeem any equity instruments issued on a specific date or at the option of the shareholders (including the options that are only exercisable in case of occurrence of certain contingent triggering events). The liability is initially recognised and measured at the present value of the redemption amount. Subsequently, the financial liability is measured at amortised cost with interest charged in finance costs.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The fair value of share-based payments is measured at grant date with reference to the price per share in the latest equity financing transaction, taking into account the terms and conditions upon which the share-based payment awards were granted. The amount is generally recognised as an expense, with a corresponding increase in capital reserves, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

— temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

For the sale of pharmaceutical products, revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers up to 180 days. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discount estimated future cash receipts through expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortised cost are not credit-impaired, the effective interest rate is applied to the gross carrying amounts of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amounts net of loss allowance) of the asset (see note 2(h)(i)).

(b) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other income.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

(u) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(v) Borrowing costs

Borrowing costs that are directly attributable to the construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements and estimations used in preparation of the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 26 contains information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Expected credit losses for trade and other receivables

Expected credit losses for trade and other receivables are determined based on assumptions about risk of default and expected credit loss rates. The Group adjusts judgement in making the assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting periods.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation 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 a number of 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 recognised and hence the net profit in future years.

(c) Impairment of non-financial assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are research and development, manufacturing and sales of pharmaceutical products.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Sales of pharmaceutical products	984,848	685,575	685,842

All of the Group's revenue are recognised at a point in time.

Revenue from each major customer, including revenue from a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	332,303	170,362	191,227
Customer B	204,958	145,128	98,536
Customer C	107,637	85,279	95,415

Details of concentrations of credit risk arising from the Group's customers are set out in note 26(a).

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an expected duration of one year or less.

(b) Segment reporting

(i) Segment information

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about resource allocations.

Accordingly, the Group has only one reportable segment and no further analysis of this single segment is presented.

(ii) Geographic information

No geographical information is shown as the revenue and profit from operations of the Group is substantially all derived from activities in the PRC and substantially all of the Group's property, plant and equipment and intangible assets are located physically or operationally in the PRC.

5 OTHER NET INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest income from bank deposits	1,012	532	316
Government grants *(note i)*	6,474	10,817	12,350
Donations	(2,949)	(2,149)	(813)
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	(1,351)	365	(117)
Others	153	44	134
	3,339	9,609	11,870

Note:

(i) The government grants mainly represent subsidies received from the government to support the operation and research and development activities of the Group.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans and other borrowings *(note 17(c))*	16,383	26,091	25,261
Interest on lease liabilities *(note 17(c))*	2,232	2,524	1,938
	18,615	28,615	27,199
Less: interest expense capitalised into construction in progress	(6,731)	(7,839)	(3,925)
	11,884	20,776	23,274

(b) Staff costs (including directors' and supervisors' emoluments)

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	343,626	328,977	361,487
Contribution to defined contribution retirement plan	30,439	31,711	29,849
Equity-settled share-based payment expenses *(note 23)*	10,209	8,547	2,116
	384,274	369,235	393,452

Staff costs include remuneration of directors and senior management (note 8 and note 28(a)).

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group's PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

		Year ended 31 December		
	Note	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Amortisation				
— intangible assets *(note 13)*		1,141	1,849	2,498
Depreciation				
— property, plant and equipment *(note 11)*		11,107	13,085	17,037
— right-of-use assets *(note 12)*		13,618	12,184	11,366
		24,725	25,269	28,403
Cost of inventories	*(i)*	134,852	116,890	114,651
[REDACTED] expenses		—	—	3,813

Notes:

(i) Cost of inventories includes staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above or in the note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC tax	—	—	—
Deferred tax	—	—	—
Total	—	—	—

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	20,659	(123,695)	(173,928)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned *(note(i))*	5,120	(30,984)	(43,548)
Statutory tax concession *(note(ii))*	7,611	7,801	21,310
Additional deductible allowance for qualified research and development expenses *(note(iii))*	(30,680)	(44,314)	(29,826)
Tax effect of deductible temporary difference and tax losses not recognised	24,010	67,430	51,198
Utilisation of tax losses previously not recognised	(9,178)	(2,766)	—*
Tax effect of non-deductible expenses	3,117	2,833	866
Actual tax expense	—	—	—

* The balance represents amount less than RMB500.

Notes:

(i) The Group's PRC subsidiaries are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income during the Track Record Period unless otherwise specified. The subsidiary incorporated in United States is subject to statutory federal corporate income tax at a rate of 21% and the state income tax at a rate of 8.7%.

(ii) According to the PRC income tax law and its relevant regulations, entities qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company qualified as high-technology enterprise in 2021 and is entitled for a preferential tax rate of 15% from 2021 to 2023. The high technology qualification expired in November 2024 and was renewed in December 2025. Therefore the Company is subject to income tax rate of 25% in 2024 and a preferential income tax rate of 15% during the year ended 31 December 2025, respectively.

(iii) The subsidiary Jiangsu Pharmaceutical qualified as high-technology enterprise in 2025 and is entitled for a preferential tax rate of 15% during the year ended 31 December 2025. In addition, the Group's certain subsidiaries of the Company satisfied the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises and are subject to a preferential income tax rate of 5% during the years ended 31 December 2023, 2024 and 2025, respectively.

(iv) During the years ended 31 December 2023, 2024 and 2025, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments are as follows:

	Year ended 31 December 2023					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Contribution to defined contribution retirement plan**	**Sub-Total**	**Equity-settled share-based payment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Dong Zhu (董竹)	—	—	—	—	—	—
Mr. Qin Jihong (秦繼紅)	—	1,209	68	1,277	348	1,625
Non-executive directors						
Mr. Dong Dalun (董大倫)	—	—	—	—	2,149	2,149
Mr. Yang Fangyi (楊方義)	—	—	—	—	—	—
Mr. Yang Miao (楊淼)	—	—	—	—	—	—
Mr. Wang Guangping (王光平)	—	—	—	—	348	348
Independent non-executive directors						
Mr. Yang Bo (楊波)	60	—	—	60	—	60
Mr. Li Xianlin (李顯林)	60	—	—	60	—	60
Mr. Liu Dongying (劉東瑩) (resigned in August 2023)	30	—	—	30	—	30
Mr. Yu Jianchun (俞建春) (appointed in August 2023)	30	—	—	30	—	30
Supervisors						
Mr. Zhang Yuhu (張玉虎)	—	534	66	600	167	767
Mr. Zhang Guanghui (張光輝)	—	318	37	355	—	355
Ms. Gu Xinxin (顧欣欣)	—	468	57	525	56	581
Total	180	2,529	228	2,937	3,068	6,005

	Year ended 31 December 2024					
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plan	Sub-Total	Equity-settled share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Dong Zhu (董竹)	—	542	55	597	—	597
Mr. Qin Jihong (秦繼紅)	—	1,185	70	1,255	348	1,603
Non-executive directors						
Mr. Dong Dalun (董大倫)	—	—	—	—	2,378	2,378
Mr. Yang Fangyi (楊方義)	—	—	—	—	—	—
Mr. Yang Miao (楊淼)	—	—	—	—	—	—
Mr. Wang Guangping (王光平)	—	—	—	—	348	348
Independent non-executive directors						
Mr. Yang Bo (楊波)	60	—	—	60	—	60
Mr. Li Xianlin (李顯林)	60	—	—	60	—	60
Mr. Yu Jianchun (俞建春)	60	—	—	60	—	60
Supervisors						
Mr. Zhang Yuhu (張玉虎)	—	543	71	614	167	781
Mr. Zhang Guanghui (張光輝)	—	240	—	240	—	240
Ms. Gu Xinxin (顧欣欣)	—	437	63	500	56	556
Total	180	2,947	259	3,386	3,297	6,683

	Year ended 31 December 2025					
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plan	Sub-Total	Equity-settled share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Dong Zhu (董竹)	—	712	73	785	—	785
Mr. Qin Jihong (秦繼紅)	—	1,186	71	1,257	—	1,257
Mr. Zhang Yuhu (張玉虎) (appointed in August 2025)	—	228	27	255	59	314
Non-executive directors						
Mr. Dong Dalun (董大倫)	—	—	—	—	—	—
Mr. Chen Wei (陳尉) (appointed in August 2025)	—	—	—	—	—	—
Mr. Yang Fangyi (楊方義) (resigned in August 2025)	—	—	—	—	—	—
Mr. Yang Miao (楊淼) (resigned in July 2025)	—	—	—	—	—	—
Mr. Wang Guangping (王光平) (resigned in August 2025)	—	—	—	—	363	363
Independent non-executive directors						
Mr. Yang Bo (楊波) (resigned in August 2025)	40	—	—	40	—	40
Mr. Li Xianlin (李顯林)	60	—	—	60	—	60
Mr. Yu Jianchun (俞建春)	60	—	—	60	—	60
Ms. Fung So Ching Jenny (馮素貞) (appointed in August 2025)	25	—	—	25	—	25
Supervisors						
Mr. Zhang Yuhu (張玉虎) (resigned in August 2025)	—	455	46	501	—	501
Mr. Zhang Guanghui (張光輝) (resigned in August 2025)	—	162	—	162	—	162
Ms. Gu Xinxin (顧欣欣) (resigned in August 2025)	—	136	41	177	—	177
Total	185	2,879	258	3,322	422	3,744

The directors' and supervisors' emoluments represented the amounts paid or payable for their services rendered to the Group since their appointment as directors or supervisors. The emoluments paid to them for service rendered as management prior to their appointments as directors or supervisors are not included in the above tables.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors, supervisors and other employees included in the five highest paid individuals for the years ended 31 December 2023, 2024 and 2025 are set forth below:

	Year ended 31 December		
	2023	2024	2025
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors and supervisors	1	2	1
Other employees	4	3	4

The emoluments of the directors and supervisors are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals, are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	7,799	3,794	5,372
Equity-settled share-based payments	464	460	122
Contribution to defined contribution retirement plan	177	146	203
Total fees and other emoluments	8,440	4,400	5,697

The emoluments of the individuals who are not directors or supervisors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Numbers of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to HK$1,000,000	—	—	—
HK$1,000,001 to HK$1,500,000	—	2	2
HK$1,500,001 to HK$2,000,000	—	1	2
HK$2,000,001 to HK$2,500,000	3	—	—
HK$2,500,001 to HK$3,000,000	1	—	—

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the Track Record Period is based on the profit/(loss) attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue, calculated as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) attributable to equity shareholders of the Company	20,659	(123,695)	(173,928)

	Year ended 31 December		
Weighted average number of ordinary shares ('000)	**2023**	**2024**	**2025**
Issued ordinary shares at 1 January	387,568	387,568	395,180
Effect of issuance of new shares *(Note 25(b))*	—	1,019	2,738
Weighted average number of ordinary shares at 31 December	387,568	388,587	397,918

(b) Diluted earnings/(loss) per share

The Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2023, 2024 and 2025. Accordingly, diluted earnings/(loss) per share were the same as basic earnings/(loss) per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Machinery and equipment	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2023	—	9,179	83,893	2,021	246,678	341,771
Additions	—	199	15,768	—	149,376	165,343
Transfer from construction in progress	20,050	3,689	535	—	(24,274)	—
Disposals	—	—	(5,266)	(26)	—	(5,292)
At 31 December 2023 and 1 January 2024	20,050	13,067	94,930	1,995	371,780	501,822
Additions	—	94	3,730	—	62,121	65,945
Transfer from construction in progress	—	34,214	30,916	—	(65,130)	—
Disposals	—	—	(1,230)	(299)	—	(1,529)
At 31 December 2024 and 1 January 2025	20,050	47,375	128,346	1,696	368,771	566,238
Additions	—	196	2,776	—	20,969	23,941
Transfer from construction in progress	23,210	—	7,483	—	(30,693)	—
Disposals	—	—	(962)	—	—	(962)
At 31 December 2025	43,260	47,571	137,643	1,696	359,047	589,217
Accumulated depreciation						
At 1 January 2023	—	(3,918)	(41,167)	(1,032)	—	(46,117)
Charge for the year	(209)	(2,487)	(8,174)	(237)	—	(11,107)
Disposals	—	—	3,688	24	—	3,712
At 31 December 2023 and 1 January 2024	(209)	(6,405)	(45,653)	(1,245)	—	(53,512)
Charge for the year	(635)	(2,908)	(9,304)	(238)	—	(13,085)
Disposals	—	—	521	133	—	654
At 31 December 2024 and 1 January 2025	(844)	(9,313)	(54,436)	(1,350)	—	(65,943)
Charge for the year	(635)	(5,520)	(10,739)	(143)	—	(17,037)
Disposals	—	—	646	—	—	646
At 31 December 2025	(1,479)	(14,833)	(64,529)	(1,493)	—	(82,334)
Net book value:						
At 31 December 2023	19,841	6,662	49,277	750	371,780	448,310
At 31 December 2024	19,206	38,062	73,910	346	368,771	500,295
At 31 December 2025	41,781	32,738	73,114	203	359,047	506,883

* At the end of each Track Record Period, certain Group's buildings, plant and machinery and construction in progress with a net carrying amount of RMB255,882,000, RMB372,552,000 and RMB87,254,000 were pledged to secure certain bank loans and other borrowings of the Group (note 20).

The Company

	Leasehold improvements	Machinery and equipment	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2023	797	23,421	836	220	25,274
Additions	193	3,530	—	1,065	4,788
Transfer from construction in progress	179	42	—	(221)	—
Disposals	—	(1,529)	—	—	(1,529)
At 31 December 2023 and 1 January 2024	1,169	25,464	836	1,064	28,533
Additions	82	939	—	—	1,021
Transfer from construction in progress	526	—	—	(526)	—
Disposals	—	(45)	—	—	(45)
At 31 December 2024 and 1 January 2025	1,777	26,358	836	538	29,509
Additions	—	1,830	—	—	1,830
Transfer from construction in progress	—	8	—	(8)	—
Disposals	—	(308)	—	—	(308)
At 31 December 2025	1,777	27,888	836	530	31,031
Accumulated depreciation					
At 1 January 2023	(59)	(11,363)	(383)	—	(11,805)
Charge for the year	(268)	(2,298)	(120)	—	(2,686)
Disposals	—	1,037	—	—	1,037
At 31 December 2023 and 1 January 2024	(327)	(12,624)	(503)	—	(13,454)
Charge for the year	(401)	(2,565)	(120)	—	(3,086)
Disposals	—	35	—	—	35
At 31 December 2024 and 1 January 2025	(728)	(15,154)	(623)	—	(16,505)
Charge for the year	(429)	(2,562)	(84)	—	(3,075)
Disposals	—	283	—	—	283
At 31 December 2025	(1,157)	(17,433)	(707)	—	(19,297)
Net book value:					
At 31 December 2023	842	12,840	333	1,064	15,079
At 31 December 2024	1,049	11,204	213	538	13,004
At 31 December 2025	620	10,455	129	530	11,734

12 RIGHT-OF-USE ASSETS

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

The Group

	Leasehold land	Properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2023	31,512	54,022	85,534
Additions	—	23,642	23,642
Disposals	—	(5,885)	(5,885)
At 31 December 2023 and 1 January 2024	31,512	71,779	103,291
Additions	—	12,589	12,589
Disposals	—	(19,476)	(19,476)
At 31 December 2024 and 1 January 2025	31,512	64,892	96,404
Additions	—	4,759	4,759
Disposals	—	(5,277)	(5,277)
At 31 December 2025	31,512	64,374	95,886
Accumulated depreciation			
At 1 January 2023	(1,523)	(13,353)	(14,876)
Charge for the year	(630)	(12,988)	(13,618)
Disposals	—	5,095	5,095
At 31 December 2023 and 1 January 2024	(2,153)	(21,246)	(23,399)
Charge for the year	(630)	(11,554)	(12,184)
Disposals	—	7,007	7,007
At 31 December 2024 and 1 January 2025	(2,783)	(25,793)	(28,576)
Charge for the year	(630)	(10,736)	(11,366)
Disposals	—	4,066	4,066
At 31 December 2025	(3,413)	(32,463)	(35,876)
Net book value:			
At 31 December 2023	29,359	50,533	79,892
At 31 December 2024	28,729	39,099	67,828
At 31 December 2025	28,099	31,911	60,010

* At the end of each Track Record Period, certain Group's leasehold land with a net carrying amount of RMB29,359,000 in 2023 and RMB28,729,000 in 2024 was pledged to secure certain bank loans of the Group (note 20).

The Company

	Properties leased for own use
	RMB'000
Cost:	
At 1 January 2023	21,207
Additions	11,964
Disposals	(1,890)
At 31 December 2023 and 1 January 2024	31,281
Additions	7,076
Disposals	(16,089)
At 31 December 2024 and 1 January 2025	22,268
Additions	693
At 31 December 2025	22,961
Accumulated depreciation	
At 1 January 2023	(7,857)
Charge for the year	(6,494)
Disposals	1,653
At 31 December 2023 and 1 January 2024	(12,698)
Charge for the year	(5,517)
Disposals	6,585
At 31 December 2024 and 1 January 2025	(11,630)
Charge for the year	(4,574)
At 31 December 2025	(16,204)
Net book value:	
At 31 December 2023	18,583
At 31 December 2024	10,638
At 31 December 2025	6,757

(b) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	13,618	12,184	11,366
Interest on lease liabilities *(note 6(a))*	2,232	2,524	1,938
Expense relating to short-term leases and low-value assets leases	3,618	3,267	3,271

Details of total cash outflow for leases and the maturity analysis of lease liabilities is set out in notes 17(d) and 21, respectively.

(i) Interests in leasehold land for own use

Interests in leasehold land held for own use represent payments for land use rights of land located in the PRC. Lump sum payments were made upfront and there are no ongoing payments to be made under the terms of the land lease in the PRC. The period for these land use rights is no more than 50 years.

(ii) Properties leased for own use

The Group has obtained the right to use plants and buildings through lease agreements. The leases typically run for an initial period of 3 to 5 years. Lease payments are usually increased to reflect market rentals. Some leases include an option to renew the lease for an additional period after the end of the contract term.

13 Intangible assets

The Group

	Software
	RMB'000
Cost:	
At 1 January 2023	5,201
Addition	4,781
At 31 December 2023 and 1 January 2024	9,982
Addition	3,852
At 31 December 2024 and 1 January 2025	13,834
Addition	1,760
At 31 December 2025	15,594
Accumulated amortization:	
At 1 January 2023	(1,517)
Charge for the year	(1,141)
At 31 December 2023 and 1 January 2024	(2,658)
Charge for the year	(1,849)
At 31 December 2024 and 1 January 2025	(4,507)
Charge for the year	(2,498)
At 31 December 2025	(7,005)
Net book value:	
At 31 December 2023	7,324
At 31 December 2024	9,327
At 31 December 2025	8,589

The amortisation charge for the year/period is included in "research and development expenses", "selling and marketing expenses" and "administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

The Company

	Software
	RMB'000
Cost:	
At 1 January 2023	3,180
Addition	3,864
At 31 December 2023 and 1 January 2024	7,044
Addition	3,854
At 31 December 2024 and 1 January 2025	10,898
Addition	1,761
At 31 December 2025	12,659
Accumulated amortization:	
At 1 January 2023	(510)
Charge for the year	(736)
At 31 December 2023 and 1 January 2024	(1,246)
Charge for the year	(1,321)
At 31 December 2024 and 1 January 2025	(2,567)
Charge for the year	(2,127)
At 31 December 2025	(4,694)
Net book value:	
At 31 December 2023	5,798
At 31 December 2024	8,331
At 31 December 2025	7,965

14 INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
Jiangsu Pharmaceutical	157,254	157,820	157,820
Hubei Pharmaceutical	130,358	130,692	130,692
Yidian Pharmaceutical	78,762	79,037	79,124
Guiyang Technology	—	30,000	30,000
Others	4,152	4,929	5,430
	370,526	402,478	403,066

15 INVENTORIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	36,398	30,774	26,468
Work in progress	21,218	28,651	27,716
Finished goods	79,852	71,810	71,401
	137,468	131,235	125,585
Less: write-down of inventories	(4,940)	(3,170)	(15,318)
	132,528	128,065	110,267

The Company

	31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	2,080	14,693	13,773
Work in progress	—	4,563	5,316
Finished goods	—	8,192	4,692
	2,080	27,448	23,781
Less: write-down of inventories	—	—	(10,587)
	2,080	27,448	13,194

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	Year ended 31 December 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold		129,541	112,429	99,597
Write-down of inventories		5,311	4,461	15,054
Carrying amount of inventories recognised as expenses	*6(c)*	134,852	116,890	114,651

16 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December 2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	232,832	323,930	212,622
Less: loss allowance	(7,099)	(10,158)	(7,275)
Trade receivables, net	225,733	313,772	205,347
Other receivables	5,919	9,901	10,868
Less: loss allowance	(667)	(706)	(941)
Other receivables, net	5,252	9,195	9,927
Bills receivables, carried at fair value through other comprehensive income	—	11,958	1,703
Prepayments	15,332	20,826	22,802
Value Added Tax ("VAT") recoverable	13,995	2,455	7,353
	260,312	358,206	247,132

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	38,551	51,532
Less: loss allowance	—	(1,158)	(1,615)
Trade receivables, net	—	37,393	49,917
Other receivables	2,183	1,759	1,817
Less: loss allowance	(407)	(383)	(450)
Other receivables, net	1,776	1,376	1,367
Prepayments	3,549	2,555	10,132
VAT recoverable	6,381	—	66
	11,706	41,324	61,482

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables, based on the billing date and net of loss allowance, is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year (inclusive)	225,179	309,793	194,713
1 to 2 years (inclusive)	260	3,803	10,621
2 to 3 years (inclusive)	294	42	13
Over 3 years	—	134	—
	225,733	313,772	205,347

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year (inclusive)	—	37,393	48,873
1 to 2 years (inclusive)	—	—	1,044
	—	37,393	49,917

Trade receivables are generally due within 0 to 180 days from the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 26(a).

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balance	144,021	66,949	136,856

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balance	13,968	6,224	19,245

(b) Reconciliation of profit/(loss) before taxation to cash used in operations:

	Note	Year ended 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation		20,659	(123,695)	(173,928)
Adjustments for:				
Depreciation of property, plant and equipment	*6(c)*	11,107	13,085	17,037
Depreciation of right-of-use assets	*6(c)*	13,618	12,184	11,366
Amortization of intangible assets	*6(c)*	1,141	1,849	2,498
Finance costs	*6(a)*	11,884	20,776	23,274
Equity-settled share-based payment expenses	*23*	10,209	8,547	2,116
Others		1,068	(352)	45
Changes in working capital:				
(Increase)/decrease in inventories		(7,556)	4,463	17,798
(Increase)/decrease in trade and other receivables		(112,057)	(82,894)	102,912
(Increase)/decrease in restricted bank deposits		(4,380)	4,365	14
Increase/(decrease) in trade and other payables		3,939	(23,842)	(1,600)
Increase in deferred income		27,668	10,430	6,853
(Decrease)/increase in contract liabilities		(14,775)	(765)	159
Cash (used in)/generated from operations		(37,475)	(155,849)	8,544

(c) Reconciliation of liabilities arising from financing activities

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

	Note	**Bank loans and other borrowings**	**Lease liabilities**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
		(Note 20)	*(Note 21)*	
At 1 January 2023		324,968	41,797	366,765
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings		383,700	—	383,700
Repayments of bank loans and other borrowings		(253,515)	—	(253,515)
Capital element of lease rentals paid		—	(9,466)	(9,466)
Interest element of lease rentals paid		—	(2,232)	(2,232)
Interest paid		(16,270)	—	(16,270)
Total changes from financing cash flows		113,915	(11,698)	102,217
Other changes:				
Increase in lease liabilities from entering into new leases during the year		—	23,642	23,642
Decrease in lease liabilities from termination of leases during the year		—	(246)	(246)
Capitalisation of interest to property, plant and equipment	*6(a)*	6,731	—	6,731
Financial costs	*6(a)*	9,652	2,232	11,884
Total other charges		16,383	25,628	42,011
At 31 December 2023		455,266	55,727	510,993

	Note	Bank loans and other borrowings *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2024		455,266	55,727	510,993
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings		481,800	—	481,800
Repayments of bank loans and other borrowings		(348,170)	—	(348,170)
Capital element of lease rentals paid		—	(12,838)	(12,838)
Interest element of lease rentals paid		—	(2,524)	(2,524)
Interest paid		(32,824)	—	(32,824)
Total changes from financing cash flows		100,806	(15,362)	85,444
Other changes:				
Increase in bank loans and other borrowings from receiving bills receivables from lenders		15,000	—	15,000
Increase in lease liabilities from entering into new leases during the year		—	12,589	12,589
Decrease in lease liabilities from termination of leases during the year		—	(12,696)	(12,696)
Capitalisation of interest to property, plant and equipment	*6(a)*	7,839	—	7,839
Financial costs	*6(a)*	18,252	2,524	20,776
Total other charges		41,091	2,417	43,508
At 31 December 2024		**597,163**	**42,782**	**639,945**

	Note	**Bank loans and other borrowings**	**Lease liabilities**	**Total**
		RMB'000 *(Note 20)*	*RMB'000* *(Note 21)*	*RMB'000*
At 1 January 2025		597,163	42,782	639,945
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings		818,900	—	818,900
Repayments of bank loans and other borrowings		(764,721)	—	(764,721)
Capital element of lease rentals paid		—	(10,805)	(10,805)
Interest element of lease rentals paid		—	(1,938)	(1,938)
Interest paid		(20,436)	—	(20,436)
Total changes from financing cash flows		33,743	(12,743)	21,000
Other changes:				
Receiving cash from maturity of bills receivables from lenders		(9,000)	—	(9,000)
Increase in lease liabilities from entering into new leases during the year		—	4,759	4,759
Decrease in lease liabilities from termination of leases during the year		—	(1,075)	(1,075)
Interest expense capitalised into construction in progress	*6(a)*	3,925	—	3,925
Financial costs	*6(a)*	21,336	1,938	23,274
Total other charges		16,261	5,622	21,883
At 31 December 2025		647,167	35,661	682,828

(d) Total cash outflows for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	3,618	3,267	3,271
Within financing cash flows	11,698	15,362	12,743
	15,316	18,629	16,014

18 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bills payables	—	377	72
Trade payables	38,729	46,511	40,999
Payables relating to property, plant and equipment	78,194	71,578	62,125
Marketing expenses payables	20,386	14,479	10,135
Other payables	14,375	12,189	6,213
Trade and other payables measured at amortised cost	151,684	145,134	119,544
Accrued payroll and benefits	35,232	26,062	36,306
Other tax payables	17,026	5,688	10,914
Refund liabilities	30,842	27,444	26,558
	234,784	204,328	193,322

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	11,559	17,533	18,640
Payables relating to property, plant and equipment	1,042	400	100
Other payables	3,205	4,615	1,048
Trade and other payables measured at amortised cost	15,806	22,548	19,788
Accrued payroll and benefits	9,979	7,984	11,474
Refund liabilities	—	3,838	4,869
Other tax payables	748	1,459	1,344
	26,533	35,829	37,475

As at the end of each reporting period, the ageing analysis of trade payables and bills payables, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	36,403	44,431	33,090
Over 1 year	2,326	2,457	7,981
	38,729	46,888	41,071

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	10,799	17,227	13,439
Over 1 year	760	306	5,201
	11,559	17,533	18,640

All of the trade payables are expected to be settled within one year or are repayable on demand.

19 CONTRACT LIABILITIES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	15,806	1,031	266
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year	(15,806)	(1,031)	(266)
Increase in contract liabilities as a result of receipts in advance	1,031	266	425
Balance at 31 December	1,031	266	425

Contract liabilities mainly include receipts in advance.

20 BANK LOANS AND OTHER BORROWINGS

(a) At the end of each reporting period, the bank loans and other borrowings were secured as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loans *(note i)*	165,605	115,233	20,023
Guaranteed bank loans *(note ii)*	289,661	418,281	537,903
Secured other borrowings *(note iii)*	—	63,649	89,241
	455,266	597,163	647,167

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loans *(note i)*	—	—	20,023
Guaranteed bank loans *(note ii)*	219,573	288,126	320,210
	219,573	288,126	340,233

(i) Secured bank loans

As at 31 December 2023, 2024 and 2025, the secured bank loans carried interest rate ranging from 4.9% to 6.1% per annum, 5.99% to 6.0% per annum and 3.8% per annum, respectively.

These loans were secured by the Group's property, plant and equipment, right-of-use assets. The details are as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	255,882	291,079	—
Right-of-use assets	29,359	28,729	—
	285,241	319,808	—

In addition, all of the Company's equity interest in Huilun Hubei was pledged to secure certain bank loans up to RMB148,500,000, and RMB115,000,000 at 31 December 2023 and 2024. All of the Company's equity interest in Jiangsu Pharmaceutical was pledged to secure certain bank loans up to RMB16,886,000, at 31 December 2023.

(ii) Guaranteed bank loans

As at 31 December 2023, 2024 and 2025, the guaranteed bank loans were guaranteed by the Company, Mr. Dong Dalun and Shanghai Xintian Zhiyao Biotechnology Co., Ltd., and carried interest rate ranging from 3.45%–4.5% per annum, 3.35%–3.9% per annum and 3.00%–3.55% per annum, respectively.

(iii) Secured other borrowings

As at 31 December 2024 and 2025, the secured other borrowings from Far East Hongxin Financial Leasing Co., Ltd. carried interest rate at 6.45%–7.7% per annum and 6.45%–8.65% per annum, respectively.

These borrowings were secured by certain amounts of the Group's property, plant and equipment. The details are as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	—	81,473	87,254

(b) Bank loans and other borrowings at the end of reporting periods were repayable as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	374,509	477,750	249,359
After 1 year but within 2 years	31,257	62,606	382,282
After 2 years but within 5 years	49,500	56,807	15,526
	455,266	597,163	647,167

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	219,573	288,126	60,333
After 1 year but within 2 years	—	—	279,900
	219,573	288,126	340,233

21 LEASE LIABILITIES

As at the end of each reporting periods, the Group's lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	17,317	15,079	13,109
After 1 year but within 2 years	11,306	7,514	7,001
After 2 years but within 5 years	15,456	11,043	8,637
More than 5 years	11,648	9,146	6,914
	55,727	42,782	35,661

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	6,601	4,882	2,902
After 1 year but within 2 years	6,526	2,739	2,735
After 2 years but within 5 years	6,469	3,672	1,482
	19,596	11,293	7,119

22 DEFERRED INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grant	36,435	46,865	53,718

Deferred income of the Group represents government grants received for the construction of property, plant and equipment and the acquisition of leasehold land, which would be recognised as "other net income" on a straight-line basis over the expected useful lives of the relevant assets.

23 EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to a written shareholders' resolution of the Company approved by the Directors of the Company on 30 November 2022, a Restricted Share Unit ("RSU") Scheme (the "2022 Share Award Scheme") was adopted for the purpose of providing incentives to eligible employees of the Group. In December 2022, the RSUs were granted to eligible employees of the Group through three companies, which act as the share-based payments vehicles, at a discounted price. The granted RSUs are subject to the service and performance vesting conditions, with 40%, 30% and 30% of the granted shares vested on the date falling 24 months, 36 months and 48 months from the grant date, respectively.

Pursuant to a written resolution of the Company approved by the Directors of the Company on 3 September 2025 (the "Amendment Date"), the Company amended the above-mentioned 2022 Share Award Scheme such that, from the Amendment Date, the performance vesting conditions were abolished and the service vesting conditions were modified to be the period from the grant date to the [REDACTED] of the Company's H shares. On the same date, the Group granted certain RSUs to eligible employees under the scheme, at a discounted price and are subject to the amended service vesting conditions.

As the share incentive plan of employees has a vesting period, it shall be amortised and recognised as share-based payment expenses during the period from the grant date to the expected [REDACTED] date.

Fair Value of the RSUs

The fair value of services received in return for the restricted shares granted was measured by reference to the fair value of share awards granted. The estimate of the fair value of the share awards granted was determined with reference to equity financing transaction with third parties of the Company close to the grant dates.

Movements in the number of granted shares under the 2022 Share Award Scheme are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
Outstanding at the beginning of the year	12,375,000	11,350,000	10,600,000
Granted during the year	—	—	3,100,000
Forfeited during the year	(1,025,000)	(750,000)	(225,000)
Outstanding at the end of the year	11,350,000	10,600,000	13,475,000

Pursuant to the 2022 Share Award Scheme, certain restricted shares were forfeited due to resignation of employees during the years ended 31 December 2023, 2024 and 2025.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Right-of-use assets	**Lease Liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	(8,832)	8,832	—
(Charged)/credit to profit or loss	(1,943)	1,943	—
At 31 December 2023 and 1 January 2024	(10,775)	10,775	—
Credit/(charged) to profit or loss	1,000	(1,000)	—
At 31 December 2024 and 1 January 2025	(9,775)	9,775	—
Credit/(charged) to profit or loss	4,845	(4,845)	—
At 31 December 2025	(4,930)	4,930	—

(b) Deferred tax assets not recognised

In accordance with accounting policy set out in note 2(q), pursuant to the relevant laws and regulations in PRC, the unrecognized tax losses of the Company and the Group's PRC subsidiaries at the end of each reporting period are RMB1,054,334,000, RMB1,350,827,000 and RMB1,763,323,000, respectively.

The tax losses of the Company and the Group's PRC subsidiary Jiangsu Pharmaceutical, which have the qualifications as high-technology enterprise, can be carried forward for a maximum period of ten years; The tax losses of other PRC subsidiaries can be carried forward for a maximum period of five years.

The Group also has accumulated tax losses in the US of RMB2,142,000, RMB3,411,000 and RMB4,827,000 in aggregate as at 31 December 2023, 2024 and 2025, respectively, that can be carried forward for a maximum period of twenty years.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Share capital	Capital reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	387,568	933,503	(151,648)	1,169,423
Changes in equity for 2023:				
Profit for the year	—	—	44,311	44,311
Reclassification of financial liabilities recognised for preferential rights issued to investors to equity	—	46,944	—	46,944
Equity-settled share-based payments	—	10,209	—	10,209
Balance at 31 December 2023 and 1 January 2024	387,568	990,656	(107,337)	1,270,887
Changes in equity for 2024:				
Loss for the year	—	—	(88,033)	(88,033)
Issuance of shares	7,612	53,273	—	60,885
Equity-settled share-based payments	—	8,547	—	8,547
Balance at 31 December 2024 and 1 January 2025	395,180	1,052,476	(195,370)	1,252,286
Changes in equity for 2025:				
Loss for the year	—	—	(30,698)	(30,698)
Issuance of shares	8,470	63,530	—	72,000
Equity settled share-based payments	—	2,116	—	2,116
Balance at 31 December 2025	403,650	1,118,122	(226,068)	1,295,704

(b) Share Capital

As at 31 December 2023, 2024 and 2025, the Company has 387,568,000, 395,180,000 and 403,650,000 ordinary shares issued with par value of RMB1 for each share, respectively. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2024, the Company issued 7,612,000 ordinary shares to external investors with a consideration of RMB60,885,000, of which RMB7,612,000 and RMB53,273,000 was recognized in share capital and capital reserves respectively.

During the year ended 31 December 2025, the Company issued 8,470,000 ordinary shares to external investors with a consideration of RMB72,000,000, of which RMB8,470,000 and RMB63,530,000 was recognized in share capital and capital reserves respectively.

(c) Reserves

(i) Capital reserves

The capital reserves comprise the following:

— the difference between the consideration and the par value of the issued shares of the Company;

— the portion of the grant date fair value of equity-settled share-based payments granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii);

— In 2020, the Company and an independent investor entered into an investment agreement, pursuant to which, the investor subscribed for the Company's paid-in capital of RMB2,586,000 with a total cash consideration of RMB40,000,000. The investor would have the right but not the obligation to request the Company to purchase all or part of the shares of the Company held by the investor, upon the occurrence of the specified redemption triggering events. The Company recognised financial liabilities for its obligation to buy back the shares. In January 2023, the Group's obligation under the investor's preferential rights were terminated, accordingly the Group reclassified all of the financial liabilities recognised for the investor's preferential rights into equity.

(ii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operation with functional currency other than RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(t).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and service commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

(e) Dividends

The directors of the Company did not propose the payment of any dividend during the Track Record Period.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount.

As at 31 December 2023, 2024 and 2025, 84.6%, 81.9% and 71.6% of the total trade receivables was due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group grants its customers a credit term of up to 180 days and does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023, 2024 and 2025:

The Group

		As at 31 December 2023		As at 31 December 2024		As at 31 December 2025	
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance	Gross carrying amount of trade receivables	Loss allowance	Gross carrying amount of trade receivables	Loss allowance
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3.0%	232,175	(6,996)	319,384	(9,591)	200,805	(6,092)
1–2 years	10.0%	289	(29)	4,226	(423)	11,801	(1,180)
2–3 years	20.0%	368	(74)	53	(11)	16	(3)
3–5 years	50.0%	—	—	267	(133)	—	—
More than 5 years	100.0%	—	—	—	—	—	—
		232,832	(7,099)	323,930	(10,158)	212,622	(7,275)

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables of the Group during the years ended 31 December 2023, 2024 and 2025 is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	3,280	7,099	10,158
Impairment losses recognised/(reversed)	3,819	3,059	(2,883)
At end of the year	7,099	10,158	7,275

(b) Liquidity risk

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	389,013	35,230	53,730	—	477,973	455,266
Trade and other payables measured at amortised cost *(note 18)*	151,684	—	—	—	151,684	151,684
Lease liabilities	19,845	13,080	18,399	14,080	65,404	55,727
	560,542	48,310	72,129	14,080	695,061	662,677

	31 December 2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	493,086	68,200	59,105	—	620,391	597,163
Trade and other payables measured at amortised cost *(note 18)*	145,134	—	—	—	145,134	145,134
Lease liabilities	17,081	8,932	13,396	10,478	49,887	42,782
	655,301	77,132	72,501	10,478	815,412	785,079

	31 December 2025 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	270,399	390,182	16,050	—	676,631	647,167
Trade and other payables measured at amortised cost *(note 18)*	119,544	—	—	—	119,544	119,544
Lease liabilities	14,118	8,100	10,510	9,037	41,765	35,661
	404,061	398,282	26,560	9,037	837,940	802,372

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, restricted deposits, bank loans and other borrowings and lease liabilities. Financial assets and liabilities issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities at the end of the reporting period.

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Fixed-rate instruments:			
Lease liabilities	(55,727)	(42,782)	(35,661)
Bank loans and other borrowings	(306,572)	(418,281)	(490,361)
	(362,299)	(461,063)	(526,022)
Variable-rate instruments:			
Cash and cash equivalents	144,021	66,949	136,856
Restricted deposits	4,380	15	1
Bank loans and other borrowings	(148,694)	(178,882)	(156,806)
	(293)	(111,918)	(19,949)

(ii) Sensitivity analysis

The following table details the effect on the Group's loss after tax and accumulated losses as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December					
	2023		**2024**		**2025**	
	An increase of 100 basis points in interest rates	**An decrease of 100 basis points in interest rates**	**An increase of 100 basis points in interest rates**	**An decrease of 100 basis points in interest rates**	**An increase of 100 basis points in interest rates**	**An decrease of 100 basis points in interest rates**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Effective on:						
(Profit)/loss for the year	(18)	18	775	(775)	99	(99)
Accumulated losses	(18)	18	775	(775)	99	(99)

(d) Currency risk

The Group is not exposed to significant currency risk as the Group's transactions denominated in foreign currencies were immaterial.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2023, 2024 and 2025.

27 COMMITMENTS

Commitments outstanding at 31 December 2023, 2024 and 2025 not provided for in the financial statements were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	49,379	34,790	24,881

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel emoluments

Emoluments for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	5,802	5,689	6,749
Equity-settled share-based payment *(note 23)*	3,416	3,645	620
Contribution to defined contribution retirement plan	367	404	405
	9,585	9,738	7,774

Total emoluments are included in "staff costs" (see note 6(b)).

(b) Identify of related parties

Name of the party	Relationship with the Group
Mr. Dong Dalun (董大倫)	One of the controlling shareholders
Mr. Dong Zhu (董竹)	One of the controlling shareholders
Ms Liuzhen Wang (王柳珍)	One of the controlling shareholders
Shanghai Huilun Yuyi Enterprise Management Partnership (Limited Partnership) (上海滙倫煜翼企業管理合夥企業(有限合夥)) ("Yuyi Enterprise Management")	One of the controlling shareholders
Shanghai Huilun Feihe Enterprise Management Partnership (Limited Partnership) (上海滙倫斐赫企業管理合夥企業(有限合夥)) ("Feihe Enterprise Management")	One of the controlling shareholders
Shanghai Huilun Yunbai Enterprise Management Partnership (Limited Partnership) (上海滙倫蘊柏企業管理合夥企業(有限合夥)) ("Yunbai Enterprise Management")	One of the controlling shareholders
Shanghai Xintian Zhiyao Biotechnology Co., Ltd. (上海新天智藥生物技術有限公司) ("Shanghai Xintian Zhiyao")	One of the controlling shareholders

Name of the party	Relationship with the Group
Guiyang Xintian Pharmaceutical Co., Ltd. (貴陽新天藥業股份有限公司) ("Xintian Pharmaceutical")	One of the controlling shareholders
Shanghai Shuofang Pharmaceutical Technology Co., Ltd. (上海碩方醫藥科技有限公司) ("Shanghai Shuofang")	Entities Controlled by one of the controlling shareholders
Shanghai Jinzhu Information Technology Co., Ltd. (上海錦竺信息科技有限公司) ("Shanghai Jinzhu")	Entities Controlled by one of the controlling shareholders
Shanghai Huilun Pharmaceutical Technology Co., Ltd. (上海滙倫醫藥科技有限公司) ("Huilun Technology")	Entities Controlled by one of the controlling shareholders
Shanghai Dalun Medicine Development Co., Ltd. (上海大倫醫藥發展有限公司) ("Shanghai Dalun Medicine")	Entities Controlled by one of the controlling shareholders
Guangzhou Youyi Health Pharmaceutical Chain Co., Ltd. (廣州市優醫健康藥業連鎖有限公司) ("Guangzhou Youyi")	Entities Controlled by one of the controlling shareholders
Hainan Haitai Medical Technology Co., Ltd. (海南海泰醫療科技有限公司) ("Hainan Haitai")	Entities controlled by a close family member of one of the controlling shareholders

(c) Material related party transactions

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sales of products:	2,681	1,977	4,391
Sales of service:	189	508	219
Purchase of machinery and equipment:	—	—	1,664
Purchase of service:	520	20	960
Lease rentals paid to:	996	—	—

(d) Balances with related parties

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
— Trade related:	1,277	2,398	4,751

(e) Guarantee provided by related parties

As disclosed in note 20, the bank loans of RMB454,685,000, RMB532,800,000 and RMB537,400,000 as at 31 December 2023, 2024 and 2025 were guaranteed by Mr. Dong Dalun and Shanghai Xintian Zhiyao. The guarantees are expected to be fully released and discharged prior to the [REDACTED].

29 IMMEDIATE AND ULTIMATE CONTROLLING SHAREHOLDERS

On 31 December 2025, the directors consider the immediate and ultimate controlling shareholders to be Mr. Dong Dalun, Mr. Dong Zhu, Ms. Liuzhen Wang, Yuyi Enterprise Management, Feihe Enterprise Management, Yunbai Enterprise Management, Shanghai Xintian and Xintian Pharmaceutical.

30 SUBSEQUENT EVENT

The Group did not have any material subsequent event after 31 December 2025 and up to the date of this report.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2025 and which have not been adopted in the Historical Financial Information, including:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures — Contracts referencing nature-dependent electricity*	1 January 2026
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the followings:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.