

The following is the text of a report set out on pages I-1 to [I-2], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document. It is prepared and addressed to the directors of the Company and to the Haitong International Capital Limited pursuant to the requirements of 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.



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ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WECARE PROBIOTICS CO., LTD AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Wecare Probiotics Co., Ltd. (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages I-[3] to I-[85], which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the statements of the 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 statements of cash flows 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-[85] forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [Date] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants’ responsibility

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

APPENDIX I

ACCOUNTANTS’ REPORT

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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2023, 2024 and 2025, 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 set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[BDO Limited]

Certified Public Accountants

Practising Certificate no. P[●]

Hong Kong

[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (“**Underlying Financial Statements**”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	495,852	544,070	701,481
Cost of sales	9	(249,215)	(279,265)	(368,551)
Gross profit		246,637	264,805	332,930
Other income	7	14,519	20,483	18,259
Other losses, net	8	(5,608)	(8,279)	(660)
Selling and marketing expenses	9	(42,566)	(52,960)	(69,079)
General and administrative expenses	9	(79,557)	(51,251)	(56,863)
Research and development costs	9	(57,185)	(74,875)	(88,808)
Impairment losses under expected credit losses model, net of reversal	3.2(b)	(3,582)	(120)	(9,897)
Fair value change on other financial instruments	37	(28,400)	(1,800)	(37,000)
Operating profit		44,258	96,003	88,882
Finance income	10	1,125	1,424	984
Finance costs	10	(3,722)	(5,535)	(7,730)
Finance costs — net	10	(2,597)	(4,111)	(6,746)
Profit before income tax		41,661	91,892	82,136
Income tax expense	12	(16,236)	(12,278)	(16,926)
Profit for the year		25,425	79,614	65,210
Other comprehensive (loss)/income for the year				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations		(7)	22	(283)
Total comprehensive income for the year attributable to owners of the Company		25,418	79,636	64,927
Earnings per share for profit attributable to owners of the Company:				
Basic and diluted (RMB)	15	0.28	0.81	0.66

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	19	605,325	752,227	908,457
Right-of-use assets	21	67,480	70,895	52,922
Intangible assets	20	2,571	5,112	4,068
Deferred tax assets	22	9,257	11,630	10,953
Prepayments for non-current assets	25	4,394	66,589	56,752
Investment in an associate	18	606	638	662
Financial assets at fair value through profit or loss (“ FVPL ”)	23	8,722	1,956	1,610
Total non-current assets		<u>698,355</u>	<u>909,047</u>	<u>1,035,424</u>
Current assets				
Inventories	27	55,755	84,145	89,073
Trade and bills receivables	24	49,006	73,821	76,609
Prepayments, deposits and other receivables	25	26,266	40,853	46,512
Income tax recoverable		—	—	107
Financial assets at FVPL	23	—	114,167	23,000
Restricted bank deposits	26	16,162	7,500	3,002
Time deposits	26	—	20,000	3,514
Cash and cash equivalents	26	89,250	167,427	268,657
Total current assets		<u>236,439</u>	<u>507,913</u>	<u>510,474</u>
Total assets		<u>934,794</u>	<u>1,416,960</u>	<u>1,545,898</u>
Current liabilities				
Trade and bills payables	28	50,990	33,743	55,739
Contract liabilities	30	14,111	18,915	19,696
Other payables and accruals	29	83,423	105,612	118,388
Borrowings	32	30,000	16,390	12,781
Lease liabilities	33	10,084	15,042	9,664
Deferred income	31	8,218	10,594	10,673
Income tax payable		10,872	6,446	7,226
Total current liabilities		<u>207,698</u>	<u>206,742</u>	<u>234,167</u>
Net current assets		<u>28,741</u>	<u>301,171</u>	<u>276,307</u>
Total assets less current liabilities		<u>727,096</u>	<u>1,210,218</u>	<u>1,311,731</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current liabilities				
Borrowings	32	66,773	208,818	236,448
Lease liabilities	33	45,687	47,530	38,486
Deferred tax liabilities	22	1,389	732	513
Deferred income	31	71,096	67,533	60,967
Other financial instruments	37	239,100	240,900	277,900
Total non-current liabilities		<u>424,045</u>	<u>565,513</u>	<u>614,314</u>
NET ASSETS		<u>303,051</u>	<u>644,705</u>	<u>697,417</u>
Capital and reserves				
Equity attributable to owners of the Company				
Share capital	34	95,000	102,850	102,850
Reserves	36	<u>208,051</u>	<u>541,855</u>	<u>594,567</u>
TOTAL EQUITY		<u>303,051</u>	<u>644,705</u>	<u>697,417</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total RMB’000
	Share capital	Treasury shares	Share premium	Capital reserve	Exchange reserve	PRC statutory reserve	Share compensation reserve	Accumulated losses	
	RMB’000 <i>(note 34)</i>	RMB’000 <i>(note 36)</i>	RMB’000 <i>(note 36)</i>	RMB’000 <i>(note 36)</i>	RMB’000 <i>(note 36)</i>	RMB’000 <i>(note 36)</i>	RMB’000 <i>(note 35)</i>	RMB’000	
As at 1 January 2023	91,000	(16,750)	13,400	188,395	2	11,276	4,126	(132,977)	158,472
Profit for the year	—	—	—	—	—	—	—	25,425	25,425
Other comprehensive loss	—	—	—	—	(7)	—	—	—	(7)
Total comprehensive income for the year	—	—	—	—	(7)	—	—	25,425	25,418
Issuance of shares	4,000	—	60,000	—	—	—	—	—	64,000
Capital contribution from the ultimate beneficial owner of the Company	—	—	13,000	—	—	—	—	—	13,000
Recognition of equity-settled share-based payments <i>(Note 35)</i>	—	—	—	—	—	—	42,161	—	42,161
As at 31 December 2023 and 1 January 2024	95,000	(16,750)	86,400	188,395	(5)	11,276	46,287	(107,552)	303,051
Profit for the year	—	—	—	—	—	—	—	79,614	79,614
Other comprehensive income	—	—	—	—	22	—	—	—	22
Total comprehensive income for the year	—	—	—	—	22	—	—	79,614	79,636
Issuance of shares	7,850	—	266,900	—	—	—	—	—	274,750
Recognition of equity-settled share-based payments <i>(Note 35)</i>	—	—	—	—	—	—	2,246	—	2,246
Dividends <i>(Note 16)</i>	—	—	—	—	—	—	—	(14,978)	(14,978)
Transferred to statutory reserve	—	—	—	—	—	945	—	(945)	—
As at 31 December 2024 and 1 January 2025	102,850	(16,750)	353,300	188,395	17	12,221	48,533	(43,861)	644,705
Profit for the year	—	—	—	—	—	—	—	65,210	65,210
Other comprehensive loss	—	—	—	—	(283)	—	—	—	(283)
Total comprehensive income for the year	—	—	—	—	(283)	—	—	65,210	64,927
Recognition of equity-settled share-based payments <i>(Note 35)</i>	—	—	—	—	—	—	3,213	—	3,213
Dividends <i>(Note 16)</i>	—	—	—	—	—	—	—	(15,428)	(15,428)
Transferred to statutory reserve	—	—	—	—	—	8,294	—	(8,294)	—
As at 31 December 2025	102,850	(16,750)	353,300	188,395	(266)	20,515	51,746	(2,373)	697,417

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	41,661	91,892	82,136
Adjustments for			
Finance costs	3,722	5,535	7,730
Interest income	(1,125)	(1,424)	(984)
Share of profit of an associate	(6)	(32)	(24)
Impairment losses under expected credit losses model, net of reversal	3,582	120	9,897
Inventory write-down	1,354	1,987	1,300
Depreciation of property, plant and equipment	40,946	59,790	75,962
Depreciation of right-of-use assets	9,465	9,620	12,033
Amortisation of intangible assets	759	1,324	1,257
Release of deferred income	(3,993)	(8,527)	(10,618)
Loss on disposal of property, plant and equipment	892	4,443	112
Loss on disposal of intangible assets	3,274	—	—
Gain on early termination of leases	58	—	48
Fair value loss/(gain) on financial assets at FVPL	1,108	5,376	(1,715)
Fair value loss on other financial instruments	28,400	1,800	37,000
Share-based payment expenses	42,161	2,246	3,213
Operating cashflows before changing in working capital	172,258	174,150	217,347
Decrease/(increase) in inventories	1,322	(30,368)	(6,269)
Increase in trade and bills receivables	(16,423)	(24,792)	(13,080)
Increase in prepayments, deposits and other receivables	(13,744)	(14,623)	(5,649)
Increase/(decrease) in trade and bills payables	5,911	(17,535)	22,418
Increase in contract liabilities	3,372	4,793	806
Increase in other payables and accruals	4,477	22,082	12,798
Increase in deferred income	47,810	7,340	4,131
Cash generated from operations	204,983	121,047	232,502
Income tax paid	(6,338)	(19,738)	(15,716)
Net cashflows generated from operating activities	198,645	101,309	216,786

APPENDIX I

ACCOUNTANTS’ REPORT

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash flows from investing activities			
Proceeds from disposal of financial assets at FVPL	—	515,223	771,728
Proceeds from disposal of property, plant and equipment	945	8,296	2,126
Purchases of property, plant and equipment	(296,026)	(279,832)	(224,319)
Purchases of intangible assets	—	(3,865)	(213)
Purchases of financial assets at FVPL	(400)	(628,000)	(678,500)
Interest received	1,125	1,424	984
Investment made in an associate	(600)	—	—
Placement of restricted bank deposits	(28,039)	(11,668)	(27,214)
Withdrawal of restricted bank deposits	25,102	20,330	31,712
Placement of time deposits	—	(20,000)	(3,514)
Withdrawal of time deposits	10,000	—	20,000
Net cashflows used in investing activities	(287,893)	(398,092)	(107,210)
Cash flows from financing activities (Note 39)			
Proceeds from issue of shares	64,000	274,750	—
Proceeds from capital contribution from the ultimate beneficial owner of the Company	13,000	—	—
Proceeds from borrowings	97,773	158,435	41,411
Repayment of borrowings	(28,380)	(30,000)	(17,390)
Dividends paid	—	(14,978)	(15,428)
Principal portion of lease payments	(7,164)	(6,234)	(8,523)
Interest portion of lease payments	(2,721)	(2,410)	(2,586)
Interest paid	(1,558)	(4,812)	(5,420)
Net cashflows generated from/(used in) financing activities	134,950	374,751	(7,936)
Net increase in cash and cash equivalents	45,702	77,968	101,640
Cash and cash equivalents at the beginning of year	43,552	89,250	167,427
Effects of exchange rate changes on cash and cash equivalents	(4)	209	(410)
Cash and cash equivalents at end of year	89,250	167,427	268,657

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property, plant and equipment	19	451,484	610,887	650,800
Right-of-use assets	21	30,002	26,243	22,708
Intangible assets	20	2,571	5,112	4,068
Deferred tax assets	22	8,436	11,234	10,759
Prepayments for non-current assets	25	4,067	4,798	39,704
Investments in subsidiaries	17	181,115	276,978	426,363
Financial assets at FVPL	23	8,370	1,565	1,610
Total non-current assets		686,045	936,817	1,156,012
Current assets				
Inventories	27	44,239	56,545	64,065
Trade and bills receivables	24	46,840	87,469	64,873
Prepayments, deposits and other receivables	25	34,012	38,314	82,432
Financial assets at FVPL	23	—	68,125	—
Restricted bank deposits	26	16,162	7,500	3,000
Time deposits	26	—	20,000	3,514
Cash and cash equivalents	26	75,254	101,981	157,045
Total current assets		216,507	379,934	374,929
Total assets		902,552	1,316,751	1,530,941
Current liabilities				
Trade and bills payables	28	159,359	155,950	191,646
Contract liabilities	30	12,663	14,692	15,371
Other payables and accruals	29	68,302	95,688	189,423
Borrowings	32	30,000	16,390	12,781
Lease liabilities	33	3,849	3,993	2,208
Deferred income	31	5,928	7,989	7,968
Income tax payable		7,737	2,829	278
Total current liabilities		287,838	297,531	419,675
Net current (liabilities)/assets		(71,331)	82,403	(44,746)
Total assets less current liabilities		614,714	1,019,220	1,111,266

APPENDIX I

ACCOUNTANTS’ REPORT

		As at 31 December		
		2023	2024	2025
<i>Notes</i>		RMB’000	RMB’000	RMB’000
Non-current liabilities				
Borrowings	32	66,773	208,818	236,448
Lease liabilities	33	6,228	2,234	26
Deferred income	31	60,398	56,048	51,886
Other financial instruments	37	239,100	240,900	277,900
Total non-current liabilities		<u>372,499</u>	<u>508,000</u>	<u>566,260</u>
NET ASSETS		<u>242,215</u>	<u>511,220</u>	<u>545,006</u>
Capital and reserves				
Share capital	34	95,000	102,850	102,850
Reserves	36	147,215	408,370	442,156
NET EQUITY		<u>242,215</u>	<u>511,220</u>	<u>545,006</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP

The Company was established in the People’s Republic of China (the “**PRC**”) on 25 July 2013. Its registered office and the principal place of business activities is located at No. 999 Guangming Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province, PRC.

The Group is principally engaged in the production and sales of probiotic species and cultures and provision of technical services.

The ultimate beneficial owner of the Company is Fang Shuguang (“**Dr. Fang**”).

The detailed information of major subsidiaries was disclosed in Note 17.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The Historical Financial Information has been prepared based on the accounting policies set out in Notes 2.2 to 2.25 which conform with IFRS Accounting Standards which collective term includes all individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board (“**IASB**”). In addition, the Historical Financial Information also complies with the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued a number of new and amendments to IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted the accounting policies which conform with all applicable new and amendments to IFRS Accounting Standards that are effective during the Track Record Period, consistently throughout the Track Record Period, unless otherwise stated.

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss (“**FVPL**”), which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not effective for the Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except the new IFRS 18 as set out below.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group has not early applied the following new standards, interpretations and amendments that have been issued, but are not yet effective, during the Track Record Period.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvement to IFRS Accounting Standards — Volume 11 ¹
IFRS 18	Presentation and Disclosure in Financial Statements ²
IFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²

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

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

³ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. The adoption of IFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirement on management-defined performance measures within the consolidated financial statements. So far, the Group considers that the impact of these new and amended standards on the Group’s results of operations and financial position will not be material.

2.2 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

2.3 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue from contract with customers

The Group is principally engaged in the production and sales of probiotic species and cultures and provision of technical services.

(a) *Revenue from sales of probiotic products*

Revenue is recognised at the amount of consideration to which the Group expects to be entitled when the customer obtains control of the relevant goods. The Group delivers products to the designated delivery location as agreed, and revenue is recognised upon confirmation of acceptance by the customer. The normal credit term of sales ranges from 7 days to 90 days effective from the invoices date.

Revenue from domestic sales of goods is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products and signed the delivery order. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of goods is recognised when the products have either been declared to customs and shipped out of the port, or shipped to the contractually specified location in accordance with the sales contract.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

The Group’s obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

(b) *Revenue from provision of technical services*

The Group undertakes technical research projects under contracts with customers. Each contract results in the delivery of completed research outputs, including strain ownership, research data and related documentation.

Revenue is recognised at a point in time when control of the completed research outputs transfers to the customer. Control is considered to transfer upon completion of the project, formal customer acceptance in accordance with the contractual terms, and transfer of legal title and ownership of the strains and related project results. At that point, the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the research outputs.

Payments received in advance of project completion are recognised as contract liabilities and recognised as revenue when control of the completed outputs is transferred to the customer.

2.4 Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2.5 Finance income

Interest income is presented as the finance income where it is mainly earned from cash and cash equivalent, see Note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.6 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and other allowances that are expected to be settled wholly within 12 months after the end of each period in which the employees render the related service are recognised in respect of employees’ services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) *Pension obligations*

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group’s future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(c) *Housing funds, medical insurance and other social insurances*

The employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each period. Contributions to the housing funds, medical insurance and other social insurances are expensed as incurred.

(d) *Bonus plan*

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

2.7 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

2.8 Foreign currency translation

(a) *Functional and presentation currency*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss and other comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss and other comprehensive income on a net basis within “Other losses, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in OCI.

2.9 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment (other than construction in progress) are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Property and buildings	20 years
Machinery equipment	5–10 years
Electronic equipment	3–5 years
Transportation vehicle	5 years
Leasehold improvement	Shorter of the term of the lease or the estimated useful lives of the assets

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents unfinished construction under construction, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2.10 Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Lease modifications

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.11 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows.

Patents and non-patented technologies	10–20 years
Software	5–10 years

The amortisation expense is recognised in profit or loss and included in general and administrative expenses and research and development costs.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Research and development (“R&D”)

The Group incurs significant costs and efforts on research and development activities. Research expenditure is recognised as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred and development expenditures previously recognised as an expense are not recognised as an asset in a subsequent period.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Financial instruments

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

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

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

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in “Finance income” using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “Other losses, net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the

recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Other losses, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other losses, net” and impairment expenses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in “Other losses, net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in “Other losses, net” in the consolidated statements of profit or loss and other comprehensive income as applicable.

(d) Impairment

The Group performs impairment assessment under ECL model on financial assets which are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed collectively or individually.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of each reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

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

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

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

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

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

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

(iv) *Write-off policy*

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

(v) *Measurement and recognition of ECL*

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. See Note 24 for further information about the Group’s accounting for trade receivables and Note 3.1(b) for a description of the Group’s credit risk management.

(e) *Derecognition*

(i) *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity’s continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

(ii) *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

(f) *Other financial instruments*

Derivative are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not due to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in non-derivatives host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL.

APPENDIX I

ACCOUNTANTS’ REPORT

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost mainly comprises good-in-transit, raw materials, work in progress and finished goods. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of individual items of inventory are determined using weighted average costs.

2.15 Trade receivables

Trade receivables is recognised when the group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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.

See Note 24 for further information about the Group’s accounting for trade receivables and Note 3.1(b) for a description of the Group’s credit risk management.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Trade and bills payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of each financial year which are unpaid. Trade and bills payables are classified as current liabilities unless payment is not due within 12 months after each reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statements of profit or loss and other comprehensive income as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after each reporting period.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.20 Share-based payments

The Group operates equity-settled share-based compensation plans for remuneration of its employees including share award schemes. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions. Further details of which are given in Note 35 to the Historical Financial Information.

The fair value of share award granted to employees is recognised as an employee cost with a corresponding increase in the share compensation reserve. The fair value is measured at grant date, by reference to the fair value of the underlying ordinary shares on that date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective at the date of the forfeiture.

The grant of share-based payments by the Company to the employees of the subsidiaries are treated as a capital contribution to subsidiaries in the separate financial statements of the Company. The fair value of employee services received, determined by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding adjustment to equity in the separate financial statements of the Company.

2.21 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

APPENDIX I

ACCOUNTANTS’ REPORT

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, the existence of which 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.

2.23 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.24 Contract liabilities

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.25 Dividend distribution

Dividend distributed to the shareholders is recognised as a liability in the Historical Financial Information in the period when the dividends are approved by the entities’ shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial instruments by category

The Group and the Company’s major financial instruments include financial assets at FVPL, trade receivables, bills receivables, deposits and other receivables, restricted bank deposits, time deposits, cash and cash equivalents, trade payables, bills payable, other payables and accruals, borrowings, lease liabilities and other financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
Financial assets measured at amortised cost			
— Trade receivables (<i>Note 24</i>)	48,184	73,781	76,609
— Deposits and other receivables, excluding prepayments and other tax receivables (<i>Note 25</i>)	1,671	3,720	2,924
— Restricted bank deposits (<i>Note 26</i>)	16,162	7,500	3,002
— Time deposits (<i>Note 26</i>)	—	20,000	3,514
— Cash and cash equivalents (<i>Note 26</i>)	89,250	167,427	268,657
	<u>155,267</u>	<u>272,428</u>	<u>354,706</u>
Financial assets at FVPL			
— Equity investments (<i>Note 23</i>)	8,722	1,956	1,610
— Structured deposits (<i>Note 23</i>)	—	114,167	23,000
	<u>8,722</u>	<u>116,123</u>	<u>24,610</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at FVOCI			
— Bills receivables (<i>Note 24</i>)	822	40	—
Financial liabilities			
Financial liabilities at amortised cost			
— Trade and bills payables (<i>Note 28</i>)	50,990	33,743	55,739
— Other payables and accruals, excluding payroll and welfare payables and other tax payables (<i>Note 29</i>)	62,193	82,044	90,387
— Borrowings (<i>Note 32</i>)	96,773	225,208	249,229
	209,956	340,995	395,355
Lease liabilities (<i>Note 33</i>)	55,771	62,572	48,150
Financial liabilities measured at FVPL			
— Other financial instruments (<i>Note 37</i>)	239,100	240,900	277,900

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
Financial assets measured at amortised cost			
— Trade receivables (<i>Note 24</i>)	46,018	87,429	64,873
— Deposits and other receivables, excluding prepayments and other tax receivables (<i>Note 25</i>)	5,950	8,432	53,897
— Restricted bank deposits (<i>Note 26</i>)	16,162	7,500	3,000
— Time deposits (<i>Note 26</i>)	—	20,000	3,514
— Cash and cash equivalents (<i>Note 26</i>)	75,254	101,981	157,045
	143,384	225,342	282,329
Financial assets at FVPL			
— Equity investments (<i>Note 23</i>)	8,370	1,565	1,610
— Structured deposits (<i>Note 23</i>)	—	68,125	—
	8,370	69,690	1,610
Financial assets at FVOCI			
— Bills receivables (<i>Note 24</i>)	822	40	—
Financial liabilities			
Financial liabilities at amortised cost			
— Trade and bills payables (<i>Note 28</i>)	159,359	155,950	191,646
— Other payables and accruals, excluding payroll and welfare payables and other tax payables (<i>Note 29</i>)	53,348	77,859	168,071
— Borrowings (<i>Note 32</i>)	96,773	225,208	249,229
	309,480	459,017	608,946
Lease liabilities (<i>Note 33</i>)	10,077	6,227	2,234
Financial liabilities measured at FVPL			
— Other financial instruments (<i>Note 37</i>)	239,100	240,900	277,900

APPENDIX I

ACCOUNTANTS’ REPORT

3.2 Financial risk factors

The Group’s and the Company’s activities expose it to a variety of financial risks: mainly market risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out under policies approved by the board of directors of the Company. The management identifies and evaluates financial risks in close co-operation with the Group’s operating units.

(a) *Market risk*

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group’s businesses are principally conducted in RMB, United States dollars (“USD”) and other foreign currencies.

The Group regularly monitors its foreign exchange risk to ensure there is no undue exposure to significant foreign exchange risk. The Group continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks.

The exchange rate risks mainly arise from financial assets and financial liabilities denominated in USD. The amounts of financial assets and financial liabilities denominated in foreign currency converted into RMB are presented as follows:

The Group

	<u>USD</u>	<u>Other foreign</u>	<u>Total</u>
	<u>RMB’000</u>	<u>currencies</u>	<u>RMB’000</u>
		<u>RMB’000</u>	<u>RMB’000</u>
As at 31 December 2023			
Cash and cash equivalents	26,670	9	26,679
Trade receivables	17,560	6	17,566
Other payables	(21)	—	(21)
	<u>44,209</u>	<u>15</u>	<u>44,224</u>
As at 31 December 2024			
Cash and cash equivalents	4,569	179	4,748
Trade receivables	13,018	453	13,471
Other payables	(19)	—	(19)
	<u>17,568</u>	<u>632</u>	<u>18,200</u>
As at 31 December 2025			
Trade receivables	10,298	190	10,488
Other receivables	1,501	—	1,501
Other payables	(988)	—	(988)
	<u>10,811</u>	<u>190</u>	<u>11,001</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	USD	Other foreign currencies	Total
	RMB’000	RMB’000	RMB’000
As at 31 December 2023			
Cash and cash equivalents	26,670	9	26,679
Trade receivables	17,560	6	17,566
Other payables	(21)	—	(21)
	<u>44,209</u>	<u>15</u>	<u>44,224</u>
As at 31 December 2024			
Cash and cash equivalents	3,796	179	3,975
Trade receivables	13,018	453	13,471
Other payables	(19)	—	(19)
	<u>16,795</u>	<u>632</u>	<u>17,427</u>
As at 31 December 2025			
Trade receivables	10,298	190	10,488
Other payables	(988)	—	(988)
	<u>9,310</u>	<u>190</u>	<u>9,500</u>

As at 31 December 2023, 2024 and 2025, if the RMB appreciates or depreciates by 5% against the US dollar and other factors remain unchanged, the Group will reduce or increase its profit before taxation by approximately RMB2,210,000, RMB878,000, and RMB541,000, respectively, while the Company will reduce or increase its profit before taxation by approximately RMB2,210,000, RMB840,000, and RMB465,000, respectively. Other foreign currencies of changes have no significant impact on foreign exchange risk.

(ii) *Interest rate risk*

The Group’s and the Company’s interest rate risk primarily arises from borrowings, cash and cash equivalents, time deposits and restricted bank deposits. Those carried at floating rates expose the Group and the Company to cash flow interest rate risk whereas those carried at fixed rates expose the Group and the Company to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 32.

As at 31 December 2023, 2024 and 2025, the Group and the Company were not exposed to significant interest rate risk as all financial instruments were mainly fixed-rate instruments with no floating-rate components. The Group and the Company regularly monitor its interest rate risk to ensure there is no undue exposure to significant interest rate risk.

(b) Credit risk

The Group and the Company are exposed to credit risk in relation to its cash and cash equivalents, time deposits, restricted bank deposits, trade and bills receivables, deposits and other receivables. The carrying amounts of each class of the above assets represents the Group’s and the Company’s maximum exposure to credit risk in relation to the corresponding class of assets.

(i) Credit risk of cash and cash equivalents, time deposits and restricted bank deposits

To manage this risk, the Company and the Company’s subsidiaries only make transactions with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The credit losses are assessed to be immaterial.

(ii) Credit risk of trade receivables

The Group and the Company apply the IFRS 9 simplified approach to measuring expected credit losses (“ECL”), which uses a lifetime expected loss allowance for trade receivables at amortised cost. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward-looking information.

The trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group and the Company also individually assessed the recoverability of the balance with certain customers as significant increase in credit risk were identified as at 31 December 2025. An impairment loss of RMB8,757,000 was individually recognised for trade receivables with gross carrying amount of approximately RMB15,467,000 as at 31 December 2025. There were no significant concentrations of credit risk as at 31 December 2023, 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table sets forth an aging analysis (based on past due date) of the gross trade receivables and the related loss allowances at the respective reporting dates:

The Group

	Current	Past due 1–90 days	Past due 91–180 days	Past due 181–270 days	Past due 271–365 days	Past due over 365 days	Individual assessment	Total
Assessed based on grouping:								
As at 31 December 2023								
Expected loss rate	3%	10%	38%	55%	100%	100%	—	11%
Gross carrying amount (RMB’000)	37,549	11,155	316	3,152	707	1,295	—	54,174
Loss allowance (RMB’000)	(1,045)	(1,082)	(120)	(1,741)	(707)	(1,295)	—	(5,990)
Net carrying amount	<u>36,504</u>	<u>10,073</u>	<u>196</u>	<u>1,411</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>48,184</u>
As at 31 December 2024								
Expected loss rate	2%	8%	39%	63%	100%	100%	—	8%
Gross carrying amount (RMB’000)	63,435	10,657	2,686	886	128	2,049	—	79,841
Loss allowance (RMB’000)	(1,404)	(860)	(1,058)	(561)	(128)	(2,049)	—	(6,060)
Net carrying amount	<u>62,031</u>	<u>9,797</u>	<u>1,628</u>	<u>325</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>73,781</u>
As at 31 December 2025								
Expected loss rate	2%	6%	36%	65%	100%	100%	57%	10%
Gross carrying amount (RMB’000)	51,511	17,673	3,725	609	1,820	1,785	15,467	92,590
Loss allowance (RMB’000)	(835)	(1,049)	(1,340)	(395)	(1,820)	(1,785)	(8,757)	(15,981)
Net carrying amount	<u>50,676</u>	<u>16,624</u>	<u>2,385</u>	<u>214</u>	<u>—</u>	<u>—</u>	<u>6,710</u>	<u>76,609</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Current	Past due 1–90 days	Past due 91–180 days	Past due 181–270 days	Past due 271–365 days	Past due over 365 days	Individual assessment	Total
Assessed based on grouping:								
As at 31 December 2023								
Expected loss rate	3%	10%	38%	55%	100%	100%	—	11%
Gross carrying amount (RMB’000)	32,752	13,277	1,269	3,129	707	441	—	51,575
Loss allowance (RMB’000)	(912)	(1,288)	(480)	(1,729)	(707)	(441)	—	(5,557)
Net carrying amount	<u>31,840</u>	<u>11,989</u>	<u>789</u>	<u>1,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,018</u>
As at 31 December 2024								
Expected loss rate	2%	8%	39%	63%	100%	100%	—	7%
Gross carrying amount (RMB’000)	71,661	16,433	3,207	828	114	1,487	—	93,730
Loss allowance (RMB’000)	(1,586)	(1,327)	(1,263)	(524)	(114)	(1,487)	—	(6,301)
Net carrying amount	<u>70,075</u>	<u>15,106</u>	<u>1,944</u>	<u>304</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87,429</u>
As at 31 December 2025								
Expected loss rate	2%	6%	36%	65%	100%	100%	57%	19%
Gross carrying amount (RMB’000)	48,429	8,748	3,266	566	2,293	1,550	15,467	80,319
Loss allowance (RMB’000)	(784)	(519)	(1,175)	(368)	(2,293)	(1,550)	(8,757)	(15,446)
Net carrying amount	<u>47,645</u>	<u>8,229</u>	<u>2,091</u>	<u>198</u>	<u>—</u>	<u>—</u>	<u>6,710</u>	<u>64,873</u>

(iii) *Credit risk of bill receivables, deposits and other receivables*

Bill receivables

As at 31 December 2023, 2024 and 2025, the Group and the Company measured provision for impairment based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

Deposits and other receivables

For deposits and other receivables, it is measured as either 12-months expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. Deposits and other receivables that are not credit-impaired on initial recognition are classified in ‘Stage 1’ and the expected credit losses are measured as 12-months expected credit losses. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The expected credit losses are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to ‘Stage 3’ and the expected credit loss is measured as lifetime expected credit loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Management makes periodic assessments on these financial assets based on historical settlement records and past experience. As at 31 December 2023, 2024 and 2025, the Group recognised loss allowance of approximately RMB62,000, RMB115,000 and RMB70,000 for deposit and other receivables, respectively. As at 31 December 2023, 2024 and 2025, the Company recognised loss allowance of approximately RMB48,000, RMB74,000 and RMB54,000 for deposit and other receivables, respectively.

(iv) *Loss allowance under expected credit losses model*

The loss allowances for financial assets at amortised cost as of 31 December 2023, 2024 and 2025, reconcile to the opening loss allowances are as follows:

The Group

	Trade receivables	Other receivables	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	3,627	71	3,698
Impairment losses recognised/(reversed) for the year	3,591	(9)	3,582
Written off	(1,228)	—	(1,228)
As at 31 December 2023	<u>5,990</u>	<u>62</u>	<u>6,052</u>
	Trade receivables	Other receivables	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2024	5,990	62	6,052
Impairment losses recognised for the year	67	53	120
Exchange difference	3	—	3
As at 31 December 2024	<u>6,060</u>	<u>115</u>	<u>6,175</u>
	Trade receivables	Other receivables	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2025	6,060	115	6,175
Impairment losses recognised/(reversed) for the year	9,942	(45)	9,897
Exchange difference	(21)	—	(21)
As at 31 December 2025	<u>15,981</u>	<u>70</u>	<u>16,051</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 1 January 2023	3,259	58	3,317
Impairment losses recognised/(reversed) for the year	3,526	(10)	3,516
Written off	(1,228)	—	(1,228)
As at 31 December 2023	<u>5,557</u>	<u>48</u>	<u>5,605</u>
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 1 January 2024	5,557	48	5,605
Impairment losses recognised for the year	744	26	770
As at 31 December 2024	<u>6,301</u>	<u>74</u>	<u>6,375</u>
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As at 1 January 2025	6,301	74	6,375
Impairment losses recognised/(reversed) for the year	9,145	(20)	9,125
As at 31 December 2025	<u>15,446</u>	<u>54</u>	<u>15,500</u>

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. Liquidity risk is centrally managed by the finance department of the Group. The finance department ensures that the Group maintains sufficient funding to meet its debt obligations under reasonably foreseeable scenarios by monitoring cash balances, marketable securities, and rolling 12-months cash flow forecasts.

The table below analyses the Group’s and the Company’s financial liabilities into relevant maturity groupings based on the remaining period at each year end to the contractual maturity date for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is immaterial.

APPENDIX I

ACCOUNTANTS’ REPORT

Liquidity risk table

	On demand or less than one year	One to two years	Two to five years	More than five years	Total undiscounted cash flows	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
The Group						
As at 31 December 2023						
Trade and bills payables	50,990	—	—	—	50,990	50,990
Other payables and accruals	62,193	—	—	—	62,193	62,193
Borrowings	32,187	8,219	63,711	—	104,117	96,773
Lease liabilities	12,475	10,450	22,640	20,124	65,689	55,771
Total	157,845	18,669	86,351	20,124	282,989	265,727
As at 31 December 2024						
Trade and bills payables	33,743	—	—	—	33,743	33,743
Other payables and accruals	82,044	—	—	—	82,044	82,044
Borrowings	21,595	17,702	133,030	75,869	248,196	225,208
Lease liabilities	17,588	11,461	32,001	10,671	71,721	62,572
Total	154,970	29,163	165,031	86,540	435,704	403,567
As at 31 December 2025						
Trade and bills payables	55,739	—	—	—	55,739	55,739
Other payables and accruals	90,387	—	—	—	90,387	90,387
Borrowings	17,813	23,936	188,467	38,780	268,996	249,229
Lease liabilities	11,727	9,428	26,354	7,319	54,828	48,150
Total	175,666	33,364	214,821	46,099	469,950	443,505

As at 31 December 2023, 2024 and 2025, the Group recognises the other financial instruments as financial liabilities at fair value through profit or loss and classified them as non-current liabilities, which are managed on a fair value basis rather than by reference to their maturing dates.

APPENDIX I

ACCOUNTANTS’ REPORT

	On demand or less than one year	One to two years	Two to five years	More than five years	Total undiscounted cash flows	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
The Company						
As at 31 December 2023						
Trade and bills payables	159,359	—	—	—	159,359	159,359
Other payables and accruals	53,348	—	—	—	53,348	53,348
Borrowings	32,187	8,219	63,711	—	104,117	96,773
Lease liabilities	4,246	4,202	2,268	—	10,716	10,077
Total	249,140	12,421	65,979	—	327,540	319,557
As at 31 December 2024						
Trade and bills payables	155,950	—	—	—	155,950	155,950
Other payables and accruals	77,859	—	—	—	77,859	77,859
Borrowings	21,595	17,702	133,030	75,869	248,196	225,208
Lease liabilities	4,202	2,240	28	—	6,470	6,227
Total	259,606	19,942	133,058	75,869	488,475	465,244
As at 31 December 2025						
Trade and bills payables	191,646	—	—	—	191,646	191,646
Other payables and accruals	168,071	—	—	—	168,071	168,071
Borrowings	17,813	23,936	188,467	38,780	268,996	249,229
Lease liabilities	2,240	28	—	—	2,268	2,234
Total	379,770	23,964	188,467	38,780	630,981	611,180

As at 31 December 2023, 2024 and 2025, the Company recognises the other financial instruments as financial liabilities at fair value through profit or loss and classified them as non-current liabilities, which are managed on a fair value basis rather than by reference to their maturing dates.

APPENDIX I

ACCOUNTANTS’ REPORT

3.3 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company’s shares. No changes were made to the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital on the basis of the asset-liability ratio as at 31 December 2023, 2024 and 2025 were as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total assets (RMB’000)	934,794	1,416,960	1,545,898
Total liabilities other than other financial instruments (RMB’000)	392,643	531,355	570,581
Asset-liability ratio	238%	267%	271%

3.4 Fair value estimation

(a) Fair value hierarchy

The table below analyses the Group’s financial instruments carried at fair value as at 31 December 2023, 2024 and 2025 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023, 2024 and 2025, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

The Group

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	8,722	8,722
Financial assets at FVOCI				
— Bills receivable (Note 24)	—	—	822	822
Total financial assets	<u>—</u>	<u>—</u>	<u>9,544</u>	<u>9,544</u>
Financial liabilities:				
Other financial instruments (Note 37)				
	<u>—</u>	<u>—</u>	<u>239,100</u>	<u>239,100</u>
As at 31 December 2024				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	1,956	1,956
— Structured deposits (Note 23)	—	114,167	—	114,167
Financial assets at FVOCI				
— Bills receivable (Note 24)	—	—	40	40
Total financial assets	<u>—</u>	<u>114,167</u>	<u>1,996</u>	<u>116,163</u>
Financial liabilities:				
Other financial instruments (Note 37)				
	<u>—</u>	<u>—</u>	<u>240,900</u>	<u>240,900</u>
As at 31 December 2025				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	1,610	1,610
— Structured deposits (Note 23)	—	23,000	—	23,000
Total financial assets	<u>—</u>	<u>23,000</u>	<u>1,610</u>	<u>24,610</u>
Financial liabilities:				
Other financial instruments (Note 37)				
	<u>—</u>	<u>—</u>	<u>277,900</u>	<u>277,900</u>

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	8,370	8,370
Financial assets at FVOCI				
— Bills receivable (Note 24)	—	—	822	822
Total financial assets	—	—	9,192	9,192
Financial liabilities:				
Other financial instruments				
(Note 37)	—	—	239,100	239,100
As at 31 December 2024				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	1,565	1,565
— Structured deposits (Note 23)	—	68,125	—	68,125
Financial assets at FVOCI				
— Bills receivable (Note 24)	—	—	40	40
Total financial assets	—	68,125	1,605	69,730
Financial liabilities:				
Other financial instruments				
(Note 37)	—	—	240,900	240,900
As at 31 December 2025				
Financial assets:				
Financial assets at FVPL				
— Equity investments (Note 23)	—	—	1,610	1,610
Financial liabilities:				
Other financial instruments				
(Note 37)	—	—	277,900	277,900

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

(b) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information, etc.

There were no changes in valuation techniques during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table presents the movements in level 3 items for the years ended 31 December 2023, 2024 and 2025:

The Group

Level 3	Unlisted equity investments	Other financial instruments
	RMB’000	RMB’000
As at 1 January 2023	9,430	210,700
Additions	400	—
Fair value changes	(1,108)	28,400
As at 31 December 2023 and 1 January 2024	8,722	239,100
Fair value changes	(6,766)	1,800
As at 31 December 2024 and 1 January 2025	1,956	240,900
Disposals	(391)	—
Fair value changes	45	37,000
As at 31 December 2025	<u>1,610</u>	<u>277,900</u>

The Company

Level 3	Unlisted equity investments	Other financial instruments
	RMB’000	RMB’000
As at 1 January 2023	9,430	210,700
Fair value changes	(1,060)	28,400
As at 31 December 2023 and 1 January 2024	8,370	239,100
Fair value changes	(6,805)	1,800
As at 31 December 2024 and 1 January 2025	1,565	240,900
Fair value changes	45	37,000
As at 31 December 2025	<u>1,610</u>	<u>277,900</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Valuation inputs and relationships to fair value

The Group

	As at 31 December			Valuation technique(s)	Significant unobservable input(s)	Range of input	Relationship of unobservable inputs to fair value
	2023	2024	2025				
	RMB'000	RMB'000	RMB'000				
Financial assets							
Unlisted equity investments, at FVPL	7,892	846	—	Adjusted net assets approach	Adjusted net asset value of the investee	N/A	The higher the adjusted net asset value, the higher the fair value
Unlisted equity investments, at FVPL	830	1,110	1,610	Market approach	Price-to-sales ratio	2023: 0.98X 2024: 1.08X 2025: 1.57X	The higher the price-to-sales ratio, the higher the fair value
					Discount for lack of marketability	2023: 15.7% 2024: 15.6% 2025: 15.6%	The higher the discount for lack of marketability, the lower the fair value
Financial liabilities							
Other financial instruments (note 37)	(239,100)	(240,900)	(277,900)	Income approach	Discount rate	2023: 14.91% 2024: 14.57% 2025: 13.39%	The higher the discount rate, the lower the fair value
					Long-term average growth rate	2023: 17.98% to 35.91% 2024: 11.55% to 33.05% 2025: 11.89% to 29.20%	The higher the long-term growth rate, the higher the fair value
					Possibilities under [REDACTED] scenario	2023: 50% to 60% 2024: 60% to 70% 2025: 70% to 80%	The higher the possibility under [REDACTED] scenario, the lower the fair value

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			Valuation technique(s)	Significant unobservable input(s)	Range of input	Relationship of unobservable inputs to fair value
	2023	2024	2025				
	RMB'000	RMB'000	RMB'000				
Financial assets							
Unlisted equity investments, at FVPL	7,540	455	—	Adjusted net assets approach	Adjusted net asset value of the investee	N/A	The higher the adjusted net asset value, the higher the fair value
Unlisted equity investments, at FVPL	830	1,110	1,610	Market approach	Price-to-sales ratio	2023: 0.98X 2024: 1.08X 2025: 1.57X	The higher the price-to-sales ratio, the higher the fair value
					Discount for lack of marketability	2023: 15.7% 2024: 15.6% 2025: 15.6%	The higher the discount for lack of marketability, the lower the fair value
Financial liabilities							
Other financial instruments (note 37)	(239,100)	(240,900)	(277,900)	Income approach	Discount rate	2023: 14.91% 2024: 14.57% 2025: 13.39%	The higher the discount rate, the lower the fair value
					Long-term average growth rate	2023: 17.98% to 35.91% 2024: 11.55% to 33.05% 2025: 11.89% to 29.20%	The higher the long-term growth rate, the higher the fair value
					Possibilities under [REDACTED] scenario	2023: 50% to 60% 2024: 60% to 70% 2025: 70% to 80%	The higher the possibility under [REDACTED] scenario, the lower the fair value

There were no transfers between levels during each of the reporting periods.

For unlisted equity investments measured at fair value through profit or loss (“FVPL”), as at 31 December 2023, 2024 and 2025, if the fair value of the underlying investments had increased or decreased by 5%, with all other variables held constant, the Group’s financial assets at FVPL would have increased or decreased by approximately RMB436,000, RMB97,000 and RMB80,000, respectively.

For other financial instruments, if the Group’s discount rate had increased/decreased by five percentage point with all other variables held constant, the profit before income tax for the years ended 31 December 2023, 2024 and 2025 would have been approximately RMB17,000,000 higher/ RMB18,333,000 lower, RMB18,166,000 higher/ RMB17,000,000 lower and RMB20,000,000 higher/RMB17,500,000 lower, respectively.

If the Terminal growth rate had increased/decreased by five percentage point with all other variables held constant, the profit before income tax for the years ended 31 December 2023, 2024 and 2025 would have been approximately RMB4,500,000 lower/RMB4,300,000 higher, RMB8,333,000 lower/RMB7,333,000 higher, and RMB7,833,000 lower/RMB9,666,000 higher, respectively.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 revision affects both current and future periods.

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

(a) Estimation of the fair value of financial assets at FVPL and financial liabilities at FVPL

The fair value of financial assets and financial liabilities that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments and obligations. Details of the assumptions and estimates in determination of the fair value are disclosed in Notes 3.4 and 37.

(b) Inventory provision

Inventories are stated at the lower of cost and net realisable value as stated in Note 2.14. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, environmental goals and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting year.

(c) Provision of ECL for financial assets at amortised cost

The Group calculates ECL for trade and other receivables and cash and cash equivalent under IFRS 9. The provision rates are based on the Group’s historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. For details of the key assumptions and inputs used are set out in Note 3.1. Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

(d) Impairment assessment of non-financial assets

Non-financial assets are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of their unit’s fair value less cost of disposal and its value-in-use which requires the use of assumptions and estimates.

(e) Uncertain tax position and recognition of current and deferred income tax assets

The Group is subject to enterprise income tax in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 12, some subsidiaries of the Group are high-tech enterprises. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

(f) Share-based compensation arrangement

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is estimated using a model which requires the determination of the appropriate inputs. In addition, the Group has to estimate the expected yearly percentage of grantees

APPENDIX I

ACCOUNTANTS’ REPORT

that will stay within the Group at the end of vesting periods of the share awards in order to determine the amount of share-based compensation expenses charged to profit or loss with the consolidated statements of profit or loss and other comprehensive income.

The Group estimate the expected forfeiture rate at the end of vesting periods (“**Forfeiture Rate**”) of the share awards granted in order to determine the amount of share-based payment expenses charged to profit or loss.

5. SEGMENT INFORMATION

Segment results

The Group manages its businesses by business lines, in a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker (“**CODM**”) for the purposes of resource allocation and performance assessment. The Group has one single operating segment and no further analysis of the single segment is presented.

Geographical information

The geographical location of the Group’s non-current assets (excluding deferred income tax assets and financial assets) mainly comprised of the property, plant and equipment, right-of-use assets and non-current prepayments is based on the physical location of these assets.

As at the end of each year for the Track Record Period, the geographical location of the Group’s non-current assets are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Greater China	680,376	883,734	1,013,688
North America	—	11,727	9,173
	<u>680,376</u>	<u>895,461</u>	<u>1,022,861</u>

6. REVENUE

During the years ended 31 December 2023, 2024 and 2025, the Group’s revenue streams are mainly derived from the sales of probiotic species and cultures and provision of technical services:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from external customers by type of products and services:			
Human health:			
— Probiotic powder	218,788	250,399	352,264
— Probiotic formula	224,303	245,826	294,651
	443,091	496,225	646,915
Dairy	13,592	11,182	17,739
Agriculture	1,178	7,674	9,808
Others	29,205	21,562	22,879
Technical services	8,786	7,427	4,140
	<u>495,852</u>	<u>544,070</u>	<u>701,481</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers by timing of recognition within IFRS 15:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Point in time	495,852	544,070	701,481

An analysis of the Group’s revenue from external customers, based on location of customers and analysed by region, is presented below:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from external customers			
— Greater China	335,174	342,366	419,778
— North America	73,831	96,063	163,417
— Europe	69,421	77,371	80,522
— Others	17,426	28,270	37,764
	495,852	544,070	701,481

No revenue from customers contributing over 10% of the total revenue of the Group for each reporting period during the Track Record Period.

Transaction price allocated to future performance obligations

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales of goods and technical research contracts. Accordingly, the Group does not disclose information about the transaction price allocated to remaining performance obligations for contracts that have an original expected duration of one year or less.

7. OTHER INCOME

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants			
— reclassified from deferred income (Note 31)	3,993	8,527	10,618
— related to expenses (Note a)	9,832	8,058	7,344
Additional deduction of VAT (Note b)	678	3,763	190
Share of profit of an associate	6	32	24
Others	10	103	83
	14,519	20,483	18,259

Notes:

- (a) The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group’s support and contribution for the development of local economies.
- (b) Pursuant to the Notice on the Additional Value-added Tax (“VAT”) Credit Policy for Advanced Manufacturing Enterprises (Announcement (2023) No. 43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT.

APPENDIX I

ACCOUNTANTS’ REPORT

8. OTHER LOSSES, NET

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Foreign currency exchange gain/(loss), net	1,302	1,895	(1,140)
Net losses on disposal of property, plant and equipment and intangible assets	(4,166)	(4,443)	(112)
Fair value (loss)/gain on financial assets at FVPL	(1,108)	(5,376)	1,715
Others	(1,636)	(355)	(1,123)
	<u>(5,608)</u>	<u>(8,279)</u>	<u>(660)</u>

9. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses, general and administrative expenses, and research and development costs are analysed as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of materials	164,851	153,846	201,567
Materials used for research and development	3,964	7,983	11,947
Write-down of inventory to net realisable value	1,354	1,987	1,300
Traveling expenses	4,520	7,810	8,583
Transportation costs	18,150	26,159	41,106
Depreciation and amortisation (note (a))	40,713	55,277	75,650
Employee benefits expenses (note (b))	119,802	104,871	131,129
Short-term lease expenses	976	1,572	1,777
Marketing and promotion expenses	8,624	10,772	13,001
Entertainment expenses	4,924	6,994	7,186
Inspection fee	1,595	4,530	3,044
Experimentation fee	17,812	16,191	15,282
Utilities	18,258	22,508	28,302
Professional services fee	5,317	7,798	7,595
Auditors’ remuneration	423	581	557
Other tax and sub-charge	3,168	4,834	6,050
Loss on early termination of lease	58	—	48
[REDACTED]	—	—	[REDACTED]
Others	14,014	24,638	27,726
	<u>428,523</u>	<u>458,351</u>	<u>583,301</u>

Notes:

- (a) Depreciation and amortisation represents the total depreciation and amortisation incurred for property, plant and equipment, right-of-use assets and intangible assets of RMB51,170,000, RMB70,734,000 and RMB89,252,000, net of changes in inventories of finished goods and work-in-progress arising from the capitalisation and release of depreciation and amortisation of RMB10,457,000, RMB15,457,000 and RMB13,602,000, for the years ended 31 December 2023, 2024 and 2025, respectively.
- (b) Employee benefits expenses represents the total staff costs incurred of RMB141,677,000, RMB114,789,000 and RMB143,774,000, net of changes in inventories of finished goods and work-in-progress arising from the capitalisation and release of staff costs of RMB21,875,000, RMB9,918,000 and RMB12,645,000, for the years ended 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

10. FINANCE COSTS — NET

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Finance income:			
Bank interest income (<i>note (a)</i>)	(1,125)	(1,424)	(984)
Finance costs:			
Interest expenses on bank borrowings	1,609	4,919	5,418
Interest expenses on lease liabilities	2,668	2,410	2,586
Total borrowing costs	4,277	7,329	8,004
Less: interest capitalised (<i>note (b)</i>)	(555)	(1,794)	(274)
	3,722	5,535	7,730
Total	2,597	4,111	6,746

Notes:

- (a) Interest income represents interest income from cash and cash equivalent, including bank balances and time deposits which could be withdrawn or transferred on demand.
- (b) The borrowings costs capitalised for the years ended 31 December 2023, 2024 and 2025 were arisen on the borrowings made specifically for the purpose of obtaining qualifying assets.

11. EMPLOYEE BENEFIT EXPENSES

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses	84,349	94,449	118,449
Pension obligations, housing funds, medical insurance and other social insurances	9,867	12,106	15,006
Other employee benefit expenses	5,300	5,988	7,106
Share-based payments	42,161	2,246	3,213
Employee benefit expenses (including directors’ and supervisors’ emoluments (<i>Note 13</i>))	141,677	114,789	143,774

(a) Pension obligations, housing funds, medical insurance and other social insurances

The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurance and other social insurances to fund the benefits. The Group’s full time employees in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government and liabilities in respect of benefits schemes are limited to the contribution payable in each year during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

12. INCOME TAX EXPENSE

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current income tax	20,921	15,308	16,468
Deferred income tax (<i>Note 22</i>)	(4,685)	(3,030)	458
Total income tax expense	<u>16,236</u>	<u>12,278</u>	<u>16,926</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Chinese Mainland

The income tax provision of the Group in respect of its operations in Mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof.

Certain Group’s subsidiaries benefit from a preferential tax rate of 15% under the Enterprise Income Tax Law (“**EIT Law**”) if they are qualified as “High and New technology enterprises” under relevant regulations, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the EIT Law and the related regulations.

The Company’s subsidiaries in Mainland China other than those mentioned above are subject to enterprise income tax at the rate of 25%.

US Corporate Income Tax

The applicable income tax rate of the United States where our subsidiaries have significant operations during the Track Record Period include state income tax rates ranging from nil to 10% and the U.S. federal corporate income tax rate of 21%.

Corporate income tax in other jurisdictions

The income tax rates applicable to our subsidiaries in other jurisdictions, including Singapore, Netherlands and Australia, were calculated based on their estimated assessable profits during the Track Record Period, using the respective tax rates prevailing in those jurisdictions.

OECD Pillar Two model rules

The Group is within the scope of the Pillar Two model rules released by the Organization for Economic Co-operation and Development (“**OECD**”). The Pillar Two legislation had become effective in certain jurisdictions on 1 January 2024 during the Track Record Period. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12. Under the Pillar Two legislation, the Group is liable to pay a top-up tax for difference between its Global Anti-Base Erosion (“**GloBE**”) effective tax rate in each jurisdiction and the 15% minimum rate.

APPENDIX I

ACCOUNTANTS’ REPORT

The income tax expense for each of the reporting period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before income tax	41,661	91,892	82,136
Income tax expense computed at 15% income tax rate	6,249	13,784	12,321
Tax effect of:			
Effect of different tax rates of subsidiaries operating in other jurisdictions	933	478	2,233
Tax effect of non-taxable income	—	(4)	(2)
Tax effect of non-deductible expenses	13,263	1,946	7,474
Utilisation of tax losses previously not recognised	(16)	(171)	(478)
Tax effect of tax losses not recognised	1,192	2,421	3,195
Tax effect of temporary difference not recognised	620	516	96
Tax effect of additional deduction for eligible research and development expense (a)	(6,005)	(6,692)	(7,913)
Income tax expense	<u>16,236</u>	<u>12,278</u>	<u>16,926</u>

Note:

- (a) According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim up to 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period.

13. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during each of the reporting period are as follows:

Year ended 31 December 2023

	Directors’ fee	Salaries and other benefits	Performance-based bonus	Retirement	Share-based payments	Total
				benefit scheme contributions		
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:						
Dr. Fang	—	1,070	2,160	64	40,231	43,525
Executive director:						
Dr. Zhu Jianguo	—	347	47	20	236	650
Non-executive directors:						
Mr. Cao Youqiang	—	—	—	—	—	—
Mr. Ji Tianrong	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Deng Zixin	84	—	—	—	—	84
Mr. Chen Haixiang	84	—	—	—	—	84
Mr. Li Bin	84	—	—	—	—	84
Supervisors:						
Mr. Xu Rong	—	274	35	20	—	329
Mr. Chen Keke	—	193	21	19	64	297
Ms. Zhou Heyu	—	167	20	19	—	206
	<u>252</u>	<u>2,051</u>	<u>2,283</u>	<u>142</u>	<u>40,531</u>	<u>45,259</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	<u>Directors’ fee</u>	<u>Salaries and other benefits</u>	<u>Performance- based bonus</u>	<u>Retirement benefit scheme contributions</u>	<u>Share-based payments</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:						
Dr. Fang	—	2,313	625	65	518	3,521
Executive director:						
Dr. Zhu Jianguo	—	283	72	20	236	611
Non-executive directors:						
Mr. Cao Youqiang	—	—	—	—	—	—
Mr. Ji Tianrong	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Deng Zixin	84	—	—	—	—	84
Mr. Chen Haixiang	84	—	—	—	—	84
Mr. Li Bin	84	—	—	—	—	84
Supervisors:						
Mr. Xu Rong	—	295	58	20	—	373
Mr. Chen Keke	—	213	44	20	64	341
Ms, Zhou Heyu	—	155	26	20	—	201
	<u>252</u>	<u>3,259</u>	<u>825</u>	<u>145</u>	<u>818</u>	<u>5,299</u>

Year ended 31 December 2025

	<u>Directors’ fee</u>	<u>Salaries and other benefits</u>	<u>Performance- based bonus</u>	<u>Retirement benefit scheme contributions</u>	<u>Share-based payments</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:						
Dr. Fang	—	1,970	960	67	1,636	4,633
Executive director:						
Dr. Zhu Jianguo	—	513	290	21	236	1,060
Non-executive directors:						
Mr. Cao Youqiang	—	—	—	—	—	—
Mr. Ji Tianrong	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Deng Zixin	84	—	—	—	—	84
Mr. Chen Haixiang	84	—	—	—	—	84
Mr. Li Bin	84	—	—	—	—	84
Supervisors:						
Mr. Xu Rong	—	574	61	21	546	1,202
Mr. Chen Keke	—	356	260	21	64	701
Ms, Zhou Heyu	—	267	27	21	—	315
	<u>252</u>	<u>3,680</u>	<u>1,598</u>	<u>151</u>	<u>2,482</u>	<u>8,163</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

(a) **Directors’ retirement benefits and termination benefits**

No director’s retirement or termination benefit subsisted at the end of each year disclosed or at any time during the Track Record Period.

(b) **Consideration provided to third parties for making available directors’ services**

No consideration provided to third parties for making available director’s services subsisted at the end of each year disclosed or at any time during the Track Record Period.

(c) **Information about borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors**

No borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of each year disclosed or at any time during the Track Record Period.

(d) **Directors’ material interest in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each year disclosed or at any time during the Track Record Period.

14. **FIVE HIGHEST PAID INDIVIDUALS**

During the years ended 31 December 2023, 2024 and 2025, the five individuals with the highest emoluments in the Group include two directors of the Company. Additionally, during the year ended 31 December 2025, they included one supervisor of the Company. Details of whose remuneration are set out in Note 13 above. Details of the remuneration of the remaining individuals during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses	1,890	1,882	1,465
Pension obligations, housing funds, medical insurance and other social insurance	94	104	77
Share-based payments	129	435	466
	<u>2,113</u>	<u>2,421</u>	<u>2,008</u>

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

	Number of individuals		
	Years ended 31 December		
	2023	2024	2025
Nil to HK\$1,000,000	2	2	1
HK\$1,000,001 to HK\$1,500,000	1	1	1
	<u>3</u>	<u>3</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

15. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period. Treasury shares were excluded from the calculation of EPS.

	Years ended 31 December		
	2023	2024	2025
Profit attributable to owners of the Company (RMB’000)	25,425	79,614	65,210
Weighted average number of ordinary shares in issue	89,534,932	97,950,273	99,500,000
Basic EPS (RMB per share)	<u>0.28</u>	<u>0.81</u>	<u>0.66</u>

(b) Diluted earnings per share

The restricted shares under the share award scheme (Note 35) have no dilutive impact on the diluted earnings per share as they are considered as contingently issuable shares as at 31 December 2023, 2024 and 2025.

Therefore, the dilutive EPS were the same as the basic EPS for each reporting period during the Track Record Period.

16. DIVIDENDS

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Dividends recognised as distribution during the year			
Final dividend for 2023 – RMB1.5 per 10 ordinary shares	—	14,978	—
Final dividend for 2024 – RMB1.5 per 10 ordinary shares	<u>—</u>	<u>—</u>	<u>15,428</u>

The final dividends of RMB0.15 and RMB0.15 per share (tax inclusive) in respect of the years ended 31 December 2023 and 2024 were approved by the Annual General Meeting of the Company on 20 May 2024 and 7 April 2025, respectively.

17. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Company			
Investments in subsidiaries			
— Unlisted shares, at cost	186,115	281,978	431,363
— Impairment losses	(5,000)	(5,000)	(5,000)
	<u>181,115</u>	<u>276,978</u>	<u>426,363</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Particulars of the principal subsidiaries directly and indirectly held by the Company at the end of each reporting period are set out below:

Name of subsidiaries	Place and date of incorporation	Authorised shares capital/ registered capital	Equity interests attributable to the Company as at								Principal activities
			31 December 2023		31 December 2024		31 December 2025		As at the date of this report		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	
Luohe Weikang Probiotics Biotechnology Co., Ltd.* (“Luohe Weikang Probiotics”) 漯河微康益生菌生物科技有限公司	Mainland China 27 February 2018	RMB150,000,000	100	—	100	—	100	—	100	—	Probiotics R&D, production, and sales in Mainland China
Wuhan Weikang Probiotics Research Institute Co., Ltd.* (“Wuhan Weikang”) 武漢微康益生菌研究院有限公司	Mainland China 18 April 2018	RMB10,000,000	100	—	100	—	100	—	100	—	Probiotics R&D in Mainland China
Shanghai Yiweierkang Biotechnology Co., Ltd.* (“Shanghai Yiweierkang”) 上海益維爾康生物科技有限公司	Mainland China 11 December 2019	RMB10,000,000	100	—	100	—	100	—	100	—	Procurement for the Group in Mainland China
Suzhou Weikang Research and Selection Health Technology Co., Ltd.* (“Suzhou Weikang”) 蘇州微康研選健康科技有限公司	Mainland China 28 November 2017	RMB3,000,000	100	—	100	—	100	—	100	—	Probiotics sales in Mainland China
Luohe Weikang Agricultural Biotechnology Co., Ltd.* (“Luohe Weikang Agricultural”) 漯河微康農業生物科技有限公司	Mainland China 2 June 2021	RMB100,000,000	—	100	—	100	—	100	—	100	Agricultural beneficial microorganisms R&D, production, and sales in Mainland China
Luohe Weikang Food Bioengineering Research Institute Co., Ltd.* (“Luohe Weikang Food”) 漯河微康食品生物工程研究院有限公司	Mainland China 2 July 2021	RMB2,000,000	—	100	—	100	—	100	—	100	Probiotics sales in Mainland China
Suzhou Weikang Agricultural Biotechnology Co., Ltd.* (“Suzhou Weikang Agricultural”) 蘇州微康農業生物科技有限公司	Mainland China 2 August 2023	RMB5,000,000	—	100	—	100	—	100	—	100	Agricultural beneficial microorganisms sales in Mainland China
Suzhou Zekang Enterprise Management Consulting Partnership (Limited Partnership)* (“Suzhou Zekang”) 蘇州澤康企業管理諮詢合夥企業(有限合夥)	Mainland China 18 June 2020	RMB16,750,000	—	—	—	—	—	—	—	—	Platform for Employee Stock Ownership Plan
Wecare America Inc	USA 2 April 2022	US\$10,000	100	—	100	—	—	100	—	100	Probiotics sales in USA

Note:

* The English names of the subsidiaries registered in the Mainland China represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(a) No audited financial statement was prepared for all the subsidiaries as they are not required to issue audited financial statements under the local statutory requirements.

APPENDIX I

ACCOUNTANTS’ REPORT

18. INVESTMENT IN AN ASSOCIATE

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
At beginning of the year	—	606	638
Additions	600	—	—
Share of post-acquisition profit or loss	6	32	24
At the end of the year	<u>606</u>	<u>638</u>	<u>662</u>

The Group had interests in the following associate during each of the reporting period:

Name of associate	Place of incorporation/ establishment and operation	Authorised shares capital/ registered capital	Percentage of ownership interests held by the Group			Principal activities
			As at 31 December			
			2023	2024	2025	
Shenzhen Xianda Houshengyuan Biotechnology Co., Ltd.* (“Shenzhen Xianda”) 深圳市先達後生元生物科技有限公司	PRC	RMB3,000,000	20%	20%	20%	Basic research, application promotion and provision of customised solutions for postbiotics in Mainland China

Note:

* The English names of the subsidiaries registered in the Mainland China represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

The board of directors of Shenzhen Xianda consisted of 3 directors. The Group has the right to appoint 1 director into Shenzhen Xianda enabling the Group to participate in the financing and operating policy decision of Shenzhen Xianda.

Aggregate information of an associate of the Group that is not individually material:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of the Group’s associate in the Historical Financial Information	<u>606</u>	<u>638</u>	<u>662</u>
	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of profit of an associate	<u>6</u>	<u>32</u>	<u>24</u>

APPENDIX I

ACCOUNTANTS’ REPORT

19. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Machinery equipment	Electronic equipment	Transportation vehicle	Construction in progress	Leasehold improvement	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
The Group							
Cost							
As at 1 January 2023	—	234,197	5,139	3,526	119,164	69,750	431,776
Additions	—	8,588	1,316	1,311	293,878	134	305,227
Transferred from							
construction in progress	125,010	44,464	1,596	—	(180,018)	8,948	—
Disposals/written off	(310)	(3,929)	(52)	(671)	—	—	(4,962)
As at 31 December 2023 and 1 January 2024	124,700	283,320	7,999	4,166	233,024	78,832	732,041
Additions	—	5,616	1,589	1,166	211,060	—	219,431
Transferred from							
construction in progress	251,157	173,715	3,166	—	(430,521)	2,483	—
Disposals/written off	—	(15,414)	(6)	(1,018)	—	—	(16,438)
As at 31 December 2024 and 1 January 2025	375,857	447,237	12,748	4,314	13,563	81,315	935,034
Additions	—	2,117	2,073	1,587	225,826	2,827	234,430
Transferred from							
construction in progress	11,033	45,189	1,425	—	(62,701)	5,054	—
Disposals/written off	—	(4,459)	(291)	(304)	—	—	(5,054)
As at 31 December 2025	386,890	490,084	15,955	5,597	176,688	89,196	1,164,410
Depreciation and impairment							
As at 1 January 2023	—	55,884	3,063	1,648	—	28,300	88,895
Provided for the year	5,353	25,366	1,047	650	—	8,530	40,946
Disposals/written off	(14)	(2,492)	(39)	(580)	—	—	(3,125)
As at 31 December 2023 and 1 January 2024	5,339	78,758	4,071	1,718	—	36,830	126,716
Provided for the year	13,180	35,723	1,778	694	—	8,415	59,790
Disposals/written off	—	(3,194)	(5)	(500)	—	—	(3,699)
As at 31 December 2024 and 1 January 2025	18,519	111,287	5,844	1,912	—	45,245	182,807
Provided for the year	17,924	45,789	2,122	776	—	9,351	75,962
Disposal/written off	—	(2,557)	(197)	(62)	—	—	(2,816)
As at 31 December 2025	36,443	154,519	7,769	2,626	—	54,596	255,953
Net book value							
As at 31 December 2023	119,361	204,562	3,928	2,448	233,024	42,002	605,325
As at 31 December 2024	357,338	335,950	6,904	2,402	13,563	36,070	752,227
As at 31 December 2025	350,447	335,565	8,186	2,971	176,688	34,600	908,457

APPENDIX I

ACCOUNTANTS’ REPORT

	Property and buildings	Machinery equipment	Electronic equipment	Transportation vehicle	Construction in progress	Leasehold improvement	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
The Company							
Cost							
As at 1 January 2023	—	96,856	2,841	1,954	112,417	25,644	239,712
Additions	—	8,431	1,008	1,298	267,582	—	278,319
Transferred from							
construction in progress	125,010	35,040	—	—	(160,050)	—	—
Disposals/written off	(310)	(2,294)	(35)	(671)	—	—	(3,310)
As at 31 December 2023 and 1 January 2024	124,700	138,033	3,814	2,581	219,949	25,644	514,721
Additions	—	4,782	732	238	203,453	—	209,205
Transferred from							
construction in progress	251,157	159,081	2,629	—	(412,867)	—	—
Disposals/written off	—	(13,689)	—	(764)	—	—	(14,453)
As at 31 December 2024 and 1 January 2025	375,857	288,207	7,175	2,055	10,535	25,644	709,473
Additions	—	1,031	1,108	37	90,396	—	92,572
Transferred from							
construction in progress	11,033	11,117	1,257	—	(23,407)	—	—
Disposals/written off	—	(4,122)	(185)	—	—	—	(4,307)
As at 31 December 2025	386,890	296,233	9,355	2,092	77,524	25,644	797,738
Depreciation and impairment							
As at 1 January 2023	—	26,800	1,788	759	—	16,139	45,486
Provided for the year	5,353	11,379	523	383	—	2,698	20,336
Disposals/written off	(14)	(1,968)	(23)	(580)	—	—	(2,585)
As at 31 December 2023 and 1 January 2024	5,339	36,211	2,288	562	—	18,837	63,237
Provided for the year	13,181	20,890	836	419	—	2,698	38,024
Disposals/written off	—	(2,416)	—	(259)	—	—	(2,675)
As at 31 December 2024 and 1 January 2025	18,520	54,685	3,124	722	—	21,535	98,586
Provided for the year	17,923	28,673	1,203	399	—	2,699	50,897
Disposal/written off	—	(2,371)	(174)	—	—	—	(2,545)
As at 31 December 2025	36,443	80,987	4,153	1,121	—	24,234	146,938
Net book value							
As at 31 December 2023	119,361	101,822	1,526	2,019	219,949	6,807	451,484
As at 31 December 2024	357,337	233,522	4,051	1,333	10,535	4,109	610,887
As at 31 December 2025	350,447	215,246	5,202	971	77,524	1,410	650,800

APPENDIX I

ACCOUNTANTS’ REPORT

20. INTANGIBLE ASSETS

	Patents and non-patented technologies	Software	Total
	RMB’000	RMB’000	RMB’000
The Group and the Company			
Cost			
As at 1 January 2023	13,581	817	14,398
Written off	(8,667)	—	(8,667)
As at 31 December 2023 and 1 January 2024	4,914	817	5,731
Additions	—	3,865	3,865
As at 31 December 2024 and 1 January 2025	4,914	4,682	9,596
Additions	—	213	213
As at 31 December 2025	4,914	4,895	9,809
Amortisation			
As at 1 January 2023	7,169	625	7,794
Provided for the year	663	96	759
Written off	(5,393)	—	(5,393)
As at 31 December 2023 and 1 January 2024	2,439	721	3,160
Provided for the year	471	853	1,324
As at 31 December 2024 and 1 January 2025	2,910	1,574	4,484
Provided for the year	470	787	1,257
As at 31 December 2025	3,380	2,361	5,741
Net book value			
As at 31 December 2023	2,475	96	2,571
As at 31 December 2024	2,004	3,108	5,112
As at 31 December 2025	1,534	2,534	4,068

All of the Group’s and the Company’s patents and non-patented technologies and software were acquired from external parties.

APPENDIX I

ACCOUNTANTS’ REPORT

21. RIGHT-OF-USE ASSETS

This note provides information for leases where the Group and the Company are lessee.

(a) Amounts recognised in the consolidated statements of financial position and statements of financial position

The consolidated statements of financial position and statements of financial position show the following amounts relating to leases:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Land use rights	22,138	21,667	21,196
Leased properties	45,253	49,160	31,680
Machinery equipment	89	68	46
	<u>67,480</u>	<u>70,895</u>	<u>52,922</u>
Lease liabilities (Note 33)			
Current	10,084	15,042	9,664
Non-current	45,687	47,530	38,486
	<u>55,771</u>	<u>62,572</u>	<u>48,150</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Land use rights	22,138	21,667	21,196
Leased properties	7,775	4,508	1,466
Machinery equipment	89	68	46
	<u>30,002</u>	<u>26,243</u>	<u>22,708</u>
Lease liabilities (Note 33)			
Current	3,849	3,993	2,208
Non-current	6,228	2,234	26
	<u>10,077</u>	<u>6,227</u>	<u>2,234</u>

Note:

Certain land use rights were pledged to secure bank borrowings and facilities granted to the Group (Note 38).

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Amounts recognised in the consolidated statements of profit or loss and other comprehensive income

The consolidated statements of profit or loss and other comprehensive income show the following amounts relating to leases:

The Group

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Amortisation of right-of-use assets	9,465	9,620	12,033
Interest expenses (<i>Note 10</i>)	2,668	2,410	2,586
Expenses relating to short-term lease (<i>Note 9</i>)	976	1,572	1,777

The total cash outflow for leases for the years ended 31 December 2023, 2024 and 2025 are approximately RMB10,861,000, RMB10,216,000 and RMB12,886,000, respectively.

(c) The Group’s leasing activities and how these are accounted for

The Group leases various buildings and machinery for operation. Rental contracts of the leasehold buildings and machinery are typically made according to contracts by contracts ranging from one year to ten years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

APPENDIX I

ACCOUNTANTS’ REPORT

Details of the right-of-use assets recognised and movements during each of the reporting period.

The Group

	<u>Land use rights</u>	<u>Leased properties</u>	<u>Machinery equipment</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
Costs				
As at 1 January 2023	23,551	45,454	—	69,005
Additions	—	24,118	107	24,225
Early termination of leases	—	(4,495)	—	(4,495)
As at 31 December 2023 and 1 January 2024	23,551	65,077	107	88,735
Additions	—	12,918	—	12,918
Exchange difference	—	119	—	119
As at 31 December 2024 and 1 January 2025	23,551	78,114	107	101,772
Additions	—	1,758	—	1,758
Lease modification	—	(6,786)	—	(6,786)
Early termination of leases	—	(1,832)	—	(1,832)
Exchange difference	—	(263)	—	(263)
As at 31 December 2025	23,551	70,991	107	94,649
Depreciation				
As at 1 January 2023	942	14,026	—	14,968
Provided for the year	471	8,976	18	9,465
Early termination of leases	—	(3,178)	—	(3,178)
As at 31 December 2023 and 1 January 2024	1,413	19,824	18	21,255
Provided for the year	471	9,128	21	9,620
Exchange difference	—	2	—	2
As at 31 December 2024 and 1 January 2025	1,884	28,954	39	30,877
Provided for the year	471	11,540	22	12,033
Early termination of leases	—	(1,145)	—	(1,145)
Exchange difference	—	(38)	—	(38)
As at 31 December 2025	2,355	39,311	61	41,727
Carrying amounts				
As at 31 December 2023	22,138	45,253	89	67,480
As at 31 December 2024	21,667	49,160	68	70,895
As at 31 December 2025	21,196	31,680	46	52,922

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Land use rights</u>	<u>Leased properties</u>	<u>Machinery equipment</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
Costs				
As at 1 January 2023	23,551	16,525	—	40,076
Additions	—	677	107	784
Early termination of leases	—	(404)	—	(404)
As at 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025	23,551	16,798	107	40,456
Early termination of leases	—	(555)	—	(555)
As at 31 December 2025	<u>23,551</u>	<u>16,243</u>	<u>107</u>	<u>39,901</u>
Depreciation				
As at 1 January 2023	942	6,131	—	7,073
Provided for the year	471	3,296	18	3,785
Early termination of leases	—	(404)	—	(404)
As at 31 December 2023 and 1 January 2024	1,413	9,023	18	10,454
Provided for the year	471	3,267	21	3,759
As at 31 December 2024 and 1 January 2025	1,884	12,290	39	14,213
Provided for the year	471	3,005	22	3,498
Early termination of leases	—	(518)	—	(518)
As at 31 December 2025	<u>2,355</u>	<u>14,777</u>	<u>61</u>	<u>17,193</u>
Carrying amounts				
As at 31 December 2023	<u>22,138</u>	<u>7,775</u>	<u>89</u>	<u>30,002</u>
As at 31 December 2024	<u>21,667</u>	<u>4,508</u>	<u>68</u>	<u>26,243</u>
As at 31 December 2025	<u>21,196</u>	<u>1,466</u>	<u>46</u>	<u>22,708</u>

APPENDIX I

ACCOUNTANTS’ REPORT

22. DEFERRED TAXATION

The Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross deferred tax assets	19,216	20,214	17,723
Offsetting against deferred tax liabilities	(9,959)	(8,584)	(6,770)
Net deferred tax assets	<u>9,257</u>	<u>11,630</u>	<u>10,953</u>
Gross deferred tax liabilities	(11,348)	(9,316)	(7,283)
Offsetting against deferred tax assets	9,959	8,584	6,770
Net deferred tax liabilities	<u>(1,389)</u>	<u>(732)</u>	<u>(513)</u>

The movements in deferred tax assets and (liabilities) before offsetting for the years ended 31 December 2023, 2024 and 2025 are as follows:

	Impairment allowance of financial assets	Deferred income	Lease liabilities	Tax losses	Accelerated tax depreciation	Right-of-use assets	Fair value of financial assets	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2023	497	5,325	5,762	3,889	(8,789)	(4,458)	198	759	3,183
Credited/(charged) to profit or loss	385	6,572	(990)	(3,889)	1,096	803	159	549	4,685
As at 31 December 2023 and 1 January 2024	882	11,897	4,772	—	(7,693)	(3,655)	357	1,308	7,868
(Charged)/credited to profit or loss	(31)	(178)	(949)	1,405	1,139	918	996	(270)	3,030
As at 31 December 2024 and 1 January 2025	851	11,719	3,823	1,405	(6,554)	(2,737)	1,353	1,038	10,898
Credited/(charged) to profit or loss	1,330	(988)	(973)	(1,405)	1,171	837	18	(448)	(458)
As at 31 December 2025	<u>2,181</u>	<u>10,731</u>	<u>2,850</u>	<u>—</u>	<u>(5,383)</u>	<u>(1,900)</u>	<u>1,371</u>	<u>590</u>	<u>10,440</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Note: As at 31 December 2023, 2024, and 2025, the Group had unused tax losses of approximately RMB51,340,000, RMB71,662,000 and RMB86,720,000., respectively, available to offset against future profits, and had not been recognised as at 31 December 2023, 2024 and 2025, respectively, as it is not probable that taxable profit will be available against which the tax losses will be utilised. The tax losses can be carried forward for 5 or 10 years from the year in which they were incurred. The material unused tax losses have expiry dates as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
2025	3,708	285	—
2026	6,378	6,378	—
2027	6,442	6,442	3,560
2028	5,693	5,693	5,689
2029	4,400	7,944	7,934
2030	3,619	3,619	8,595
2031	2,841	2,841	2,841
2032	7,300	7,300	7,300
2033	10,959	10,959	10,959
2034	—	20,201	20,201
2035	—	—	19,641
	<u>51,340</u>	<u>71,662</u>	<u>86,720</u>

The Company

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross deferred tax assets	12,942	14,677	13,117
Offsetting against deferred tax liabilities	<u>(4,506)</u>	<u>(3,443)</u>	<u>(2,358)</u>
Net deferred tax assets	<u>8,436</u>	<u>11,234</u>	<u>10,759</u>
Gross deferred tax liabilities	(4,506)	(3,443)	(2,358)
Offsetting against deferred tax assets	<u>4,506</u>	<u>3,443</u>	<u>2,358</u>
Net deferred tax liabilities	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in deferred tax assets and (liabilities) before offsetting for the years ended 31 December 2023, 2024 and 2025 are as follows:

	Impairment allowance of financial assets	Deferred income	Lease liabilities	Tax losses	Accelerated tax depreciation	Right-of-use assets	Fair value of financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	498	3,033	1,947	440	(3,731)	(1,559)	198	130	956
(Charged)/credited to profit or loss	343	6,916	(435)	(440)	405	379	159	153	7,480
As at 31 December 2023 and 1 January 2024	841	9,949	1,512	—	(3,326)	(1,180)	357	283	8,436
Credited/(charged) to profit or loss	116	(343)	(578)	1,405	588	494	1,002	114	2,798
As at 31 December 2024 and 1 January 2025	957	9,606	934	1,405	(2,738)	(686)	1,359	397	11,234
Credited/(charged) to profit or loss	1,368	(628)	(599)	(1,405)	607	459	12	(289)	(475)
As at 31 December 2025	2,325	8,978	335	—	(2,131)	(227)	1,371	108	10,759

23. FINANCIAL ASSETS AT FVPL

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The Group			
Financial assets			
Non-current assets			
Financial assets at FVPL			
— Equity investments (<i>Note i</i>)	8,722	1,956	1,610
Current assets			
Financial assets at FVPL			
— Structured deposits (<i>Note ii</i>)	—	114,167	23,000
The Company			
Financial assets			
Non-current assets			
Financial assets at FVPL			
— Equity investments (<i>Note i</i>)	8,370	1,565	1,610
Current assets			
Financial assets at FVPL			
— Structured deposits (<i>Note ii</i>)	—	68,125	—

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Equity investment represents unlisted securities. The fair values of these equity securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. The major assumptions used in the valuation refer to Note 3.4. The equity investments are classified as non-current as the management does not expect to realise these financial assets within twelve months after the end of each reporting period during the Track Record Period.
- (ii) Structured deposits were wealth management products issued by banks in PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Current			
Trade receivables			
— third parties	53,152	79,452	92,457
— a related company (Note 41)	1,022	389	133
	<u>54,174</u>	<u>79,841</u>	<u>92,590</u>
Less: Loss allowance for trade receivables (Note 3.2(b))	(5,990)	(6,060)	(15,981)
	<u>48,184</u>	<u>73,781</u>	<u>76,609</u>
Bills receivables			
— Bank acceptance notes (Note)	822	40	—
	<u>49,006</u>	<u>73,821</u>	<u>76,609</u>

Note: As at 31 December 2023 and 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB30,403,000 and RMB40,000, respectively. The Endorsed Bills had a maturity of one to six months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group if the banks default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of approximately RMB29,752,000 as at 31 December 2023, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of approximately RMB29,752,000 (the “**Derecognised Bills**”) and the associated trade payable of the same amount. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant. Regarding the remaining balance of Endorsed Bills of approximately RMB651,000 and RMB40,000 as at 31 December 2023 and 2024, respectively, in the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of these Endorsed Bills and reclassified the settled payables to other current liabilities under other payables and accruals.

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Company			
Trade receivables			
— third parties	45,345	63,466	62,548
— subsidiaries (<i>Note 41</i>)	5,738	30,022	17,764
— an associate (<i>Note 41</i>)	492	242	7
	<u>51,575</u>	<u>93,730</u>	<u>80,319</u>
Less: Loss allowance for trade receivables	(5,557)	(6,301)	(15,446)
	<u>46,018</u>	<u>87,429</u>	<u>64,873</u>
Bills receivables			
— Bank acceptance notes (<i>Note</i>)	822	40	—
	<u>46,840</u>	<u>87,469</u>	<u>64,873</u>

Note: As at 31 December 2023 and 2024, the Company endorsed certain bills receivable accepted by banks in Mainland China (the “**Endorsed Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB14,011,000 and RMB40,000, respectively. The Endorsed Bills had a maturity of one to four months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Company if the banks default (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Company being claimed by the holders of the Endorsed Bills in the absence of a default of the accepted banks is remote to the extent of approximately RMB13,360,000 as at 31 December 2023, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of approximately RMB13,360,000 (the “**Derecognised Bills**”) and the associated trade payable of the same amount. The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant. Regarding the remaining balance of Endorsed Bills of approximately RMB651,000 and RMB40,000 as at 31 December 2023 and 2024, respectively, in the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks, and accordingly, it continued to recognise the carrying amounts of these Endorsed Bills and reclassified the settled payables to other current liabilities under other payables and accruals.

The Group’s credit period ranges from 7 to 90 days to the customers. The aging analysis of trade receivables based on the invoice date was as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0 to 30 days	33,551	51,257	47,177
31 to 60 days	7,932	8,183	11,929
61 to 90 days	2,755	4,245	10,003
91 to 180 days	4,766	11,927	7,173
181 days to 365 days	3,783	1,388	12,994
Over 365 days	1,387	2,841	3,314
	<u>54,174</u>	<u>79,841</u>	<u>92,590</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company’s credit period ranges from 7 to 90 days to the customers. The aging analysis of trade receivables based on the invoice date was as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
0 to 30 days	29,856	56,298	52,229
31 to 60 days	6,955	6,476	3,561
61 to 90 days	4,749	4,138	7,184
91 to 180 days	5,718	16,212	1,324
181 days to 365 days	3,760	8,326	13,080
Over 365 days	537	2,280	2,941
	<u>51,575</u>	<u>93,730</u>	<u>80,319</u>

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Non-current			
Prepayments for acquisition of property, plant and equipment	<u>4,394</u>	<u>66,589</u>	<u>56,752</u>
Current			
Other tax receivables	14,031	26,302	22,848
Deposits	875	2,296	2,275
Prepayments made to the third party suppliers	10,564	10,831	20,740
Others	<u>858</u>	<u>1,539</u>	<u>719</u>
	26,328	40,968	46,582
Less: provision for impairment	<u>(62)</u>	<u>(115)</u>	<u>(70)</u>
	<u>26,266</u>	<u>40,853</u>	<u>46,512</u>
Total	<u>30,660</u>	<u>107,442</u>	<u>103,264</u>
The Company			
Non-current			
Prepayments for acquisition of property, plant and equipment	<u>4,067</u>	<u>4,798</u>	<u>39,704</u>
Current			
Other tax receivables	12,669	23,321	9,511
Deposits	526	318	251
Other receivables from subsidiaries (Note a)	4,700	7,191	53,095
Prepayments made to the third party suppliers	8,812	6,561	19,024
Prepayments made to a subsidiary	6,581	—	—
Others	<u>772</u>	<u>997</u>	<u>605</u>
	34,060	38,388	82,486
Less: provision for impairment	<u>(48)</u>	<u>(74)</u>	<u>(54)</u>
	<u>34,012</u>	<u>38,314</u>	<u>82,432</u>
Total	<u>38,079</u>	<u>43,112</u>	<u>122,136</u>

Note:

(a) The balances are unsecured, non-interest bearing and repayable on demand.

APPENDIX I

ACCOUNTANTS’ REPORT

26. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Cash at banks and in hand	89,250	167,427	268,657
Time deposits	—	20,000	3,514
Restricted bank deposits (<i>Note (a)</i>)	16,162	7,500	3,002
	<u>105,412</u>	<u>194,927</u>	<u>275,173</u>
The Company			
Cash at banks and in hand	75,254	101,981	157,045
Time deposits	—	20,000	3,514
Restricted bank deposits (<i>Note (a)</i>)	16,162	7,500	3,000
	<u>91,416</u>	<u>129,481</u>	<u>163,559</u>

Note:

- (a) As at 31 December 2023, 2024, and 2025, the restricted bank deposits were primarily denominated in RMB and held in separately designated bank accounts, to secure the bills payable of the Group and the Company.

27. INVENTORIES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Raw materials	21,983	25,086	23,132
Work in progress	3,375	5,040	5,457
Finished goods	31,753	56,006	61,784
Less: Provision for impairment loss	(1,356)	(1,987)	(1,300)
Total	<u>55,755</u>	<u>84,145</u>	<u>89,073</u>
The Company			
Raw materials	15,842	16,979	15,971
Work in progress	2,850	3,819	4,248
Finished goods	26,179	37,520	44,564
Less: Provision for impairment loss	(632)	(1,773)	(718)
Total	<u>44,239</u>	<u>56,545</u>	<u>64,065</u>

Note: During the years ended 31 December 2023, 2024 and 2025, inventories recognised as cost of sales amounted to approximately RMB247,861,000, RMB277,278,000 and RMB367,251,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

28. TRADE AND BILLS PAYABLES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Trade payables	21,421	33,743	30,887
Bills payable			
— bank	29,569	—	24,852
	<u>50,990</u>	<u>33,743</u>	<u>55,739</u>
The Company			
Trade payables			
— third parties	12,371	11,782	10,779
— subsidiaries (<i>Note 41</i>)	117,419	119,168	156,015
	129,790	130,950	166,794
Bills payable			
— bank	29,569	25,000	24,852
	<u>159,359</u>	<u>155,950</u>	<u>191,646</u>

Note:

(a) Details of the trade and other payables due to related parties are set out in Note 41.

Payment terms with suppliers are mainly on credit ranging from 7 to 90 days from invoice date. The following is an aging analysis of trade payables presented based on invoice date at the end of each of the reporting period:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
0 to 60 days	20,596	33,061	30,147
61 to 120 days	733	662	625
121 to 180 days	2	12	27
Over 180 days	90	8	88
	<u>21,421</u>	<u>33,743</u>	<u>30,887</u>
The Company			
0 to 60 days	74,537	54,796	54,863
61 to 120 days	16,395	25,537	30,865
121 to 180 days	28,837	50,592	31,432
Over 180 days	10,021	25	49,634
	<u>129,790</u>	<u>130,950</u>	<u>166,794</u>

APPENDIX I

ACCOUNTANTS’ REPORT

29. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Other payables and accruals			
— Payroll and welfare payables	18,179	20,216	23,183
— Other tax payables	3,051	3,352	4,818
— Payables for non-current assets	18,441	35,822	40,512
— Accruals	2,020	4,582	5,052
— Interest payable	51	158	156
— Other payables (<i>Note c</i>)	21,179	22,242	25,467
— Other current liabilities	1,302	40	—
— Compensation payable to shareholders (<i>Note a</i>)	19,200	19,200	19,200
	<u>83,423</u>	<u>105,612</u>	<u>118,388</u>
The Company			
Other payables and accruals			
— Payroll and welfare payables	13,285	15,224	19,187
— Other tax payables	1,669	2,605	2,165
— Payables for non-current assets	12,116	34,784	22,297
— Accruals	755	3,056	2,477
— Interest payable	51	158	156
— Other payables (<i>Note c</i>)	20,575	20,621	23,887
— Other payables to subsidiaries (<i>Note b</i>)	—	—	100,054
— Other current liabilities	651	40	—
— Compensation payable to shareholders (<i>Note a</i>)	19,200	19,200	19,200
	<u>68,302</u>	<u>95,688</u>	<u>189,423</u>

Notes:

- (a) The amount represents a contractual compensation, payable to the new investors under the capital increment agreement in March 2019. The compensation is triggered by the Company’s failure to meet the stipulated [REDACTED] schedule and is calculated as 30% of the respective incremental investment amounts contributed by said investors. Subsequent to the reporting period, the supplement agreement dated 5 February 2026 was signed by all of the then shareholders, pursuant to which, the related shareholders agreed to waive whole liability for breach of contract, compensation liability, or other liabilities with respect to the foregoing upon execution.
- (b) The balances are unsecured, non-interest bearing and repayable on demand.
- (c) Included in other payables are approximately RMB16,750,000, RMB16,750,000 and RMB16,750,000, representing the Group’s compensation obligations to grantees under the 2020 Employee Stock Ownership Plan (“ESOP”) in respect of their contributions to the restricted shares, in the event that the restricted shares fail to vest or if the eligible participants leave the Group during the lock up period.

APPENDIX I

ACCOUNTANTS’ REPORT

30. CONTRACT LIABILITIES

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Contract liabilities	14,111	18,915	19,696
The Company			
Contract liabilities	12,663	14,692	15,371

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfilment of performance obligations.

RMB10,120,000, RMB13,280,000 and RMB16,484,000 of the contract liabilities of the Group as of 1 January 2023, 2024 and 2025 have been recognised as revenue for the years ended 31 December 2023, 2024 and 2025, respectively. RMB8,758,000, RMB11,894,000 and RMB13,101,000 of the contract liabilities of the Company as of 1 January 2023, 2024 and 2025 have been recognised as revenue for the years ended 31 December 2023, 2024 and 2025, respectively.

31. DEFERRED INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred income	79,314	78,127	71,640
Less: classified as non-current portion	(71,096)	(67,533)	(60,967)
Current portion	8,218	10,594	10,673
	Government grants related to assets	Government grants related to income	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	35,497	—	35,497
Additions	47,810	—	47,810
Released to profit or loss (Note 7)	(3,993)	—	(3,993)
As at 31 December 2023 and 1 January 2024	79,314	—	79,314
Additions	7,340	—	7,340
Released to profit or loss (Note 7)	(8,527)	—	(8,527)
As at 31 December 2024 and 1 January 2025	78,127	—	78,127
Additions	200	3,931	4,131
Released to profit or loss (Note 7)	(10,594)	(24)	(10,618)
As at 31 December 2025	67,733	3,907	71,640

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Deferred income	66,326	64,037	59,854
Less: classified as non-current portion	(60,398)	(56,048)	(51,886)
Current portion	5,928	7,989	7,968
	Government grants related to assets	Government grants related to income	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	20,218	—	20,218
Additions	47,810	—	47,810
Released to profit or loss	(1,702)	—	(1,702)
As at 31 December 2023 and 1 January 2024	66,326	—	66,326
Additions	3,809	—	3,809
Released to profit or loss	(6,098)	—	(6,098)
As at 31 December 2024 and 1 January 2025	64,037	—	64,037
Additions	—	3,831	3,831
Released to profit or loss	(7,990)	(24)	(8,014)
As at 31 December 2025	56,047	3,807	59,854

It represents the government grants provided by the local government to the Company and the subsidiaries of the Company. There are no unfulfilled obligations for the recognised income at the end of reporting date for each of the Track Record Period.

32. BORROWINGS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current portion			
Bank borrowings, unsecured	10,000	10,000	—
Bank borrowings, secured (<i>Note (a)</i>)	20,000	6,390	12,781
	30,000	16,390	12,781
Non-current portion			
Bank borrowings, secured (<i>Note (a)</i>)	66,773	208,818	236,448
	66,773	208,818	236,448
Total borrowings	96,773	225,208	249,229
Loan interest at rate per annum in the range of	2.70%–3.65%	2.40%–2.55%	2.05%–2.15%

APPENDIX I

ACCOUNTANTS’ REPORT

Total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
On demand or within one year	30,000	16,390	12,781
More than one year, but not exceeding two years	6,390	12,781	19,171
More than two years, but not exceeding five years	60,383	121,419	178,934
More than five years	—	74,618	38,343
	<u>96,773</u>	<u>225,208</u>	<u>249,229</u>

The carrying amounts of the Group’s and the Company’s current interest-bearing bank borrowing approximate to their fair values.

Notes:

(a) Secured liabilities and assets pledged as security

The Group’s secured bank borrowings are secured by the following assets:

- (i) guarantees provided by the Company;
- (ii) pledge of property, plant and equipment of the Company, which had a net carrying amount of approximately RMB119,884,000 and RMB345,798,000 as at 31 December 2024 and 2025, respectively; and
- (iii) pledge of right-of-use assets of the Company, which had a net carrying amount of approximately RMB22,138,000, RMB21,667,000 and RMB21,196,000 as at 31 December 2023, 2024 and 2025, respectively.

(b) Compliance with loan covenants

During the Track Record period, the Group has complied with all financial covenants and other agreed terms in the bank loan agreements, and no default has occurred.

(c) Fair value

There is no material difference between the fair value and carrying amount of all borrowings of the Group, for the following reasons:

- (i) the interest rates are close to the actual market lending rates for the same period with minimal variances;
- (ii) the borrowings are short-term nature with a reasonable proportion of current portions.

(d) Related party borrowings

The Group had no related party borrowings in 2023, 2024 and 2025. All borrowings were obtained from independent third-party banks, and there is no reliance on related party funds.

(e) Risk exposures

The Group’s borrowings have no material risk exposure, since either:

- (i) interest rate risk is mitigated by fixed interest rates on all borrowings, minimizing the impact of rate fluctuations on borrowing costs;
- (ii) there is no foreign exchange risk as all borrowings are denominated in Renminbi, and liquidity risk has been fully disclosed via maturity analysis.

APPENDIX I

ACCOUNTANTS’ REPORT

33. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s and the Company’s lease liabilities at the end of each reporting period:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Group			
Within one year	10,084	15,042	9,664
More than one year but not exceeding two years	8,459	9,421	7,761
More than two years but no exceeding five years	18,698	28,305	23,833
More than five years	18,530	9,804	6,892
	<u>55,771</u>	<u>62,572</u>	<u>48,150</u>
The Company			
Within one year	3,849	3,993	2,208
More than one year but not exceeding two years	3,993	2,207	26
More than two years but no exceeding five years	2,235	27	—
	<u>10,077</u>	<u>6,227</u>	<u>2,234</u>

34. SHARE CAPITAL

Share capital

	Number of registered, issued and fully paid ordinary shares	Amount
		RMB’000
The Group and the Company		
Ordinary shares of RMB1.00 each		
As at 1 January 2023	91,000	91,000
Issuance of shares	<u>4,000</u>	<u>4,000</u>
As at 31 December 2023 and 1 January 2024	95,000	95,000
Issuance of shares	<u>7,850</u>	<u>7,850</u>
As at 31 December 2024, 1 January 2025 and 31 December 2025	<u>102,850</u>	<u>102,850</u>

Note: On 13 July 2023, the Group entered into an investment agreement with several [REDACTED] (the “Series 10 Investment”) for the issuance of total 4,000,000 ordinary shares with mandatory distribution rights. Further details are set out in Note 37.

On 22 February 2024, the Group entered into an investment agreement with several independent [REDACTED] (the “Series 11 Investment”) for the issuance of total 4,850,000 ordinary shares with mandatory distribution rights. Further details are set out in Note 37.

On 15 April 2024, the Group entered into an investment agreement with several independent [REDACTED] (the “Series 12 Investment”) for the issuance of total 3,000,000 ordinary shares with mandatory distribution rights. Further details are set out in Note 37.

APPENDIX I

ACCOUNTANTS’ REPORT

Treasury shares

	Number of restricted shares	Amount
	’000	RMB’000
The Group and the Company		
As at 1 January 2023, 31 December 2023, 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>3,350</u>	<u>16,750</u>

35. SHARE-BASED PAYMENT

During the Track Record Period, the Group has the following ESOP

- 2020 ESOP — Suzhou Zekang Enterprise Management Consulting Partnership (Limited Partnership) (“**Suzhou Zekang**”) 蘇州澤康企業管理諮詢合夥企業(有限合夥)
- 2023 ESOP — Suzhou Chenkang Biotechnology Co., Ltd. (“**Suzhou Chenkang**”) 蘇州宸康生物科技有限公司

2020 ESOP — Suzhou Zekang

The Group adopted a 2020 share incentive plan, an equity-settled share-based compensation plan for the purpose of providing incentives and rewards to its senior managements and key employees and consultants (“**Grantees**”) of the Group. The 2020 share incentive plan was approved by 2020 second shareholders’ meeting on 4 December 2020. Under the 2020 share incentive plan, the Company issued 3,350,000 ordinary shares in 2020, with subscription price of RMB5 per share, to Suzhou Zekang, the employee stock ownership platform which is controlled by the Company.

The share awards are subject to vesting conditions and vest over a period of five years from the grant date, or three years after the expected [REDACTED], whichever is later, provided that the employees remain in continuous service. In addition, the share awards are subject to transfer restrictions, whereby the awarded shares may not be freely transferred for a lock-up period till 36 months commencing from the [REDACTED].

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below are summaries of restricted shares granted under the plan:

	Number of restricted shares	Weighted average grant date fair value
Unvested at 1 January 2023	3,350,000	5.86
Granted	90,000	19.45
Forfeited	<u>(90,000)</u>	4.30
Unvested at 31 December 2023 and 1 January 2024	3,350,000	6.27
Granted	200,000	26.82
Forfeited	<u>(200,000)</u>	7.58
Unvested at 31 December 2024 and 1 January 2025	3,350,000	7.42
Granted	530,000	35.51
Forfeited	<u>(530,000)</u>	4.87
Unvested at 31 December 2025	<u>3,350,000</u>	12.27

Restricted shares unvested at the end of each year have the following exercise price and vesting period.

Grant date	Exercise price (RMB)	Vesting period	As at 31 December		
			2023	2024	2025
18 June 2020	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	2,725,000	2,635,000	2,125,000
30 October 2020	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	30,000	30,000	30,000
27 November 2020	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	20,000	20,000	20,000
29 October 2020	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	40,000	40,000	40,000
31 October 2020	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	20,000	20,000	20,000
24 October 2021	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	180,000	90,000	90,000
16 January 2022	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	245,000	245,000	245,000
10 January 2023	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	90,000	70,000	50,000
26 January 2024	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	—	50,000	50,000
25 June 2024	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	—	120,000	120,000
7 August 2024	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	—	30,000	30,000
28 July 2025	5	5 years from grant date, or 3 years after the expected [REDACTED] date, whichever is later	—	—	530,000
			<u>3,350,000</u>	<u>3,350,000</u>	<u>3,350,000</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the years ended 31 December 2023, 2024 and 2025, expenses arising from share-based payment transaction are as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share-based compensation expenses	2,161	2,246	3,213

The fair value of each restricted share at the grant date is determined by reference to the fair value of the underlying ordinary shares of the Company on that date.

2023 ESOP — Suzhou Chenkang

Pursuant to the 2023 second shareholder meeting, additional share incentive plan is approved. Under the additional share incentive plan, the Company issued 2,000,000 ordinary shares in 2023, with subscription price of RMB6 per share, to Suzhou Chenkang, the employee stock ownership platform which is controlled by Dr. Fang, the ultimate beneficial owner of the Company.

The share awards granted to Dr. Fang are vested immediately after the completion of the grant. The grant date of this share awards scheme is on 13 July 2023. The fair value of share awards at the grant date is determined by reference to the fair value of the underlying ordinary shares of the Company on that date.

Set out below are summaries of shares granted under the plan:

	Number of awarded shares	Weighted average grant date fair value
Unvested at 1 January 2023	—	N/A
Granted	2,000,000	26
Vested during the year	(2,000,000)	26
Unvested at 31 December 2023, 2024 and 2025	—	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

36. RESERVES

Reserve movement of the Company:

	Treasury shares	Share premium	Capital reserve	PRC statutory reserve	Share compensation reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	Note (a)	Note (b)	Note (c)	Note (d)	Note 35	Note (f)	
As at 1 January 2023	(16,750)	13,400	188,395	11,276	4,126	(129,245)	71,202
Total comprehensive loss for the year	—	—	—	—	—	(39,148)	(39,148)
Issue of shares	—	60,000	—	—	—	—	60,000
Capital contribution from the ultimate beneficial owner of the Company	—	13,000	—	—	—	—	13,000
Recognition of equity-settled share-based payments (Note 35)	—	—	—	—	42,161	—	42,161
As at 31 December 2023 and 1 January 2024	(16,750)	86,400	188,395	11,276	46,287	(168,393)	147,215
Total comprehensive income for the year	—	—	—	—	—	6,987	6,987
Issue of shares	—	266,900	—	—	—	—	266,900
Recognition of equity-settled share-based payments (Note 35)	—	—	—	—	2,246	—	2,246
Dividends (Note 16)	—	—	—	—	—	(14,978)	(14,978)
Transferred to statutory reserve	—	—	—	945	—	(945)	—
As at 31 December 2024 and 1 January 2025	(16,750)	353,300	188,395	12,221	48,533	(177,329)	408,370
Total comprehensive income for the year	—	—	—	—	—	46,001	46,001
Recognition of equity-settled share-based payments (Note 35)	—	—	—	—	3,213	—	3,213
Dividends (Note 16)	—	—	—	—	—	(15,428)	(15,428)
Transferred to statutory reserve	—	—	—	8,294	—	(8,294)	—
As at 31 December 2025	(16,750)	353,300	188,395	20,515	51,746	(155,050)	442,156

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

Description of the Group’s and the Company’s reserves as below:

(a) Treasury shares:

The amount represents the aggregate of the nominal value and share premium of the Company’s share capital held by Employee Stock Ownership Plan controlled by the Group. Details of the movement of the treasury shares are set out in Note 34 to the Historical Financial Information.

(b) Share premium:

The amount mainly comprise of (i) capital contribution in excess of nominal value of share capital, and (ii) contribution from Dr. Fang, the ultimate beneficial owner of the Company.

(c) Capital reserve:

On 17 November 2020, the Company was converted into a joint stock company with limited liability with a registered share capital of RMB87,650,000 divided into 87,650,000 ordinary shares with a par value of RMB1.00 each. The share premium, PRC statutory reserve, share compensation reserve and retained earnings of the Company as at the base date of 31 May 2020 were converted into capital reserve.

(d) PRC statutory reserve:

In accordance with the articles of association of the Company and subsidiaries established in the PRC, the Company and these subsidiaries are required to transfer 10% of the profit after taxation in accordance to China Accounting Standards for Business Enterprises to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years’ losses, expand the existing operations or convert into additional capital of the Company and the subsidiaries.

(e) Exchange reserve:

The amount represents gains/losses arising on retranslating the net assets of entities with functional currency other than RMB into presentation currency of the Company.

(f) Retained earnings/(accumulated losses):

Cumulative net gains/(losses) recognised in profit or loss.

37. OTHER FINANCIAL INSTRUMENTS

In 2020, the Group entered into an investment agreement with several independent investors (the “**Series 8 Investment**”), pursuant to which the [REDACTED] agreed to subscribe 4,650,000 ordinary shares with mandatory distribution right in total with the consideration of RMB10 per share totaling RMB46,500,000.

Pursuant to the investment agreement of Series 10, two independent investors agree to subscribe 2,000,000 ordinary shares with mandatory distribution right in total with the consideration of RMB26 per share totaling RMB52,000,000. In addition, pursuant to the same investment agreement, Suzhou Chenkang (the “**2023 ESOP**” (refer to note 35)) agreed to subscribe 2,000,000 ordinary shares with mandatory distribution right with the consideration of RMB6 per share totaling RMB12,000,000.

Pursuant to the investment agreement of Series 11, the investors agree to subscribe 4,850,000 ordinary shares with mandatory distribution right in total with the consideration of RMB35 per share totaling RMB169,750,000.

Pursuant to the investment agreement of Series 12, the investors agree to subscribe 3,000,000 ordinary shares with mandatory distribution right in total with the consideration of RMB35 per share totaling RMB105,000,000.

APPENDIX I

ACCOUNTANTS’ REPORT

The aforementioned series of ordinary shares have the following key terms:

(a) **Voting rights**

Each ordinary share with mandatory distribution right has voting rights equivalent to the ordinary shares at the record date. The holders of ordinary shares with distribution right shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

(b) **Mandatory distribution features**

Pursuant to the aforementioned series of investment agreements, the new investors under these agreements, together with all existing shareholders, are entitled to a mandatory cash distribution of 50% of the net profit attributable to the preceding financial year, in proportion to their respective paid-in capital contributions, if the Group has not consummated a qualified successful listing on a Qualified Exchange, as defined in the Shareholders’ Agreement, by 30 June 2027. Pursuant to the Investment Agreement, the mandatory distribution requirement commences from the financial year ending 31 December 2027. As at the date of this report, none of the defined triggering events has occurred.

At initial recognition, the instruments were separated into equity and liability components. The equity elements were recognised within share capital at the nominal value and share premium for proceeds in excess of nominal value. The liability components, including the mandatory distribution right, were recognised as derivatives not closely related to the host. They were measured at fair value, with subsequent changes recognised in profit or loss.

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of year	210,700	239,100	240,900
Changes in fair value through profit or loss	28,400	1,800	37,000
At the end of year	<u>239,100</u>	<u>240,900</u>	<u>277,900</u>

Key valuation assumptions

Key valuation assumptions used to determine the fair value of other financial instruments are as follows:

	Scenario 1	Scenario 2	Scenario 3
As at 31 December 2023			
Long-term average growth rate	35.91%	28.70%	17.98%
Discount rate	14.91%	14.91%	14.91%
Possibilities of [REDACTED]	50%	55%	60%
As at 31 December 2024			
Long-term average growth rate	33.05%	21.69%	11.55%
Discount rate	14.57%	14.57%	14.57%
Possibilities of [REDACTED]	60%	65%	70%
As at 31 December 2025			
Long-term average growth rate	29.20%	22.06%	11.89%
Discount rate	13.39%	13.39%	13.39%
Possibilities of [REDACTED]	70%	75%	80%

Discount rate was estimated by weighted cost of equity as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of 10-year China government bond as of each appraisal date.

Revenue growth rates are determined based on past experience and expectations on market and operational development.

APPENDIX I

ACCOUNTANTS’ REPORT

Changes in fair value of the other financial instruments were recorded in profit or loss. For the years ended 31 December 2023, 2024 and 2025, the Group recognised RMB28,400,000, RMB1,800,000, RMB37,000,000 of fair value loss in profit or loss.

Subsequent supplement agreement

Pursuant to the supplement agreement dated 5 February 2026, all parties unanimously agreed the termination of the entitlement of mandatory distribution right immediately prior to the completion of the Company’s [REDACTED] and [REDACTED] (i.e. upon approval by the Hong Kong Stock Exchange and immediately before the Company’s shares commence [REDACTED] on the Hong Kong Stock Exchange).

38. PLEDGED ASSETS

At the end of each reporting period, the Group’s certain assets have been pledged to secure borrowings and banking facilities granted to the Group. The carrying amounts of the pledged assets of the Group at the end of each reporting period are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Property, plant and equipment (<i>Note (a)</i>)	—	119,884	345,798
Right of use assets (<i>Note (b)</i>)	22,138	21,667	21,196
Restricted bank deposits (<i>Note (c)</i>)	16,162	7,500	2,508
	<u>38,300</u>	<u>149,051</u>	<u>369,502</u>

Notes:

- (a) As of 31 December 2024 and 2025, the Group has pledged its property, plant and equipment with carrying amounts of approximately RMB119,884,000 and RMB345,798,000 to banks as collaterals for bank borrowings, respectively.
- (b) As of 31 December 2023, 2024 and 2025, the Group has pledged its land use rights with carrying amounts of approximately RMB22,138,000, RMB21,667,000 and RMB21,196,000 to banks as collaterals for bank borrowings, respectively.
- (c) As of 31 December 2023, 2024 and 2025, bank deposits amounting to RMB16,162,000, RMB7,500,000 and RMB2,508,000, respectively, were pledged to banks as collaterals in connection with the issuance of bank acceptance bills.

APPENDIX I

ACCOUNTANTS’ REPORT

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable	Interest payables (included in other payables)	Borrowings	Lease liabilities	Total
	RMB’000	RMB’000	RMB’000 <i>(Note 32)</i>	RMB’000 <i>(Note 33)</i>	RMB’000
At 1 January 2023	—	—	27,380	40,022	67,402
Cash inflows	—	—	97,773	—	97,773
Repayment of borrowings	—	—	(28,380)	—	(28,380)
Principal portion of lease payments	—	—	—	(7,164)	(7,164)
Interest paid	—	(1,558)	—	(2,721)	(4,279)
Interest expenses	—	1,609	—	2,668	4,277
New leases	—	—	—	24,225	24,225
Early termination of leases	—	—	—	(1,259)	(1,259)
At 31 December 2023 and 1 January 2024	—	51	96,773	55,771	152,595
Cash inflows	—	—	158,435	—	158,435
Repayment of borrowings	—	—	(30,000)	—	(30,000)
Principal portion of lease payments	—	—	—	(6,234)	(6,234)
Interest paid	—	(4,812)	—	(2,410)	(7,222)
Interest expenses	—	4,919	—	2,410	7,329
Dividends declared	14,978	—	—	—	14,978
Dividends paid	(14,978)	—	—	—	(14,978)
New leases	—	—	—	12,918	12,918
Exchange differences	—	—	—	117	117
At 31 December 2024 and 1 January 2025	—	158	225,208	62,572	287,938
Cash inflows	—	—	41,411	—	41,411
Repayment of borrowings	—	—	(17,390)	—	(17,390)
Principal portion of lease payments	—	—	—	(8,523)	(8,523)
Interest paid	—	(5,420)	—	(2,586)	(8,006)
Interest expenses	—	5,418	—	2,586	8,004
Dividends declared	15,428	—	—	—	15,428
Dividends paid	(15,428)	—	—	—	(15,428)
New leases	—	—	—	1,758	1,758
Lease modification	—	—	—	(6,786)	(6,786)
Early termination of leases	—	—	—	(639)	(639)
Exchange differences	—	—	—	(232)	(232)
At 31 December 2025	—	156	249,229	48,150	297,535

APPENDIX I

ACCOUNTANTS’ REPORT

40. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancellable contracts as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Acquisition of property, plant and equipment	148,906	16,322	17,438
Acquisition of intangible assets	1,710	—	—
	<u>150,616</u>	<u>16,322</u>	<u>17,438</u>

41. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in respective notes, the Group and the Company had the following significant transactions and balances with related parties during the Track Record Period:

(a) Related party transactions:

(i) Transactions with a related party

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Sales of goods to an associate	<u>1,059</u>	<u>2,303</u>	<u>1,270</u>

(b) Related party transactions:

(i) Balances with related parties

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivable from an associate	<u>1,022</u>	<u>389</u>	<u>133</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables from subsidiaries	5,738	30,022	17,764
Trade receivable from a related company over which a subsidiary of the Company has significant influence	492	242	7
Other receivables from subsidiaries	4,700	7,191	53,095
Prepayments made to a subsidiary	6,581	—	—
Trade payables to subsidiaries	117,419	119,168	156,015
Other payables to subsidiaries	—	—	100,054
	<u>—</u>	<u>—</u>	<u>100,054</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors of the Company and other members of key management of the Group during each of the reporting period were as follows:

	Years ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses	6,575	6,016	7,282
Pension obligations, housing funds, medical insurance and other social insurances	236	241	269
Share-based payments	40,724	1,249	2,614
	<u>47,535</u>	<u>7,506</u>	<u>10,165</u>

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

42. SUBSEQUENT EVENTS

- (a) As disclosed in Note 29, the supplement agreement dated 5 February 2026 was signed by all of the then shareholders, pursuant to which, the related shareholders agreed to waive whole liability for breach of contract, compensation liability, or other liabilities with respect to the capital increment agreement in March 2019 upon execution. As a consequence, the corresponding compensation payable would be derecognised.
- (b) As disclosed in Note 37, the supplement agreement dated 5 February 2026 was signed by all of the then shareholders, pursuant to which, the related shareholders agreed to terminate the entitlement of mandatory distribution right under Series 8, 10, 11 and 12 investments, immediately prior to the completion of the Company’s [REDACTED] and [REDACTED] (i.e. upon approval by the Hong Kong Stock Exchange and immediately before the Company’s shares commence [REDACTED] on the Hong Kong Stock Exchange).
- (c) A capital increment agreement dated 5 February 2026 was entered by the Company with all of the then shareholders, pursuant to which, 2,972,973 new shares were issued to a new shareholder at RMB37 per share, for an aggregate cash consideration of RMB110 million.

III. SUBSEQUENT FINANCIAL STATEMENTS

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