

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SICHUAN NEAUTUS TRADITIONAL CHINESE MEDICINE CO., LTD., GF CAPITAL (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Sichuan Neautus Traditional Chinese Medicine Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4] to [I-54], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4] to [I-54] forms an integral part of this report, which has been prepared for inclusion in the documents of the Company dated [Date] (the “Documents”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

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

Certified Public Accountants
Hong Kong
[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

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

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
REVENUE	5	1,145,571	1,249,402	1,334,707
Cost of sales		(933,553)	(1,036,329)	(1,081,546)
Gross profit		212,018	213,073	253,161
Other income and gains	5	4,692	7,506	8,664
Selling and distribution expenses . .		(52,389)	(50,464)	(66,992)
Administrative expenses		(34,036)	(46,318)	(61,923)
Research and development expenses		(11,501)	(17,125)	(7,997)
Impairment losses		(7,091)	(8,721)	(7,212)
Other expenses	6	(176)	(1,849)	(2,069)
Finance costs	7	(5,931)	(5,786)	(8,138)
Share of profit and loss of a joint venture	17	(46)	–	–
Loss on disposal of a joint venture		(904)	–	–
PROFIT BEFORE TAX	8	104,636	90,316	107,494
Income tax expense	11	(662)	(1,204)	(1,053)
PROFIT FOR THE YEAR		103,974	89,112	106,441
Attributable to:				
Owners of the parent		103,935	89,122	106,455
Non-controlling interest		39	(10)	(14)
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of a foreign operation		(13)	(21)	118
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		103,961	89,091	106,559
Attributable to:				
Owners of the parent		103,922	89,101	106,573
Non-controlling interest		39	(10)	(14)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	13	1.58	1.36	1.81

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
NON-CURRENT ASSETS				
Property, plant and equipment	14	150,847	163,330	167,946
Right-of-use assets	15	8,921	9,657	46,261
Other intangible assets	16	2,294	3,115	3,999
Prepayments, other receivables and other assets	21	4,578	7,952	2,625
Total non-current assets		<u>166,640</u>	<u>184,054</u>	<u>220,831</u>
CURRENT ASSETS				
Inventories	18	218,531	242,956	246,163
Trade and bills receivables	19	503,803	557,937	613,535
Financial assets at fair value through other comprehensive income (“FVTOCI”)	20	7,532	26,575	11,030
Prepayments, other receivables and other assets	21	8,517	23,464	52,326
Pledged deposits	22	42,382	52,791	1,806
Time deposits	22	14,507	–	–
Cash and bank balances	22	137,198	144,310	181,377
Total current assets		<u>932,470</u>	<u>1,048,033</u>	<u>1,106,237</u>
CURRENT LIABILITIES				
Trade and bills payables	23	456,392	476,414	477,865
Lease liabilities	15	–	368	3,673
Other payables and accruals	24	46,755	123,105	56,402
Contract liabilities	25	2,703	2,947	3,027
Interest-bearing bank borrowings	26	120,120	161,751	139,868
Tax payables		1,619	714	132
Total current liabilities		<u>627,589</u>	<u>765,299</u>	<u>680,967</u>
NET CURRENT ASSETS		<u>304,881</u>	<u>282,734</u>	<u>425,270</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>471,521</u>	<u>466,788</u>	<u>646,101</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	26	–	–	38,000
Lease liabilities	15	–	613	35,060
Deferred income	27	13,014	12,172	12,479
Total non-current liabilities		<u>13,014</u>	<u>12,785</u>	<u>85,539</u>
Net assets		<u>458,507</u>	<u>454,003</u>	<u>560,562</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	65,971	58,655	58,655
Reserves	29	392,536	395,214	501,787
		<u>458,507</u>	<u>453,869</u>	<u>560,442</u>
Non-controlling interests		–	134	120
Total equity		<u>458,507</u>	<u>454,003</u>	<u>560,562</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	65,971	86,781	2,200	29,445	–	2,553	169,131	356,081	8,898	364,979
Profit for the year	–	–	–	–	–	–	103,935	103,935	39	103,974
Other comprehensive loss for the year:										
Exchange differences	–	–	–	–	(13)	–	–	(13)	–	(13)
Total comprehensive income for the year	–	–	–	–	(13)	–	103,935	103,922	39	103,961
Transfer from retained profits	–	–	–	3,540	–	–	(3,540)	–	–	–
Acquisition of non-controlling interests (note 29)	–	–	–	–	–	(1,496)	–	(1,496)	(8,937)	(10,433)
At 31 December 2023	<u>65,971</u>	<u>86,781</u>	<u>2,200</u>	<u>32,985</u>	<u>(13)</u>	<u>1,057</u>	<u>269,526</u>	<u>458,507</u>	<u>–</u>	<u>458,507</u>

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	65,971	86,781	2,200	32,985	(13)	1,057	269,526	458,507	–	458,507
Profit for the year	–	–	–	–	–	–	89,122	89,122	(10)	89,112
Other comprehensive loss for the year:										
Exchange differences	–	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive profit for the year	–	–	–	–	(21)	–	89,122	89,101	(10)	89,091
Capital reduction by shareholders (note 28)	(7,316)	(86,423)	–	–	–	–	–	(93,739)	–	(93,739)
Contributions of non-controlling interests	–	–	–	–	–	–	–	–	144	144
At 31 December 2024	<u>58,655</u>	<u>358</u>	<u>2,200</u>	<u>32,985</u>	<u>(34)</u>	<u>1,057</u>	<u>358,648</u>	<u>453,869</u>	<u>134</u>	<u>454,003</u>

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Year ended 31 December 2025

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	58,655	358	2,200	32,985	(34)	1,057	358,648	453,869	134	454,003
Profit for the year	-	-	-	-	-	-	106,455	106,455	(14)	106,441
Exchange differences . . .	-	-	-	-	118	-	-	118	-	118
Total comprehensive profit for the year . . .	-	-	-	-	118	-	106,455	106,573	(14)	106,559
At 31 December 2025 . .	<u>58,655</u>	<u>358</u>	<u>2,200</u>	<u>32,985</u>	<u>84</u>	<u>1,057</u>	<u>465,103</u>	<u>560,442</u>	<u>120</u>	<u>560,562</u>

* These accounts comprise the reserves of RMB392,536,000, RMB395,214,000 and RMB501,787,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		104,636	90,316	107,494
Adjustments for:				
Foreign exchange losses/(gains), net . . .	5/6	5	(115)	176
Finance costs	7	5,931	5,786	8,138
Investment income	5	(489)	(424)	(202)
Share of profits and losses of a joint venture	17	46	–	–
Loss on disposal of a joint venture		904	–	–
(Gain)/loss on disposal of items of property, plant and equipment		(114)	87	69
Depreciation of property, plant and equipment	14	10,735	12,196	14,143
Depreciation of right-of-use assets	15	238	394	4,437
Amortisation of other intangible assets . .	16	231	406	510
Amortisation of deferred income		(843)	(842)	(931)
Impairment losses on financial asset, net		1,818	3,675	(12)
Impairment losses on inventories, net . . .		5,273	5,046	7,224
		128,371	116,525	141,046
(Increase)/decrease in pledged deposits .		(42,382)	(10,409)	50,985
Increase in inventories		(62,239)	(29,471)	(10,431)
Increase in trade and bills receivables . .		(94,237)	(76,983)	(40,064)
(Increase)/decrease in prepayments, other receivables and other assets		(882)	(16,087)	8,450
Increase in trade and bills payables		148,318	20,022	1,451
(Decrease)/increase in other payables and accruals		(588)	(2,199)	2,931
(Decrease)/increase in deferred income . .		(1,037)	–	1,238
(Decrease)/Increase in contract liabilities		(23)	244	80
Cash generated from operations		75,301	1,642	155,686
Income tax paid		(448)	(2,109)	(1,635)
Net cash flows generated from/(used in) operating activities		74,853	(467)	154,051

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	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>		
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	170	931	202
Purchases of items of property, plant and equipment	(17,095)	(21,408)	(11,053)
Purchases of other intangible assets	(1,032)	(1,227)	(1,394)
Proceeds from disposal of items of property, plant and equipment	154	5	68
Proceeds from disposal of a joint venture	1,806	–	–
Loan to a shareholder	–	(35,000)	(52,000)
Repayment of loan from a shareholder	–	35,000	18,000
Proceeds from withdrawal of time deposits with original maturity of more than three months	–	14,000	–
Net cash flows used in investing activities	<u>(15,997)</u>	<u>(7,699)</u>	<u>(46,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing bank borrowings	206,180	232,586	284,218
Proceeds from non-controlling shareholders of a subsidiary	–	144	–
Purchases of non-controlling interests of a subsidiary	(10,433)	–	–
Payments in relation to a capital reduction	–	(19,950)	(73,789)
Repayment of interest-bearing bank borrowings	(243,762)	(190,982)	(268,103)
Principal portion of lease payments	–	(149)	(3,289)
Interest paid	(5,748)	(5,599)	(8,090)
Payments for [REDACTED] expense	–	(866)	(1,696)
Net cash flows (used in)/generated from financing activities	<u>(53,763)</u>	<u>15,184</u>	<u>(70,749)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,093	7,018	37,125
Cash and cash equivalents at beginning of year	132,123	137,198	144,310
Effect of foreign exchange rate changes, net	(18)	94	(58)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>137,198</u>	<u>144,310</u>	<u>181,377</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	<u>137,198</u>	<u>144,310</u>	<u>181,377</u>

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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	14	124,314	137,877	143,276
Right-of-use assets	15	5,435	5,280	49,020
Other intangible assets	16	2,294	3,111	3,910
Investment in subsidiaries	1	31,229	26,304	26,304
Prepayments, other receivables and other assets	21	4,578	7,952	2,625
Total non-current assets		167,850	180,524	225,135
CURRENT ASSETS				
Inventories	18	218,079	241,339	244,317
Trade and bills receivables	19	502,902	557,074	612,371
Financial assets at FVTOCI	20	7,532	26,575	11,030
Prepayments, other receivables and other assets	21	8,346	23,296	52,012
Amounts due from subsidiaries	33(c)	12,002	16,125	17,932
Pledged deposit	22	42,382	52,791	1,806
Time deposits	22	14,507	–	–
Cash and bank balances	22	133,477	136,957	175,670
Total current assets		939,227	1,054,157	1,115,138
CURRENT LIABILITIES				
Trade and bills payables	23	456,377	476,414	477,865
Lease liabilities	15	–	–	4,908
Other payables and accruals	24	46,536	122,598	55,975
Amounts due to subsidiaries	33(c)	1,353	–	–
Contract liabilities	25	2,703	2,947	3,027
Interest-bearing bank borrowings	26	120,120	161,751	139,868
Tax payable		1,622	714	132
Total current liabilities		628,711	764,424	681,775
NET CURRENT ASSETS		310,516	289,733	433,363
TOTAL ASSETS LESS CURRENT LIABILITIES				
		478,366	470,257	658,498
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	26	–	–	38,000
Lease liabilities	15	–	–	40,024
Deferred income	27	11,784	11,009	11,384
Total non-current liabilities		11,784	11,009	89,408
Net assets		466,582	459,248	569,090
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	65,971	58,655	58,655
Reserves	29	400,611	400,593	510,435
Total equity		466,582	459,248	569,090

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Sichuan NEAUTUS Traditional Chinese Medicine Co., Ltd. (the “Company”) was incorporated in Chengdu on 30 December 2001 as a limited liability company and converted into a joint stock company with limited liability on 9 June 2009. The registered address of the Company is located at 8 South Herui Road, High-tech Industrial Development Zone, Chengdu, Sichuan, People’s Republic of China (the “PRC”).

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) are principally engaged in the research and development, production and sale of traditional Chinese medicine decoction pieces (“decoction-ready medicine”).

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

Entity name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity interest attributable to the Company	Principal activities
			Direct	
Chengdu Neautus West Daodi Traditional Chinese Medicine Co., LTD. (“Chengdu Neautus”) (“成都新荷花西部道地中藥有限公司”) (note (a))	Chinese mainland 21 August 2013	RMB20,000,000	100%	R&D, manufacture and exportation of decoction-ready medicine
Sichuan Neautus Pharmacy Co., LTD. (“Neautus Pharmacy”) (“四川新荷花智慧大藥房有限公司”) (note (b))	Chinese mainland 1 April 2021	RMB3,000,000	100%	Retail of decoction-ready medicine
Neautus (H.K.) Natural Medicine Co., LTD. (“Neautus HK”) (“新荷花(香港)中藥有限公司”) (note (c))	Hong Kong 21 January 2020	HKD3,000,000	100%	Import and export of Chinese herbs and decoction-ready medicine
Sichuan Jinfang Caotang E-commerce Co., LTD. (“Jinfang Caotang”) (“四川金方草堂電子商務有限公司”) (note (d))	Chinese mainland 28 August 2024	RMB3,000,000	68%	Jinfang Caotang had not commenced any substantial business operations

Notes:

- (a) The statutory financial statements of this entity were prepared under China Accounting Standards for Business Enterprises (“PRC GAAP”). The statutory financial statements for the years ended 31 December 2023, and 2024 were audited by Tianjian Certified Public Accountants Firm (天健會計師事務所), and Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司) respectively. As at the date of this report, the statutory financial statements for the year ended 31 December 2025 has not been issued.
- (b) The statutory financial statements of this entity were prepared under the PRC GAAP. The statutory financial statements for the years ended 31 December 2023 and 2024 were audited by Sichuan Weicheng Certified Public Accountants Co., Ltd. (四川維誠會計師事務所有限公司) Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司) respectively. As at the date of this report, the statutory financial statements for the year ended 31 December 2025 has not been issued.
- (c) The statutory financial statements of this entity were prepared in accordance with the *Hong Kong Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard* as issued by the HKICPA. The statutory financial statements for the years ended 31 December 2023, and 2024 were audited by PHILIP SING & CO. Certified Public Accountants (成定邦會計師事務所) registered in Hong Kong. As at the date of this report, the statutory financial statements for the year ended 31 December 2025 has not been issued.
- (d) The statutory financial statements of this entity for the year ended 31 December 2024 were prepared under the PRC GAAP and were audited by Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司). As at the date of this report, the statutory financial statements for the year ended 31 December 2025 has not been issued.

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

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investment in subsidiaries, at cost	31,229	26,304	26,304

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each Relevant Periods.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Annual Improvements to IFRS Accounting Standards — Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

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- ¹ Effective for annual periods beginning on or after 1 January 2026
- ² Effective for annual/reporting periods beginning on or after 1 January 2027
- ³ No mandatory effective date yet determined but available for adoption

The Group has already commenced an assessment of the impact of the new and amended IFRS Accounting Standards, which are relevant to the Group’s operations. IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. Based on the preliminary-assessment made by the directors of the Company, the adoption of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation and disclosure of the Group’s financial statements.

2.3 MATERIAL ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investment in a joint venture is stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of a joint venture are included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group’s investments in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Buildings	3.46% to 4.85%
Vehicles	9.70% to 19.40%
Machinery	9.70%
Electronic and office equipment	19.40%

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

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the reporting period.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal useful lives are as follows:

Software	10 years
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Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Buildings	1.5 to 20 years
Equipment	5 years
Office premises	3 years

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(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are presented in a separate line on the consolidated statements of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices and a warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTOCI.

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

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

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income is recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

For debt investments at FVTOCI, the Group applies the low credit risk simplification. At each Relevant Periods, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

The Group classifies financial liabilities that arise from a supplier finance arrangement within interest-bearing bank borrowings in the consolidated statement of financial position and the related cash flows are included in financing activities in the consolidated statement of cash flows.

Subsequent measurement

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

Financial liabilities at amortised cost (trade, bills and other payables, and loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of decoction-ready medicine

Revenue from the sale of decoction-ready medicine is recognised at the point in time when control of the product is transferred to the customer, generally on acceptance of products.

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Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For products that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the most likely amount of return. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Other income

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

Contract liabilities

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

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each Relevant Periods.

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the Relevant Periods

If the Group receives information after the Relevant Periods, but prior to the date of authorisation for issue, about conditions that existed at the reporting date, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the Relevant Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the Relevant Periods, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

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Foreign currencies

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 financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss and other comprehensive income.

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

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

The functional currencies of certain subsidiaries other than those in Chinese mainland are currencies other than RMB. As at the end of each Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries other than those in Chinese mainland which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount of revenue from contracts with customers:

- (i) Determining the method to estimate variable consideration and assessing the constraint for the sale of products. Certain contracts for the sale of products include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of products with sales rebates, the Group determined that using the most likely amount method is appropriate. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

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

Variable consideration for sales returns and sales rebates

The Group estimates variable consideration to be included in the transaction price for the sale of decoction-ready medicine product with rights of return and sales rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group’s expected sales rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected returns and sales rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group’s past experience regarding returns and rebate entitlements may not be representative of customers’ actual returns and rebate entitlements in the future.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the aging of trade receivables for groupings of various customer segments that have similar loss patterns (i.e. customer type and rating).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development, production and sale of decoction-ready medicine. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all the Group’s non-current assets were located in Chinese mainland, no geographical information in accordance with IFRS 8 Operating Segment is presented. The revenue information based on the locations of the customers is disclosed in note 5 to the Historical Financial Information.

Information about a major customer

During the Relevant Periods, no transaction with any single customer of the Group exceeded 10% of the Group’s revenue.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	1,145,571	1,249,402	1,334,707

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods			
Decoction-ready medicine	1,145,571	1,249,402	1,334,707
Geographical markets			
Chinese mainland	1,100,174	1,193,156	1,289,338
Other countries/regions	45,397	56,246	45,369
Total	1,145,571	1,249,402	1,334,707
Timing of revenue recognition			
Goods transferred at a point in time	1,145,571	1,249,402	1,334,707

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of year:			
Sale of decoction-ready medicine	23	–	264

(b) Performance obligations

The performance obligation is satisfied upon acceptance of the decoction-ready medicines and payment is generally due within 0 to 180 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:			
Within one year	2,703	2,947	3,027

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Government grants			
– income*	2,234	4,072	4,647
– assets**	843	842	931

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investment income	489	424	202
Interest income	977	1,337	2,041
Others	35	716	843
Total other income	<u>4,578</u>	<u>7,391</u>	<u>8,664</u>
Gains			
Gains on disposal of items of property, plant and equipment	114	–	–
Foreign exchange differences, net	–	115	–
Total other income and gains	<u>4,692</u>	<u>7,506</u>	<u>8,664</u>

* This represents government grants related to income that is received as compensation for expenses or for the purpose of giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies relating to these grants.

** The Group had complied with all conditions attaching to the government grants related to assets which were recognised in profit or loss over the useful lives of the relevant assets.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Donations	171	1,116	1,656
Others	5	733	413
Total	<u>176</u>	<u>1,849</u>	<u>2,069</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on interest-bearing bank borrowings	5,931	5,769	6,522
Interest expenses on lease liabilities	–	17	1,616
Total	<u>5,931</u>	<u>5,786</u>	<u>8,138</u>

8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		913,969	1,009,423	1,049,242
Depreciation of property, plant and equipment	14	10,735	12,196	14,143
Depreciation of right-of-use assets	15(a)	238	394	4,437
Amortisation of intangible assets	16	231	406	510
[REDACTED] expenses		–	11,081	20,664
Lease payments not included in the measurement of lease liabilities	15(c)	554	1,676	1,471
Auditor’s remuneration		498	208	185
Government grants	5	(3,077)	(4,914)	(5,578)

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	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Investment income	5	(489)	(424)	(202)
Interest income	5	(977)	(1,337)	(2,041)
Impairment losses on financial assets, net		1,818	3,675	(12)
Impairment losses on inventories		5,273	5,046	7,224
Total impairment losses		<u>7,091</u>	<u>8,721</u>	<u>7,212</u>
Employee benefit expense (excluding directors’ and chief executive’s remuneration (<i>note 9</i>)):				
– Wages, salaries and bonuses		67,089	73,788	91,855
– Pension scheme contributions		<u>6,675</u>	<u>7,646</u>	<u>8,889</u>
Total employee benefit expense (excluding directors’ and chief executive’s remuneration)		<u>73,764</u>	<u>81,434</u>	<u>100,744</u>

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Directors’ and chief executive’s remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	<u>97</u>	<u>80</u>	<u>91</u>
Other emoluments:			
– Wages, salaries, and bonuses	3,907	2,457	3,374
– Pension scheme contributions	<u>219</u>	<u>145</u>	<u>168</u>
Total other emoluments	<u>4,126</u>	<u>2,602</u>	<u>3,542</u>
Total	<u>4,223</u>	<u>2,682</u>	<u>3,633</u>

(a) Independent non-executive directors

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Ms. Li Yuedong (<i>a</i>)	5	–	–
Mr. Wang Shu (<i>b</i>)	28	–	–
Ms. Xie Ping (<i>c</i>)	30	30	5
Mr. Wan Jianbo (<i>d</i>)	8	30	30
Mr. Zheng Yaguang (<i>e</i>)	18	–	–
Mr. Li Renhua (<i>f</i>)	8	8	–
Mr. Si Ao (<i>g</i>)	–	12	5
Ms. Liu Jianhua (<i>h</i>)	–	–	23
Ms. Chen Jianping (<i>i</i>)	–	–	25
Mr. Chen Weiliang (<i>j</i>)	–	–	3
Total	<u>97</u>	<u>80</u>	<u>91</u>

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

Notes:

- (a) Ms. Li Yuedong was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 23 February 2023.

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- (b) Mr. Wang Shu was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 3 September 2023.
- (c) Ms. Xie Ping was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 2 February 2025.
- (d) Mr. Wan Jianbo was appointed as an independent non-executive director of the Company with effect from 7 October 2023.
- (e) Mr. Zheng Yaguang was appointed as an independent non-executive director of the Company with effect from 23 February 2023 and resigned on 15 September 2023.
- (f) Mr. Li Renhua was appointed as an independent non-executive director of the Company with effect from 7 October 2023 and resigned on 29 March 2024.
- (g) Mr. Si Ao was appointed as an independent non-executive director of the Company with effect from 3 August 2024 and resigned on 2 February 2025.
- (h) Ms. Liu Jianhua was appointed as an independent non-executive director of the Company with effect from 26 March 2025.
- (i) Ms. Chen Jianping was appointed as an independent non-executive director of the Company with effect from 2 February 2025.
- (j) Mr. Chen Weiliang was appointed as an independent non-executive director of the Company with effect from 2 February 2025 and resigned on 14 March 2025.

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

Year ended 31 December 2023

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director and the chief executive:			
Mr. Jiang Yun (a)	580	—	580
Executive directors:			
Mr. Feng Bin (b)	880	32	912
Mr. Guo Xianjun (c)	309	51	360
Mr. Luo Yujin (d)	1,678	56	1,734
Mr. Jiang Ercheng (e)	460	80	540
Non-executive directors:			
Ms. Shen Wenzhu (f)	—	—	—
Mr. Lai Zhitian (g)	—	—	—
Total	<u>3,907</u>	<u>219</u>	<u>4,126</u>

Year ended 31 December 2024

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director and the chief executive:			
Mr. Jiang Yun (a)	580	—	580
Executive directors:			
Mr. Feng Bin (b)	697	—	697
Mr. Luo Yujin (d)	720	56	776
Mr. Jiang Ercheng (e)	460	89	549
Non-executive directors:			
Ms. Shen Wenzhu (f)	—	—	—
Mr. Lai Zhitian (g)	—	—	—
Total	<u>2,457</u>	<u>145</u>	<u>2,602</u>

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Year ended 31 December 2025

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director and the chief executive:			
Mr. Jiang Yun (a)	580	–	580
Executive directors:			
Mr. Feng Bin (b)	1,317	–	1,317
Mr. Luo Yujin (d)	717	58	775
Mr. Lan Zelun (h)	300	16	316
Mr. Jiang Ercheng (e)	460	94	554
Non-executive directors:			
Mr. Lai Zhitian (g)	–	–	–
Total	<u>3,374</u>	<u>168</u>	<u>3,542</u>

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (a) Mr. Jiang Yun was appointed as an executive director and the chief executive of the Company with effect from 9 June 2009.
- (b) Mr. Feng Bin was appointed as an executive director of the Company with effect from 9 June 2009.
- (c) Mr. Guo Xianjun was appointed as an executive director of the Company with effect from 22 February 2019 and resigned on 27 June 2023.
- (d) Mr. Luo Yujin was appointed as an executive director of the Company with effect from 22 February 2019.
- (e) Mr. Jiang Ercheng was appointed as an executive director of the Company with effect from 22 February 2019.
- (f) Ms. Shen Wenzhu was appointed as a non-executive director of the Company with effect from 20 January 2020 and resigned on 22 December 2024.
- (g) Mr. Lai Zhitian was appointed as a non-executive director of the Company with effect from 14 August 2023.
- (h) Mr. Lan Zelun was appointed as an executive director of the Company with effect from 25 February 2025.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two, two and three directors during each of the Relevant Periods, details of whose remuneration are set out in note 9 to the Historical Financial Information. Details of the remuneration for the Relevant Periods of the remaining three, three and two highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	2,780	2,447	1,464
Pension scheme contributions	52	53	32
Total	<u>2,832</u>	<u>2,500</u>	<u>1,496</u>

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

	Year ended 31 December		
	2023	2024	2025
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
HKD1 to HKD500,000	–	–	–
HKD500,001 to HKD1,000,000	2	2	2
HKD1,000,001 to HKD1,500,000	1	1	–
Total	<u>3</u>	<u>3</u>	<u>2</u>

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During the Relevant Periods, none of the highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

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

Hong Kong

The subsidiary which operates in Hong Kong was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese mainland which are granted tax concession and are taxed at preferential tax rates.

The Company has been qualified as an Encouraged Industrial Enterprise based in the western region of Chinese mainland during the Relevant Periods, and were entitled to a preferential tax rate of 15% during the Relevant Periods. The Company’s decoction-ready medicines business was entitled to income tax exemption.

The Company’s wholly-owned subsidiary Chengdu Neautus and Neautus Pharmacy have been accredited as micro and small businesses during the Relevant Periods, and were entitled an income tax preferential rate of 20% of their taxable profits during the Relevant Periods.

The income tax expense of the Group during the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current income tax			
Charge for the year	662	1,204	1,053
Total tax charge for the year	662	1,204	1,053

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

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before tax	104,636	90,316	107,494
Tax at the statutory tax rate (25%)	26,159	22,579	26,874
Different tax rates enacted by local tax authority. . .	(566)	(350)	(356)
Tax losses utilised from previous periods	–	(91)	(20)
Income not subject to tax	(23,729)	(23,992)	(26,619)
Expenses not deductible for tax.	676	3,688	1,878
Deductible temporary difference and tax losses not recognised.	745	882	89
Additional deductible allowance for qualified research and development costs	(2,623)	(1,512)	(843)
Adjustments in respect of current tax of previous periods	–	–	50
Tax charge at the Group’s effective rate	662	1,204	1,053

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross deferred tax assets at end of the year.	–	–	6,584
Gross deferred tax liabilities at end of the year. . . .	–	–	6,584
Deferred tax assets/(liabilities)	–	–	–

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At each of the Relevant Periods, the Group has tax losses that are available in 5 to 10 years for offsetting against future taxable profits of the companies in which the losses arose.

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

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	3,284	3,794	7,282
Deductible temporary differences	22,542	24,019	21,582

12. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods.

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

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issuing during the Relevant Periods.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profits attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	<u>103,935</u>	<u>89,122</u>	<u>106,455</u>
Shares			
Weighted average number of ordinary shares in issuing during the year used in the basic earnings per share calculation (number of shares) ('000)	<u>65,971</u>	<u>65,710</u>	<u>58,655</u>
Earnings per share (basic and diluted) (RMB per share)	<u>1.58</u>	<u>1.36</u>	<u>1.81</u>

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023						
At 1 January 2023:						
Cost	157,643	2,501	41,536	8,913	16,097	226,690
Accumulated depreciation	<u>(46,548)</u>	<u>(1,569)</u>	<u>(21,357)</u>	<u>(7,183)</u>	<u>–</u>	<u>(76,657)</u>
Net carrying amount	<u>111,095</u>	<u>932</u>	<u>20,179</u>	<u>1,730</u>	<u>16,097</u>	<u>150,033</u>
At 1 January 2023, net of accumulated depreciation	111,095	932	20,179	1,730	16,097	150,033
Additions	200	1,665	4,049	1,731	3,944	11,589
Transfer	20,014	–	–	27	(20,041)	–
Disposals	–	(27)	(13)	–	–	(40)
Depreciation provided during the year	<u>(6,442)</u>	<u>(694)</u>	<u>(2,488)</u>	<u>(1,111)</u>	<u>–</u>	<u>(10,735)</u>
At 31 December 2023, net of accumulated depreciation	<u>124,867</u>	<u>1,876</u>	<u>21,727</u>	<u>2,377</u>	<u>–</u>	<u>150,847</u>

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	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023:						
Cost	177,857	3,240	45,165	10,671	–	236,933
Accumulated depreciation	(52,990)	(1,364)	(23,438)	(8,294)	–	(86,086)
Net carrying amount	<u>124,867</u>	<u>1,876</u>	<u>21,727</u>	<u>2,377</u>	<u>–</u>	<u>150,847</u>

The Group

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024						
At 1 January 2024:						
Cost	177,857	3,240	45,165	10,671	–	236,933
Accumulated depreciation	(52,990)	(1,364)	(23,438)	(8,294)	–	(86,086)
Net carrying amount	<u>124,867</u>	<u>1,876</u>	<u>21,727</u>	<u>2,377</u>	<u>–</u>	<u>150,847</u>
At 1 January 2024, net of						
Accumulated depreciation	124,867	1,876	21,727	2,377	–	150,847
Additions	–	1,977	4,001	338	18,455	24,771
Transfer	2,630	–	8,824	175	(11,629)	–
Disposals	–	(2)	(90)	–	–	(92)
Depreciation provided during the year	(6,832)	(729)	(3,853)	(782)	–	(12,196)
At 31 December 2024, net of accumulated depreciation	<u>120,665</u>	<u>3,122</u>	<u>30,609</u>	<u>2,108</u>	<u>6,826</u>	<u>163,330</u>
At 31 December 2024:						
Cost	180,487	5,154	57,878	11,172	6,826	261,517
Accumulated depreciation	(59,822)	(2,032)	(27,269)	(9,064)	–	(98,187)
Net carrying amount	<u>120,665</u>	<u>3,122</u>	<u>30,609</u>	<u>2,108</u>	<u>6,826</u>	<u>163,330</u>

The Group

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025						
At 1 January 2025:						
Cost	180,487	5,154	57,878	11,172	6,826	261,517
Accumulated depreciation	(59,822)	(2,032)	(27,269)	(9,064)	–	(98,187)
Net carrying amount	<u>120,665</u>	<u>3,122</u>	<u>30,609</u>	<u>2,108</u>	<u>6,826</u>	<u>163,330</u>
At 1 January 2025, net of						
Accumulated depreciation	120,665	3,122	30,609	2,108	6,826	163,330
Additions	–	1,928	7,617	1,451	7,900	18,896
Transfer	11,640	–	2,841	6	(14,487)	–
Disposals	–	(39)	(90)	(8)	–	(137)
Depreciation provided during the year	(7,487)	(910)	(4,909)	(837)	–	(14,143)
At 31 December 2025, net of accumulated depreciation	<u>124,818</u>	<u>4,101</u>	<u>36,068</u>	<u>2,720</u>	<u>239</u>	<u>167,946</u>
At 31 December 2025:						
Cost	192,030	6,966	65,327	12,357	239	276,919
Accumulated depreciation	(67,212)	(2,865)	(29,259)	(9,637)	–	(108,973)
Net carrying amount	<u>124,818</u>	<u>4,101</u>	<u>36,068</u>	<u>2,720</u>	<u>239</u>	<u>167,946</u>

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The Company

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023						
At 1 January 2023:						
Cost	129,018	2,501	40,959	8,913	16,097	197,488
Accumulated depreciation	(45,012)	(1,569)	(21,273)	(7,183)	–	(75,037)
Net carrying amount	<u>84,006</u>	<u>932</u>	<u>19,686</u>	<u>1,730</u>	<u>16,097</u>	<u>122,451</u>
At 1 January 2023, net of accumulated depreciation	84,006	932	19,686	1,730	16,097	122,451
Additions	200	1,665	4,049	1,698	3,944	11,556
Transfer	20,014	–	–	27	(20,041)	–
Disposals	–	(27)	(13)	–	–	(40)
Depreciation provided during the year	(5,418)	(694)	(2,432)	(1,109)	–	(9,653)
At 31 December 2023, net of accumulated depreciation	<u>98,802</u>	<u>1,876</u>	<u>21,290</u>	<u>2,346</u>	<u>–</u>	<u>124,314</u>
At 31 December 2023:						
Cost	149,232	3,240	44,588	10,638	–	207,698
Accumulated depreciation	(50,430)	(1,364)	(23,298)	(8,292)	–	(83,384)
Net carrying amount	<u>98,802</u>	<u>1,876</u>	<u>21,290</u>	<u>2,346</u>	<u>–</u>	<u>124,314</u>

The Company

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024						
At 1 January 2024:						
Cost	149,232	3,240	44,588	10,638	–	207,698
Accumulated depreciation	(50,430)	(1,364)	(23,298)	(8,292)	–	(83,384)
Net carrying amount	<u>98,802</u>	<u>1,876</u>	<u>21,290</u>	<u>2,346</u>	<u>–</u>	<u>124,314</u>
At 1 January 2024, net of accumulated depreciation	98,802	1,876	21,290	2,346	–	124,314
Additions	–	1,977	3,997	335	18,455	24,764
Transfer	2,630	–	8,824	175	(11,629)	–
Disposals	–	(2)	(90)	–	–	(92)
Depreciation provided during the year	(5,808)	(729)	(3,796)	(776)	–	(11,109)
At 31 December 2024, net of accumulated depreciation	<u>95,624</u>	<u>3,122</u>	<u>30,225</u>	<u>2,080</u>	<u>6,826</u>	<u>137,877</u>
At 31 December 2024:						
Cost	151,862	5,154	57,297	11,148	6,826	232,287
Accumulated depreciation	(56,238)	(2,032)	(27,072)	(9,068)	–	(94,410)
Net carrying amount	<u>95,624</u>	<u>3,122</u>	<u>30,225</u>	<u>2,080</u>	<u>6,826</u>	<u>137,877</u>

The Company

	Buildings	Vehicles	Machinery	Electronic and office equipment	Lease improvement	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025							
At 1 January 2025:							
Cost	151,862	5,154	57,297	11,148	–	6,826	232,287
Accumulated depreciation	(56,238)	(2,032)	(27,072)	(9,068)	–	–	(94,410)
Net carrying amount	<u>95,624</u>	<u>3,122</u>	<u>30,225</u>	<u>2,080</u>	<u>–</u>	<u>6,826</u>	<u>137,877</u>

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	Buildings	Vehicles	Machinery	Electronic and office equipment	Lease improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025, net of accumulated depreciation	95,624	3,122	30,225	2,080	–	6,826	137,877
Additions	–	1,927	7,293	1,437	–	7,900	18,557
Transfer	9,493	–	2,841	6	2,147	(14,487)	–
Disposals	–	(39)	(90)	(8)	–	–	(137)
Depreciation provided during the year	(6,408)	(910)	(4,834)	(815)	(54)	–	(13,021)
At 31 December 2025, net of accumulated depreciation	98,709	4,100	35,435	2,700	2,093	239	143,276
At 31 December 2025:							
Cost	160,966	6,965	64,423	12,321	2,147	239	247,061
Accumulated depreciation	(62,257)	(2,865)	(28,988)	(9,621)	(54)	–	(103,785)
Net carrying amount	98,709	4,100	35,435	2,700	2,093	239	143,276

Certain of the Company’s buildings under property, plant and equipment with net carrying amounts of approximately RMB70,915,000, RMB78,177,000 and RMB70,748,000, as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure certain bank loans of the Company (note 26).

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises, leasehold land, buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises have lease terms of 3 years. Leases of Buildings have lease terms of 1.5 to 20 years. Leases of equipment have lease terms of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Leasehold land	Office premises	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	9,159	–	–	–	9,159
Additions	–	–	–	–	–
Depreciation charge	(238)	–	–	–	(238)
As at 31 December 2023 and 1 January 2024	8,921	–	–	–	8,921
Additions	–	1,130	–	–	1,130
Depreciation charge	(237)	(157)	–	–	(394)
As at 31 December 2024 and 1 January 2025	8,684	973	–	–	9,657
Additions	–	–	40,265	776	41,041
Depreciation charge	(238)	(373)	(3,671)	(155)	(4,437)
As at 31 December 2025	8,446	600	36,594	621	46,261

Certain of the Group’s right-of-use assets with net carrying amounts of approximately RMB5,435,000, RMB5,280,000 and RMB5,127,000 as at 31 December 2023, 2024 and 2025 were pledged to secure certain bank loans of the Company (note 26).

(b) Lease liabilities

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

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	–	–	981

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	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New leases	–	1,130	41,041
Accretion of interest recognised during the year . . .	–	17	1,616
Payments	–	(166)	(4,905)
Carrying amount at 31 December	–	981	38,733
	=	=	=
Analysed into:			
Current portion	–	368	3,673
Non-current portion	–	613	35,060
	=	=	=

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

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

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	–	17	1,616
Depreciation charge of right-of-use assets	238	394	4,437
Expense relating to leases of short-term and low-value assets	554	1,676	1,471
Total amount recognised in profit or loss	792	2,087	7,524
	=	=	=

(d) *The total cash outflow for leases is set out in note 30(c) to the financial statements.*

The Company as a lessee

(a) *Right-of-use assets*

	Leasehold land	Buildings	Equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023	5,588	–	–	5,588
Depreciation charge	(153)	–	–	(153)
As at 31 December 2023 and 1 January 2024	5,435	–	–	5,435
Depreciation charge	(155)	–	–	(155)
As at 31 December 2024 and 1 January 2025	5,280	–	–	5,280
Additions	–	48,613	776	49,389
Depreciation charge	(153)	(5,341)	(155)	(5,649)
As at 31 December 2025	5,127	43,272	621	49,020
	=	=	=	=

The Company’s right-of-use assets with net carrying amounts of approximately RMB5,435,000, RMB5,280,000 and RMB5,127,000 as at 31 December 2023, 2024 and 2025 were pledged to secure certain bank loans of the Company (note 26).

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

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at 1 January	–	–	–
New leases	–	–	49,389
Accretion of interest recognised during the year . . .	–	–	1,866
Payments	–	–	(6,323)
Carrying amount at 31 December	–	–	44,932
	=	=	=
Analysed into:			
Current portion	–	–	4,908
Non-current portion	–	–	40,024
	=	=	=

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

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest on lease liabilities	–	–	1,866
Depreciation charge of right-of-use assets	153	155	5,649
Expense relating to leases of short-term and low-value assets	<u>2,607</u>	<u>2,684</u>	<u>1,471</u>
Total amount recognised in profit or loss	<u><u>2,760</u></u>	<u><u>2,839</u></u>	<u><u>8,986</u></u>

16. OTHER INTANGIBLE ASSETS

The Group

	Software
	<i>RMB’000</i>
Cost at 1 January 2023, net of accumulated amortisation	1,493
Additions	1,032
Amortisation provided during the year	(231)
At 31 December 2023	<u>2,294</u>
At 31 December 2023:	
Cost	2,729
Accumulated amortisation	(435)
Net carrying amount	<u>2,294</u>
Cost at 1 January 2024, net of accumulated amortisation	2,294
Additions	1,227
Amortisation provided during the year	(406)
At 31 December 2024	<u>3,115</u>
At 31 December 2024:	
Cost	3,956
Accumulated amortisation	(841)
Net carrying amount	<u>3,115</u>
Cost at 1 January 2025, net of accumulated amortisation	3,115
Additions	1,394
Amortisation provided during the year	(510)
At 31 December 2025	<u>3,999</u>
At 31 December 2025:	
Cost	5,350
Accumulated amortisation	(1,351)
Net carrying amount	<u>3,999</u>

The Company

	Software
	<i>RMB’000</i>
Cost at 1 January 2023, net of accumulated amortisation	1,493
Additions	1,032
Amortisation provided during the year	(231)
At 31 December 2023	<u>2,294</u>
At 31 December 2023:	
Cost	2,729
Accumulated amortisation	(435)
Net carrying amount	<u>2,294</u>
Cost at 1 January 2024, net of accumulated amortisation	2,294

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	Software
	<i>RMB'000</i>
Additions	1,223
Amortisation provided during the year	<u>(406)</u>
At 31 December 2024	<u>3,111</u>
At 31 December 2024:	
Cost	3,952
Accumulated amortisation	<u>(841)</u>
Net carrying amount	<u>3,111</u>
Cost at 1 January 2025, net of accumulated amortisation	3,111
Additions	1,305
Amortisation provided during the year	<u>(506)</u>
At 31 December 2025	<u>3,910</u>
At 31 December 2025:	
Cost	5,256
Accumulated amortisation	<u>(1,346)</u>
Net carrying amount	<u>3,910</u>

17. INVESTMENT IN A JOINT VENTURE

In 2023, Group entered into a share disposal agreement to dispose of 49% equity interest in Eu Yan Sang Neatus (Hong Kong) Limited for a total consideration of RMB1,806,000, resulting a loss of RMB904,000.

The following table illustrates the aggregate financial information of the joint venture, which is not material to the consolidated financial statements of the Group:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of a joint venture’s loss for the year	46	–	–
Share of a joint venture’s total comprehensive loss for the year	46	–	–
Aggregate carrying amount of the Group’s investment in a joint venture	<u>–</u>	<u>–</u>	<u>–</u>

18. INVENTORIES

The Group

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	85,382	79,717	71,937
Raw materials	71,381	96,215	115,482
Work in progress	56,080	54,079	45,833
Goods in transit	12,057	19,003	20,899
	<u>224,900</u>	<u>249,014</u>	<u>254,151</u>
Less: Impairment losses	6,369	6,058	7,988
Total	<u>218,531</u>	<u>242,956</u>	<u>246,163</u>

The Company

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	84,926	78,100	70,091
Raw materials	71,381	96,215	115,482
Work in progress	56,080	54,079	45,833

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	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Goods in transit	12,057	19,003	20,899
	<u>224,444</u>	<u>247,397</u>	<u>252,305</u>
Less: Impairment losses	6,365	6,058	7,988
Total	<u>218,079</u>	<u>241,339</u>	<u>244,317</u>

19. TRADE AND BILLS RECEIVABLES

The Group

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	508,100	566,431	616,342
Bills receivables	3,309	2,705	8,301
	<u>511,409</u>	<u>569,136</u>	<u>624,643</u>
Less: Impairment losses	7,606	11,199	11,108
Total	<u>503,803</u>	<u>557,937</u>	<u>613,535</u>

The Company

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	507,179	565,544	615,117
Bills receivables	3,309	2,705	8,301
	<u>510,488</u>	<u>568,249</u>	<u>623,418</u>
Less: Impairment losses	7,586	11,175	11,047
Total	<u>502,902</u>	<u>557,074</u>	<u>612,371</u>

The Group’s trading terms with its business customers are mainly on credit. The credit period is generally 0 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group apply the simplified approach in calculating ECLs for bills receivables. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for bills receivables was minimal.

In view of the aforementioned and the fact that the Group’s trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

The Group

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	448,526	483,764	510,639
181 to 360 days	40,660	54,609	79,255
1 to 2 years	10,822	15,374	14,881
2 to 3 years	486	1,485	459
Total	<u>500,494</u>	<u>555,232</u>	<u>605,234</u>

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The Company

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	447,633	482,911	510,543
181 to 360 days	40,655	54,606	78,190
1 to 2 years	10,819	15,369	14,879
2 to 3 years	486	1,483	458
Total	<u>499,593</u>	<u>554,369</u>	<u>604,070</u>

Movements in the loss allowance for expected credit losses of trade receivables are as follows:

The Group

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	5,943	7,606	11,199
Impairment losses	1,809	3,646	37
Impairment written off	(146)	(53)	(56)
Reversal	–	–	(72)
At end of year	<u>7,606</u>	<u>11,199</u>	<u>11,108</u>

The Company

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	5,934	7,586	11,175
Impairment losses	1,798	3,642	–
Impairment written off	(146)	(53)	(56)
Reversal	–	–	(72)
At end of year	<u>7,586</u>	<u>11,175</u>	<u>11,047</u>

An impairment analysis is performed at the end of each Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the aging of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

	31 December 2023		
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	450,199	0.37	1,673
181 to 360 days	42,227	3.71	1,567
1 to 2 years	13,619	20.54	2,797
2 to 3 years	875	44.46	389
More than 3 years	1,180	100.00	1,180
Total	<u>508,100</u>	1.50	<u>7,606</u>

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31 December 2024			
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	485,477	0.35	1,713
181 to 360 days	56,707	3.70	2,098
1 to 2 years	19,678	21.87	4,304
2 to 3 years	3,366	55.88	1,881
More than 3 years	1,203	100.00	1,203
Total	<u>566,431</u>	1.98	<u>11,199</u>

31 December 2025			
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	512,314	0.33	1,675
181 to 360 days	81,755	3.06	2,500
1 to 2 years	17,271	13.84	2,390
2 to 3 years	3,913	88.27	3,454
More than 3 years	1,089	100.00	1,089
Total	<u>616,342</u>	1.80	<u>11,108</u>

The Company

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

31 December 2023			
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	449,303	0.37	1,670
181 to 360 days	42,222	3.71	1,567
1 to 2 years	13,615	20.54	2,796
2 to 3 years	875	44.46	389
More than 3 years	1,164	100.00	1,164
Total	<u>507,179</u>	1.50	<u>7,586</u>

31 December 2024			
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	484,620	0.35	1,709
181 to 360 days	56,704	3.70	2,098
1 to 2 years	19,670	21.87	4,301
2 to 3 years	3,362	55.89	1,879
More than 3 years	1,188	100.00	1,188
Total	<u>565,544</u>	1.98	<u>11,175</u>

31 December 2025			
	Gross carrying amount	Expected loss rate	Expected credit loss
	<i>RMB'000</i>	%	<i>RMB'000</i>
0 to 180 days	512,218	0.33	1,675
181 to 360 days	80,657	3.06	2,467
1 to 2 years	17,268	13.83	2,389
2 to 3 years	3,905	88.27	3,447
More than 3 years	1,069	100.00	1,069
Total	<u>615,117</u>	1.80	<u>11,047</u>

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20. FINANCIAL ASSETS AT FVTOCI

The Group and The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivables	7,532	26,575	11,030

Bills receivables are held with the objective of both holding to collect contractual cash flows and selling as the Group sometimes endorses bills receivable to suppliers prior to their expiry date. These are classified and measured as financial assets at FVTOCI.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Right-of-return assets.	5,867	5,263	7,256
Prepayments*	1,509	2,283	2,296
Deposits	1,130	318	4,503
Value-added tax recoverable.	1	13,899	907
Other receivables	21	80	170
Amounts due from a shareholder**	–	400	34,000
Deferred [REDACTED] expenses	–	1,231	3,250
Impairment losses.	(11)	(10)	(56)
Total	8,517	23,464	52,326
Non-current			
Prepayments for property, plant and equipment.	3,204	4,601	913
Deposits	1,388	3,395	1,733
Impairment losses.	(14)	(44)	(21)
Total	4,578	7,952	2,625

Movements in the loss allowance for expected credit losses of other receivables are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	16	25	54
Impairment losses.	9	29	23
At end of year.	25	54	77

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Deposits	1,062	251	4,395
Right-of-return assets.	5,867	5,263	7,256
Value-added tax recoverable.	–	13,892	901
Amounts due from a shareholder**	–	400	34,000
Prepayments*	1,421	2,204	2,113
Other receivables	7	65	152
Deferred [REDACTED] expenses	–	1,231	3,250
Impairment losses.	(11)	(10)	(55)
Total	8,346	23,296	52,012

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	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current			
Deposits	1,388	3,395	1,733
Prepayments for property, plant and equipment.	3,204	4,601	913
Impairment losses.	(14)	(44)	(21)
Total	<u>4,578</u>	<u>7,952</u>	<u>2,625</u>

Movements in the loss allowance for expected credit losses of other receivables are as follows:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	16	25	54
Impairment losses.	9	29	22
At end of year.	<u>25</u>	<u>54</u>	<u>76</u>

* Prepayments includes prepaid selling and distribution expenses, prepaid internet services costs prepayment for raw material and other prepayments.

** Details of the Group and Company’s other receivables balances with its shareholder as at the end of the Relevant Periods are disclosed in note 33 to the Historical Financial Information.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

The financial assets included in the above balances relate to receivables for which there was no recent history of default. The financial assets included in the above balances relating to receivables were categorised in stage 1 at the end of each Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

22. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND BANK BALANCES

The Group and the Company

Time deposits

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits over three months but less than one year*	14,507	–	–
Total	<u>14,507</u>	<u>–</u>	<u>–</u>

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in – RMB	14,507	–	–
Total	<u>14,507</u>	<u>–</u>	<u>–</u>

* Time deposits are made for depending on the immediate cash requirements of the Group and earn interest at the time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

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Pledged deposits

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pledged deposits*	42,382	52,791	1,806

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in – RMB	42,382	52,791	1,806

* Pledged deposits represent the cash balances pledged as at 31 December 2023, 2024 and 2025 for the purpose of issuing bank acceptance bills.

The Group

Cash and bank balances

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	137,198	144,310	181,377

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in – RMB	137,131	142,195	181,006
– HKD	67	2,115	371
Total	137,198	144,310	181,377

The Company

Cash and bank balances

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	133,477	136,957	175,670

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in – RMB	133,477	136,957	175,670

The RMB is not freely convertible into other currencies, however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank balances earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

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23. TRADE AND BILLS PAYABLES

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

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	455,335	475,902	473,833
1 to 2 years	10	80	3,578
More than 2 years	1,047	432	454
Total	<u>456,392</u>	<u>476,414</u>	<u>477,865</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	455,320	475,902	473,833
1 to 2 years	10	80	3,578
More than 2 years	1,047	432	454
Total	<u>456,377</u>	<u>476,414</u>	<u>477,865</u>

The trade payables are non-interest-bearing and are normally settled on 90 days.

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:			
Interest-bearing bank borrowings	–	32,104	10,718
Of which suppliers have received payments	–	<u>32,104</u>	<u>10,718</u>
	–	–	–

For financial liabilities that are part of the supplier finance arrangements included in interest-bearing bank borrowings, the related non-cash transaction is disclosed in note 30 to the financial statements.

24. OTHER PAYABLES AND ACCRUALS

The Group

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payables to shareholders in related to capital reduction . . .	–	73,789	–
Payroll payables	26,441	22,977	27,291
Accruals:			
Accrual of sales return	9,301	6,136	8,949
Accrual of sales rebates	2,441	4,580	1,168
Accrual of other expense	1,102	4,769	6,955
Other payables:			
Property, plant, and equipment	1,887	6,647	6,042
Others	4,186	3,348	5,041
Other tax payables	1,397	859	956
Total	<u>46,755</u>	<u>123,105</u>	<u>56,402</u>

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The Company

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables to a shareholder in related to capital reduction . . .	–	73,789	–
Payroll payables	26,386	22,596	27,016
Accruals:			
Accrual of sales return	9,301	6,136	8,949
Accrual of sales rebates	2,441	4,580	1,168
Accrual of other expense	1,101	4,769	6,955
Other payables:			
Property, plant, and equipment	1,826	6,585	5,961
Others	4,186	3,347	5,009
Other tax payables	1,295	796	917
Total	<u>46,536</u>	<u>122,598</u>	<u>55,975</u>

25. CONTRACT LIABILITIES

The Group

The Group recognised the following revenue-related contract liabilities:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of decoction-ready medicines	<u>2,703</u>	<u>2,947</u>	<u>3,027</u>

The Company

The Company recognised the following revenue-related contract liabilities:

	31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of decoction-ready medicines	<u>2,703</u>	<u>2,947</u>	<u>3,027</u>

26. INTEREST-BEARING BANK BORROWINGS

The Group and The Company

	31 December 2023		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
	Bank loans – secured and guaranteed (a-i)	4.10	2024
Bank loans – guaranteed (b).	4.00	2024	20,020
Bank loans – guaranteed (c).	3.65	2024	20,018
Total			<u>120,120</u>

	31 December 2024		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
	Bank loans – secured and guaranteed (a-ii)	3.90	2025
Bank loans – unsecured	3.45-3.60	2025	45,053
Bank loans – guaranteed (d).	3.25	2025	10,006
Bank loans – guaranteed (e).	3.10-3.35	2025	32,104
Total			<u>161,751</u>

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	31 December 2025		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans – unsecured	2.70-3.20	2026	91,115
Bank loans – secured (a-iii)	3.00-3.10	2026	38,035
Bank loans – unsecured (e)	2.40	2026	10,718
Non Current			
Bank loans – unsecured	2.70-3.20	2027-2028	38,000
Total			<u>177,868</u>

- (a-i) The bank loans were: i) secured by the Group’s property, plant and equipment and right-of-use assets with a total carrying amount of approximately RMB76,350,000; ii) secured by Chengdu Kinna Investment Co., Ltd.’s property, plant and equipment with a valuation amount of RMB58,159,000; and iii) guaranteed by Mr. Jiang Yun and Mr. Jiang Ercheng.
- (a-ii) The bank loans were secured by the Group’s property, plant and equipment and right-of-use assets with a total carrying amount of approximately RMB83,457,000.
- (a-iii) The bank loans were secured by the Group’s property, plant and equipment and right-of-use assets with a total carrying amount of approximately RMB76,547,000.
- (b) As at 31 December 2023, the bank loans were guaranteed by Mr. Jiang Yun, and were repaid in 2024.
- (c) As at 31 December 2023, the bank loans were guaranteed by Mr. Jiang Yun, Mr. Jiang Ercheng and Chengdu Small & Medium Enterprises Credit Assurance Co., Ltd. (成都中小企業融資擔保有限責任公司) and were repaid in 2024.
- (d) As at 31 December 2024, the bank loans were guaranteed by Mr. Jiang Yun.
- (e) The Group has established supplier finance arrangements that are offered to the Group’s key suppliers in Chinese mainland. Participation in the arrangements is at the suppliers’ own discretion. Suppliers that participate in the supplier finance arrangements will receive payments at the original due dates on invoices sent to the Group from the Group’s external finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied, and the invoices must have been approved by the Group. Payments to suppliers at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. As at 31 December 2024 and 31 December 2025, all financial liabilities that are part of the supplier finance arrangements are included in interest-bearing bank borrowings in the Consolidated Statement of Financial Position, with the balance as at 31 December 2024 guaranteed by Mr. Jiang Yun, and no guarantee provided by Mr. Jiang Yun as at 31 December 2025.
- (f) The directors are of the view that the guarantee provided by related parties will be released prior to the [REDACTED].

Bank loans repayable

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank loans repayable within one year	120,120	161,751	139,868
In the second year	–	–	19,500
In the third to fifth years, inclusive	–	–	18,500
Total	<u>120,120</u>	<u>161,751</u>	<u>177,868</u>

27. DEFERRED INCOME

The Group

	31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants	<u>13,014</u>	<u>12,172</u>	<u>12,479</u>

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The movements in deferred income during the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	14,894	13,014	12,172
Grants received during the year	–	–	1,238
Amounts released to profit or loss during the year	(1,880)	(842)	(931)
At the end of the year	<u>13,014</u>	<u>12,172</u>	<u>12,479</u>

The Company

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants	<u>11,784</u>	<u>11,009</u>	<u>11,384</u>

The movements in deferred income during the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	13,596	11,784	11,009
Grants received during the year	–	–	1,238
Amounts released to profit or loss during the year	(1,812)	(775)	(863)
At the end of the year	<u>11,784</u>	<u>11,009</u>	<u>11,384</u>

The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants were released to profit or loss either over the periods that the expenses for which it is intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

28. SHARE CAPITAL

Shares

Issued and fully paid:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Ordinary Shares	<u>65,971</u>	<u>58,655</u>	<u>58,655</u>
		Number of ordinary shares	Share capital
			<i>RMB'000</i>
As at 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023, and 1 January 2024		65,971,000	65,971
Capital reduction during the year*		(7,316,000)	(7,316)
As at 31 December 2024, 1 January 2025 and 31 December 2025		<u>58,655,000</u>	<u>58,655</u>

* On 19 December 2024, it was resolved by the shareholders’ resolutions that the Company’s share capital would be reduced from RMB65,971,000 to RMB58,655,000. A share capital reduction agreement was entered into between the Company and Guoyao Junbai Equity Investment Fund Partnership Enterprise (Limited Partnership) (國藥君柏(山東)股權投資基金合夥企業), Mr. Xie Li, Mr. Du Qinglong, Ms. Liu Tong, Ms. Xue Ping and Mr. Sun Yu simultaneously with a total consideration of RMB93,738,000. As of 31 December 2025, RMB93,738,000 was fully settled.

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29. RESERVES

The Group

The amounts of the Group’s reserves and the movement therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

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

(b) Foreign exchange reserve

The foreign exchange reserve of the Group is used to record exchange differences arising from the translation of the financial statements of a subsidiary of which the functional currencies are not RMB.

(c) Share incentive reserve

The share incentive reserve represents the share-based compensation due to equity-settled share award before the Relevant Periods.

(d) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company and the subsidiaries established in the PRC, the Group is required to appropriate 10% of their net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory reserve may be used either to offset losses, or to be converted to increase paid-in capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Other reserve

Other reserve represents i) the amount of liability waived by a shareholder of the Company in 2017; and ii) the acquisition of 49% additional interest in Chengdu Neatus from a non-controlling shareholder at a consideration of RMB10,434,000.

The Company

Year ended 31 December 2023

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	86,781	2,200	29,445	2,553	175,131	296,110
Profit for the year	—	—	—	—	104,501	104,501
Total comprehensive income for the year	—	—	—	—	104,501	104,501
Transfer from retained profit.	—	—	3,540	—	(3,540)	—
At 31 December 2023	<u>86,781</u>	<u>2,200</u>	<u>32,985</u>	<u>2,553</u>	<u>276,092</u>	<u>400,611</u>

Year ended 31 December 2024

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	86,781	2,200	32,985	2,553	276,092	400,611
Profit for the year	—	—	—	—	86,405	86,405
Total comprehensive income for the year	—	—	—	—	86,405	86,405
Capital reduction by shareholders.	(86,423)	—	—	—	—	(86,423)
At 31 December 2024	<u>358</u>	<u>2,200</u>	<u>32,985</u>	<u>2,553</u>	<u>362,497</u>	<u>400,593</u>

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Year ended 31 December 2025

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	358	2,200	32,985	2,553	362,497	400,593
Profit for the year	—	—	—	—	109,842	109,842
Total comprehensive income for the year	—	—	—	—	109,842	109,842
At 31 December 2025	<u>358</u>	<u>2,200</u>	<u>32,985</u>	<u>2,553</u>	<u>472,339</u>	<u>510,435</u>

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and leases liabilities of nil, RMB1,130,000 and RMB41,041,000 in respect of lease arrangements for office premises, buildings and equipment, respectively.

The Group endorsed bills receivables of RMB76,406,000, RMB244,725,000 and RMB212,167,000 to suppliers during the Relevant Periods, settled through non-cash transactions.

The Group reclassified trade payables of nil, RMB32,104,000 and RMB10,718,000 to interest-bearing bank borrowings in respect of the supplier finance arrangements during the Relevant Periods.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Interest-bearing bank borrowings	Payables for capital reduction included in other payables and accruals	Other payables
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	—	158,889	—	—
Changes from financing cash flows	—	(44,700)	—	—
Interest accretion	—	5,931	—	—
At 31 December 2023	—	120,120	—	—
Changes from financing cash flows	(166)	35,862	(19,950)	(866)
Changes from operating cash flows	—	—	—	(7,789)
Interest accretion	17	5,769	—	—
New lease addition	1,130	—	—	—
Increase in [REDACTED] expense	—	—	—	11,081
Increase in deferred [REDACTED] expenses	—	—	—	1,231
Increase arising from capital reduction	—	—	93,739	—
At 31 December 2024	981	161,751	73,789	3,657
Changes from financing cash flows	(4,905)	9,595	(73,789)	(1,696)
Changes from operating cash flows	—	—	—	(17,787)
Interest accretion	1,616	6,522	—	—
New lease addition	41,041	—	—	—
Increase in [REDACTED] expense	—	—	—	20,664
Increase in deferred [REDACTED] expenses	—	—	—	2,019
At 31 December 2025	<u>38,733</u>	<u>177,868</u>	<u>—</u>	<u>6,857</u>

(c) The cash outflows for leases

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within financing activities	—	166	4,905
Within operating activities	554	1,676	1,471
Total	<u>554</u>	<u>1,842</u>	<u>6,376</u>

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31. PLEDGE OF ASSETS

Details of the Group’s assets pledged are included in note 14,15 and 22 to the Historical Financial Information.

32. COMMITMENTS

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

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contracted, but not provided for: Purchase of items of property, plant and equipment.	10,239	17,000	469

33. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following company is related party that has material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship

Name of related party	Relationship with the Group
Chengdu Kinna Investment Co., Ltd. (成都國嘉投資股份有限公司)	A company controlled by Mr. Jiang Yun

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loan borrowing – non trade			
Chengdu Kinna Investment Co., Ltd..	–	35,000	52,000
Loan repayment – non trade			
Chengdu Kinna Investment Co., Ltd..	–	35,000	18,000
Interest income – non trade			
Chengdu Kinna Investment Co., Ltd..	–	400	1,809

The interest rates of the Group’s loan borrowings to Chengdu Kinna Investment Co., Ltd at the end of each Relevant Periods were ranging from 4.00% to 4.20% with a maturity periods from 6 to 12 months.

(c) Outstanding balances with related party

The Group

The Group had following outstanding balances with related parties at the end of each Relevant Periods.

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments, other receivables and other assets non trade			
Chengdu Kinna Investment Co., Ltd	–	400	34,000
Total	–	400	34,000

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The Company

The Company had following outstanding balances with related parties at the end of each Relevant Periods:

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments, other receivables and other assets – non trade			
Chengdu Neautus	10,605	9,182	8,441
Chengdu Kinna Investment Co., Ltd.	–	400	34,000
Total	<u>10,605</u>	<u>9,582</u>	<u>42,441</u>
Trade receivables – trade			
Neautus HK	1,334	6,883	9,364
Neautus Pharmacy	63	60	127
Total	<u>1,397</u>	<u>6,943</u>	<u>9,491</u>
Other payables, accruals and other current liabilities – non trade			
Sichuan Neautus Traditional Chinese Medicine Processing Engineering Research Co., Ltd.	1,353	–	–
	<u>1,353</u>	<u>–</u>	<u>–</u>

The directors are of the view that the non-trade balances with related parties will be settled prior to the [REDACTED].

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	3,269	2,499	3,133
Pension scheme contributions	184	176	184
Total	<u>3,453</u>	<u>2,675</u>	<u>3,317</u>

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

Financial assets

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI			
bills receivables	7,532	26,575	11,030
Financial assets at amortised cost:			
Trade and bills receivables	503,803	557,937	613,535
Financial assets included in prepayments, deposits and other receivables	2,514	4,139	40,329
Pledged deposits	42,382	52,791	1,806
Cash and bank balances	137,198	144,310	181,377
Time deposits	14,507	–	–
Total	<u>700,404</u>	<u>759,177</u>	<u>837,047</u>

Financial liabilities

Financial liabilities at amortised cost:			
Trade and bills payables	456,392	476,414	477,865
Financial liabilities included in other payables and accruals	18,917	99,269	28,155
Interest-bearing bank borrowings	120,120	161,751	177,868
Total	<u>595,429</u>	<u>737,434</u>	<u>683,888</u>

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The Company

Financial assets

	31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at FVTOCI			
bills receivables	7,532	26,575	11,030
Financial assets at amortised cost:			
Trade and bills receivables	502,902	557,074	612,371
Financial assets included in prepayments, deposits and other receivables	2,432	4,057	40,204
Amounts due from subsidiaries	12,002	16,125	17,932
Pledged deposits	42,382	52,791	1,806
Cash and bank balances	133,477	136,957	175,670
Time deposits	14,507	–	–
Total	707,702	767,004	847,983

Financial liabilities

Financial liabilities at amortised cost:			
Trade and bills payables	456,377	476,414	477,865
Financial liabilities included in other payables and accruals	18,855	99,206	28,042
Amounts due to subsidiaries	1,353	–	–
Interest-bearing bank borrowings	120,120	161,751	177,868
Total	596,705	737,371	683,775

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial assets at FVTOCI:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivables	–	7,532	–	7,532

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivables	–	26,575	–	26,575

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bills receivables	–	11,030	–	11,030

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Fair value hierarchy

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term deposits	–	1,374	–	1,374
	=	=	=	=

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term deposits	–	3,351	–	3,351
	=	=	=	=

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term deposits	–	1,712	–	1,712
	=	=	=	=

Liabilities for which fair values are disclosed:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings, non-current portion	–	38,000	–	38,000
	=	=	=	=

The Group did not have any liabilities for which fair values are disclosed as at 31 December 2023 and 2024.

Management has assessed that the fair values of cash and bank balances, time deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department headed by the Finance Director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank borrowings as at 31 December 2025 were assessed to be insignificant.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group’s operations. The Group has various other financial assets and liabilities such as cash and bank balances, trade and bills receivables, trade payables and financial assets and liabilities included in prepayments, other receivables and other assets and other payable and accruals, which arise directly from its operations.

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

Credit risk

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

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Chinese mainland (the “Endorsed Bills”) with a carrying amounts of RMB2,060,000, RMB1,662,000 and RMB582,000 at the end of each Relevant Periods, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in the Chinese Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB 76,406,000, RMB 244,725,000 and RMB 212,167,000 at the end of each Relevant Periods. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. 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.

During the year ended 31 December 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or and cumulatively. The endorsement has been made evenly throughout the year.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	511,409	511,409
Financial assets at FVTOCI	7,532	–	–	–	7,532
Financial assets included in prepayments, other receivables and other assets – Normal**	2,539	–	–	–	2,539
Cash and bank balances	137,198	–	–	–	137,198
Pledged deposits	42,382	–	–	–	42,382
Time deposits	14,507	–	–	–	14,507
Total	204,158	–	–	511,409	715,567

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At 31 December 2024

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables*	–	–	–	569,136	569,136
Financial assets at FVTOCI	26,575	–	–	–	26,575
Financial assets included in prepayments, other receivables and other assets – Normal**	4,193	–	–	–	4,193
Cash and bank balances	144,310	–	–	–	144,310
Pledged deposits	52,791	–	–	–	52,791
Total	<u>227,869</u>	<u>–</u>	<u>–</u>	<u>569,136</u>	<u>797,005</u>

At 31 December 2025

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables*	–	–	–	624,643	624,643
Financial assets at FVTOCI	11,030	–	–	–	11,030
Financial assets included in prepayments, other receivables and other assets – Normal**	40,406	–	–	–	40,406
Cash and bank balances	181,377	–	–	–	181,377
Pledged deposits	1,806	–	–	–	1,806
Total	<u>234,619</u>	<u>–</u>	<u>–</u>	<u>624,643</u>	<u>859,262</u>

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

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

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Due to the Group’s supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group’s payment terms for trade payables covered by the arrangements are generally extended to not more than 180 days. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended. Details of the arrangements are disclosed in note 26 (e) to the Historical Financial Information.

The maturity profile of the Group’s financial liabilities and lease liabilities as at the end of each Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2023		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	456,392	–	456,392
Financial liabilities included in other payables and accruals	18,917	–	18,917
Interest-bearing bank borrowings	121,256	–	121,256
Total	<u>596,565</u>	<u>–</u>	<u>596,565</u>

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	31 December 2024		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	476,414	–	476,414
Financial liabilities included in other payables and accruals	99,269	–	99,269
Interest-bearing bank borrowings	163,817	–	163,817
Lease liabilities	400	633	1,033
Total	<u>739,900</u>	<u>633</u>	<u>740,533</u>

	31 December 2025			
	Less than 1 year or on demand	1 to 5 years	more than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	477,865	–	–	477,865
Financial liabilities included in other payables and accruals	28,155	–	–	28,155
Interest-bearing bank borrowings	143,262	39,232	–	182,494
Lease liabilities	6,782	15,483	40,772	63,037
Total	<u>656,064</u>	<u>54,715</u>	<u>40,772</u>	<u>751,551</u>

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade and bills payables and other payables and accruals, less cash and bank balances, and time deposits. Capital includes equity attributable to owners of the parent.

The Group has established supplier finance arrangements to manage its working capital, details of which are included in note 26 to the financial statements.

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

	31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings (note 26)	120,120	161,751	177,868
Trade and bills payables	456,392	476,414	477,865
Other payables and accruals (note 34)	18,917	99,269	28,155
Less: Cash and bank balances	(137,198)	(144,310)	(181,377)
Time deposits	(14,507)	–	–
Net debt	<u>443,724</u>	<u>593,124</u>	<u>502,511</u>
Equity attributable to owners of the parent	<u>458,507</u>	<u>453,869</u>	<u>560,442</u>
Capital and net debt	<u>902,231</u>	<u>1,046,993</u>	<u>1,062,953</u>
Gearing ratio	<u>49%</u>	<u>57%</u>	<u>47%</u>

37. SUBSEQUENT EVENTS

No significant events have occurred to the Company, or the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.

38. SUBSEQUENT FINANCIAL STATEMENTS

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