

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, 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 ELPISCIENCE BIOPHARMACEUTICALS, INC. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Elpiscience Biopharmaceuticals, Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[●] to I-[●], 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 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 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-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “**Document**”) in connection with the [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 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-[●] have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I. HISTORICAL FINANCIAL INFORMATION

Preparation of 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 issued by the Hong Kong Institute of Certified Public Accountants (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

	<i>Notes</i>	Year ended 31 December	
		2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	106,566	—
Gross profit		106,566	—
Other income and gains	5	35,343	19,289
Research and development costs		(117,092)	(105,574)
Administrative expenses		(59,275)	(43,032)
Fair value losses on convertible redeemable preferred shares		(39,571)	(14,663)
Other expenses	6	(9)	(8,893)
Finance costs	7	(3,302)	(1,909)
LOSS BEFORE TAX	8	(77,340)	(154,782)
Income tax expense	11	(10,657)	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(87,997)</u>	<u>(154,782)</u>
Attributable to:			
Owners of the parent		<u>(87,997)</u>	<u>(154,782)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	14	<u>(0.81)</u>	<u>(1.42)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
	Notes	2024	2025
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	10,731	5,109
Right-of-use assets	16(a)	11,200	6,680
Other intangible assets		313	110
Prepayments, other receivables and other assets	17	1,247	1,298
Total non-current assets		23,491	13,197
CURRENT ASSETS			
Prepayments, other receivables and other assets	17	27,627	33,817
Financial assets at fair value through profit or loss (“FVTPL”)	18	167,140	170,169
Time deposits over three months	19	326,754	–
Cash and cash equivalents	19	32,819	225,129
Total current assets		554,340	429,115
CURRENT LIABILITIES			
Trade and other payables	20	24,024	23,177
Interest-bearing bank borrowings	21	27,350	23,848
Lease liabilities	16(b)	4,316	3,758
Total current liabilities		55,690	50,783
NET CURRENT ASSETS		498,650	378,332
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	10,800	16,334
Lease liabilities	16(b)	7,846	2,941
Convertible redeemable preferred shares	22	3,241,077	3,255,740
Total non-current liabilities		3,259,723	3,275,015
Net liabilities		(2,737,582)	(2,883,486)
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	72	72
Deficits	24	(2,737,654)	(2,883,558)
Total deficits		(2,737,582)	(2,883,486)

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2024

	Ordinary share capital	Share-based payment reserve	Accumulated losses	Total deficits
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	72	300,112	(2,971,165)	(2,670,981)
Loss and total comprehensive loss for the year	—	—	(87,997)	(87,997)
Equity-settled share-based payment expenses (<i>note</i> <i>25</i>)	—	21,399	—	21,399
Repurchase of share options	—	(3)	—	(3)
At 31 December 2024	<u>72</u>	<u>321,508*</u>	<u>(3,059,162)*</u>	<u>(2,737,582)</u>

Year ended 31 December 2025

	Ordinary share capital	Share-based payment reserve	Accumulated losses	Total deficits
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	72	321,508	(3,059,162)	(2,737,582)
Loss and total comprehensive loss for the year	—	—	(154,782)	(154,782)
Equity-settled share-based payment expenses (<i>note 25</i>)	—	8,878	—	8,878
At 31 December 2025	<u>72</u>	<u>330,386*</u>	<u>(3,213,944)*</u>	<u>(2,883,486)</u>

* These deficit accounts comprise the consolidated deficits of RMB2,737,654,000 and RMB2,883,558,000 in the consolidated statements of financial position as at 31 December 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Notes	2024	2025
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(77,340)	(154,782)
Adjustments for:			
Bank interest income		(13,403)	(6,128)
Imputed interest income on rental deposits	5	(54)	(56)
Finance costs	7	3,302	1,909
Gains on disposal of non-current assets, net	5	(151)	(1)
Gain on modification of a lease contract	5	—	(675)
Depreciation of property, plant and equipment	8	7,834	5,713
Depreciation of right-of-use assets	8	3,953	3,696
Amortisation of other intangible assets	8	321	203
Fair value gains on financial assets at FVTPL	5	(2,741)	(6,868)
Fair value losses on convertible redeemable preferred shares		39,571	14,663
Net foreign exchange differences, net		(1,714)	2,741
Equity-settled share-based payment expenses	8	21,399	8,878
		(19,023)	(130,707)
Decrease/(increase) in prepayments, other receivables and other assets		23,398	(4,064)
Increase/(decrease) in trade and other payables		8,991	(1,360)
Cash from/(used in) operations		13,366	(136,131)
Income tax paid		(10,657)	—
Net cash flows from/(used in) operating activities		2,709	(136,131)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		24,678	11,385
Purchases of items of property, plant and equipment		(1,975)	(83)
Proceeds from disposal of items of property, plant and equipment		1,485	1
Placement of time deposits		(321,496)	—
Placement of financial assets at FVTPL		(263,230)	(204,274)
Withdrawal of time deposits		212,481	321,497
Withdrawal of pledged deposits		32,000	—
Withdrawal of financial assets at FVTPL		135,397	208,113
Net cash flows (used in)/from investing activities		(180,660)	336,639
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		—	65,300
Repurchase of share options		(3)	—
Repayments of bank loans		(52,263)	(63,268)
Payments for interest on bank loans		(2,727)	(1,514)
[REDACTED] expenses paid		(1,767)	(1,606)
Repayment of lease liabilities	16	(4,619)	(4,369)
Net cash flows used in financing activities		(61,379)	(5,457)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(239,330)	195,051
Cash and cash equivalents at beginning of year		270,435	32,819
Effect of foreign exchange rate changes, net		1,714	(2,741)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	19	32,819	225,129

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
	Notes	2024	2025
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	1	1,031,031	1,113,605
Total non-current assets		1,031,031	1,113,605
CURRENT ASSETS			
Prepayments, other receivables and other assets	17	2,130	4,576
Amounts due from subsidiaries	28	221,445	193,476
Financial assets at FVTPL	18	167,140	170,169
Time deposits over three months	19	71,178	—
Cash and cash equivalents	19	7,279	12,214
Total current assets		469,172	380,435
CURRENT LIABILITIES			
Trade and other payables	20	4,773	9,609
Total current liabilities		4,773	9,609
NET CURRENT ASSETS		464,399	370,826
TOTAL ASSETS LESS CURRENT LIABILITIES .		1,495,430	1,484,431
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	22	3,241,077	3,255,740
Total non-current liabilities		3,241,077	3,255,740
Net liabilities		(1,745,647)	(1,771,309)
EQUITY			
Share capital	23	72	72
Deficits	24	(1,745,719)	(1,771,381)
Total deficits		(1,745,647)	(1,771,309)

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Elpiscience Biopharmaceuticals, Inc. (the “Company”) is a limited liability company incorporated in the Cayman Islands on 13 July 2017. The registered office address of the Company is Corporate Filing Services Ltd., 3rd Floor, Harbour Centre, P.O. Box 613, George Town, Grand Cayman KY1-1107, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company, together with its subsidiaries (collectively, the “Group”), were principally engaged in the research and development of immuno-oncology therapies.

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Elpiscience Biopharmaceuticals Co., Limited (“Elpiscience HK”) (科望生物醫藥(香港)有限公司) (note b)	Hong Kong 11 August 2017	HKD1	100%	–	Investment holding
Elpiscience Biopharma Ltd.* (“Elpiscience Shanghai”) (科望(上海)生物醫藥科技有限公司) (note a)	Chinese mainland 30 September 2017	RMB600,000,000	–	100%	Research and development of drug candidates
Elpiscience (Suzhou) Biopharma Ltd.* (“Elpiscience Suzhou”) (科望(蘇州)生物醫藥科技有限公司) (note a)	Chinese mainland 20 March 2018	United States dollars (“USD”) 26,599,697	–	100%	Research and development of drug candidates
Elpiscience (Lingang) Biopharma Ltd.* (“Elpiscience Lingang”) (科望(上海)醫藥科技有限公司) (note b)	Chinese mainland 11 November 2020	RMB10,000,000	–	100%	Research and development of drug candidates
Elpiscience Biopharmaceuticals USA, Inc. (“Elpiscience U.S.”) (note b)	United States of America (“USA”) 23 June 2021	USD0.8	100%	–	Research and development of drug candidates
Elpiscience Biopharma Australia Pty Ltd. (“Elpiscience Australia”) (note b)	Australia 7 March 2022	–	100%	–	Research and development of drug candidates

Notes:

- a. The statutory financial statements of these entities for the year ended 31 December 2024 prepared in accordance with Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the People’s Republic of China (“PRC”).
- b. No statutory accounts had prepared for the subsidiaries as the subsidiaries were not required by the local government to prepare statutory accounts.
- * The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to directly translate their Chinese names as they did not register any official English names.

The Company

The carrying amounts of the Company’s investments in subsidiaries are as follows:

	As at 31 December	
	2024	2025
	RMB’000	RMB’000
Investments, at cost.	1,031,031	1,113,605

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2.1 BASIS OF PREPARATION

Notwithstanding that the Group recorded net liabilities of RMB2,883,486,000 which mainly included convertible redeemable preferred shares of RMB3,255,740,000 being classified as liabilities as at 31 December 2025 and continually incurred recurring losses from operations, the Historical Financial Information has been prepared on a going concern basis based on the following:

- the directors of the Company do not expect that the convertible redeemable preferred shares would be redeemed within the next twelve months from 31 December 2025 as the redemption rights associated in the Memorandum and Articles of Association of the Company were postponed. In addition, the directors of the Company expect the preferential rights of the convertible redeemable preferred shares would be terminated upon [REDACTED] and the liabilities would then be reclassified to equity, resulting in the change from a net liability position to a net asset position.
- the directors of the Company have considered the additional financial resources available to the Group, the internally generated funds from operations and the ability in adjusting the pace of the research and development projects at management’s discretion and are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from 31 December 2025.

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 (“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 of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group 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 reporting period 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.

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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 Preliminary Financial Information for the year ended 31 December 2025. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

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>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

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 application of IFRS 18 will not have any impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income. Except for IFRS 18, the directors of the Company anticipate that the application of these new and amended IFRS Accounting Standards will have no material impact on the Group’s financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the 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 Historical Financial Information 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

For assets and liabilities that are recognised in the Historical Financial Information 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 Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than 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.

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In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 Relevant Periods 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 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 personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment 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 capitalised 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.

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:

Machinery and equipment	20%
Office furniture and electronic equipment	20%-33%
Motor vehicles	25%
Leasehold improvements	Over the shorter of the lease terms and 5 years

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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 Relevant Periods.

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.

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 asset 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 Relevant Periods.

Intangible assets are amortised on the straight-line basis over the following useful economic life, which is determined by the expected usage period after considering technical obsolescence and estimates of useful lives of similar assets:

Software 2 to 5 years

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 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:

Laboratory and office premises 3 to 6.25 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(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.

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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.

(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 office premises (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 of office equipment and laboratory equipment 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 fair value through profit or loss.

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 of not adjusting the effect of a significant financing component, 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, 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. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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 the Group’s 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 reporting date, 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.

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

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.

- | | | |
|---------|---|--|
| 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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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or 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 other payables, financial liabilities at fair value through profit or loss, interest-bearing bank borrowings and convertible redeemable preferred shares.

Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and convertible redeemable preferred shares which are designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

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

After initial recognition, trade and other payables, and interest-bearing 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 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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the 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.

Cash and cash equivalents

Cash and cash equivalents in the 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.

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Income tax

Income tax comprises current and deferred tax. 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.

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 of the 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 each 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 of the 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 of the 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 each 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.

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.

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When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Out-licensing revenue

In determining the appropriate amount of revenue to be recognised as the Group fulfils its obligations under the out-licensing collaboration agreements, the management of the Company performs the five-step model under IFRS 15. The out-licensing collaboration agreements may contain more than one unit of account, or performance obligation, including grants of intellectual property rights (the “Licenses”), agreements to provide research and development services and other deliverables. The collaborative arrangements typically do not include a right of return for any deliverable. In general, the consideration allocated to each performance obligation is recognised when the respective obligation is satisfied either by delivering a good or rendering a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Research and development services

The portion of a transaction price allocated to research and development service performance obligations is deferred and recognised as collaboration revenue over time as delivery or performance of such services occurs.

Licenses of intellectual property

Upfront non-refundable payments for Licenses are evaluated to determine if they are distinct from the other performance obligations identified in the arrangements. For Licenses determined to be distinct, the Group recognises revenues from non-refundable up-front fees allocated to the Licenses at a point in time, when the Licenses are transferred to the licensee and the licensee is able to use and benefit from the Licenses.

Milestone payments

At the inception of each arrangement that includes research and development milestone payments, the management of the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to development-based activities may include initiation of studies, clinical trials or commercial sales. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The management of the Company will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the milestones. Upon changes to constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognised is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period regulatory approval is obtained.

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the Licenses are deemed to be the predominant item to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

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.

Share-based payments

The Company operates certain restricted share award (“RSA”) scheme and a share option plan (the “2019 Share Incentive Plan”). Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial model, further details of which are given in note 25 to the Historical Financial Information.

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The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

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.

Termination benefits

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

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.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group uses RMB as its 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 of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, 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 financial statements:

Research and development costs

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the 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 described below.

Accrual of research and development costs

The Group relies on outsourced service providers to conduct, supervise, and monitor the Group’s pre-clinical activities and clinical trials. Determining the amounts of research and development costs incurred up to the end of each of the Relevant Periods requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with outsourced service providers using inputs such as the milestone achieved, and the number of patient enrolments or time elapsed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Impairment of non-financial assets (other than goodwill)

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

Fair value of convertible redeemable preferred shares

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the equity allocation model. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability (“DLOM”) and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as at 31 December 2024 and 2025 were RMB3,241,077,000 and RMB3,255,740,000, respectively. Further details are included in note 22 to the Historical Financial Information.

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Fair value of share-based payment transactions

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 25 to the Historical Financial Information.

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 in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management’s judgement is required to assess the probability of future taxable profits. Management’s assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the research and development of immuno-oncology therapies. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

During the reporting period, the Group’s revenue was derived from one customer located in Japan and nearly all of the Group’s non-current assets were located in Chinese mainland, and therefore no geographical information in accordance with IFRS 8 *Operating Segments*.

Information about a major customer

During the years ended 31 December 2024 and 2025, revenue of approximately RMB106,566,000 and nil, respectively, was derived from the out-licensing collaboration agreement with Astellas Pharma Inc. (“Astellas”).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Revenue from contracts with customers	106,566	—
	<u> </u>	<u> </u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Types of services		
Out-licensing revenue	106,566	—
	<u> </u>	<u> </u>
Geographical market		
Japan	106,566	—
	<u> </u>	<u> </u>
Timing of revenue recognition		
Transferred at a point in time	106,566	—
	<u> </u>	<u> </u>

There was no revenue recognised during the Relevant Periods that was included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods.

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(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Out-licensing revenue

The performance obligation is satisfied at a point in time as the customer obtains the rights to use of the underlying licences and payment is due within 30 business days from the date of billing.

There were no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods.

An analysis of other income and gains is as follows:

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Other income		
Government grants*	2,516	1,986
Bank interest income	20,495	9,046
Sales of drug substances	62	142
Imputed interest income on rental deposits	54	56
Others	1,005	515
Total other income	24,132	11,745
Gains		
Foreign exchange gains, net	8,319	–
Gain on modification of a lease contract	–	675
Gains on disposal of non-current assets, net	151	1
Fair value gains on financial assets at FVTPL	2,741	6,868
Total gains	11,211	7,544
Total other income and gains	35,343	19,289

* The government grants have been received from the government authorities to support certain subsidiaries’ operating activities. There are no unfulfilled conditions relating to these government grants.

6. OTHER EXPENSES

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Foreign exchange losses, net	–	8,887
Others	9	6
Total	9	8,893

7. FINANCE COSTS

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Interest on bank loans	2,659	1,504
Interest on lease liabilities	643	405
Total	3,302	1,909

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8. LOSS BEFORE TAX

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

	Notes	Year ended 31 December	
		2024	2025
		RMB’000	RMB’000
Research and development costs*		117,092	105,574
Depreciation of property, plant and equipment	15	7,834	5,713
Depreciation of right-of-use assets	16	3,953	3,696
Amortisation of other intangible assets		321	203
[REDACTED] expenses		18,407	9,954
Gains on disposal of non-current assets, net	5	(151)	(1)
Government grants	5	(2,516)	(1,986)
Fair value gains on financial assets at FVTPL	5	(2,741)	(6,868)
Fair value losses on convertible redeemable preferred shares	22	39,571	14,663
Foreign exchange differences, net	5, 6	(8,319)	8,887
Bank interest income	5	(20,495)	(9,046)
Staff costs (including directors’ emoluments):			
– Salaries, bonuses, allowances and benefits in kind		40,416	43,866
– Pension scheme contributions		5,848	6,585
– Equity-settled share-based payment expenses		21,399	8,878
Total		67,663	59,329
Auditors’ remuneration		200	200
Lease payments not included in the measurement of lease liabilities	16	647	694

* Research and development costs include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Directors’ and chief executive’s remuneration for the Relevant Periods, is as follows:

	Year ended 31 December	
	2024	2025
	RMB’000	RMB’000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,966	5,014
Performance related bonuses	1,192	1,483
Pension scheme contributions	337	314
Equity-settled share-based payment expenses	14,916	2,995
Total	21,411	9,806

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

Year ended 31 December 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:					
Dr. Darren Xiaohui Ji (note (i))	2,678	643	8,412	198	11,931
Dr. Hongtao Lu (note (ii))	2,288	549	6,504	139	9,408
Total	4,966	1,192	14,916	337	21,411
Non-executive directors:					
Dr. Yi Shi (note (iii))	–	–	–	–	–
Dr. Hansen Xu (note (iv))	–	–	–	–	–
Mr. Wang Dawei (note (v))	–	–	–	–	–
Dr. He Xin (note (vi))	–	–	–	–	–
Dr. Xie Ting (note (vii))	–	–	–	–	–
Total	–	–	–	–	–

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Year ended 31 December 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Share- based payment expenses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Dr. Darren Xiaohui Ji (<i>note (i)</i>) . . .	2,704	804	1,697	170	5,375
Dr. Hongtao Lu (<i>note (ii)</i>)	2,310	679	1,298	144	4,431
Total	5,014	1,483	2,995	314	9,806
Non-executive directors:					
Dr. Hansen Xu (<i>note (iv)</i>)	–	–	–	–	–
Dr. He Xin (<i>note (vi)</i>)	–	–	–	–	–
Total	–	–	–	–	–

Notes:

- (i) Dr. Darren Xiaohui Ji was appointed as a director, the chief executive officer of the Company and the chairman of the board with effect from 13 July 2017.
- (ii) Dr. Hongtao Lu was appointed as a director of the Company with effect from 20 October 2017 and resigned as a director of the Company with effect from 31 October 2025.
- (iii) Dr. Yi Shi was appointed as a director of the Company with effect from 20 October 2017 and resigned as a director of the Company with effect from 10 June 2024.
- (iv) Dr. Hansen Xu was appointed as a director of the Company with effect from 18 February 2022.
- (v) Mr. Wang Dawei was appointed as a director of the Company with effect from 7 September 2022 and resigned as a director of the Company with effect from 10 June 2024.
- (vi) Dr. He Xin was appointed as a director of the Company with effect from 28 December 2019.
- (vii) Dr. Xie Ting was appointed as a director of the Company with effect from 7 February 2021 and resigned as a director of the Company with effect from 10 June 2024.

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

Before the Relevant Periods, certain directors were granted restricted share awards, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in note 25 to the Historical Financial Information. The fair value of such restricted share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors’ and chief executive’s remuneration disclosures.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2024 and 2025 included two and two directors, details of whose remuneration are set out in note 9 above. Details of the remuneration during the years ended 31 December 2024 and 2025 for the remaining three and three highest paid employees, who are neither a director nor chief executive of the Company, are as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,165	4,183
Performance related bonuses	1,343	855
Pension scheme contributions	289	291
Equity-settled share-based payment expenses	1,600	834
Total	7,397	6,163

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

	Year ended 31 December	
	2024	2025
HKD2,000,001 to HKD2,500,000	2	3
HKD2,500,001 to HKD3,000,000	1	—
Total	3	3
	=	=

During the Relevant Periods, share options were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 25 to the Historical Financial Information. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

11. INCOME TAX

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

	Year ended 31 December	
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Current	10,657	—
Total tax charge for the year	10,657	—
	=	=

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed on the Company.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

USA

The subsidiary incorporated in Delaware, USA, is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax from 8.25% to 11.5% during the Relevant Periods.

Australia

The subsidiary incorporated in Australia is subject to Australia company tax at the statutory rate of 25% on the estimated assessable profits arising in Australia during the Relevant Periods. No Australia company tax was provided for as the Group did not generate any assessable profits arising in Australia during the Relevant Periods.

Chinese mainland

Pursuant to the Corporate Income Tax Law of the People’s Republic of China and the respective regulations (the “CIT Law”), the subsidiaries which operate in Chinese mainland are subject to income tax at a rate of 25% on the taxable income during the Relevant Periods.

Pursuant to the relevant CIT Law, Elpiscience Shanghai and Elpiscience Suzhou enjoyed a super deduction of 200% on qualified research and development costs during the Relevant Periods.

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A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and its major subsidiaries are domiciled and/or operated to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	RMB'000
Loss before tax	(77,340)	(154,782)
Tax at the statutory tax rate (25%)	(19,335)	(38,696)
Effect of different tax rates of subsidiaries operating in other jurisdictions	12,794	7,803
Tax effect of expenses not deductible for tax purposes	5,506	2,119
Withholding income tax paid	10,657	–
Additional deductible allowance for qualified research and development costs	(17,715)	(18,995)
Tax effect of deductible temporary differences and tax losses not recognised	26,302	48,411
Tax losses utilised from previous periods	(7,552)	(642)
Tax charge at the Group’s effective rate	<u>10,657</u>	<u>–</u>

The Group has accumulated tax losses in Chinese mainland of RMB1,385,185,000 and RMB1,571,878,000 as at 31 December 2024 and 2025, respectively, which would expire in two to ten years for offsetting against future taxable profits of the companies in which the losses arose.

The Group has accumulated tax losses in Hong Kong of RMB74,029,000 and RMB70,139,000 as at 31 December 2024 and 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the company in which the losses were incurred.

The Group also has accumulated tax losses in the USA of RMB27,874,000 and RMB37,050,000 as at 31 December 2024 and 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which the losses were incurred.

The Group has unrecognised deductible temporary differences of RMB9,048,000 and RMB7,800,000 as at 31 December 2024 and 2025, respectively.

Deferred tax assets have not been recognised in respect of these losses and temporary differences as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

12. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax liabilities

	Right-of-use assets
	RMB'000
As at 31 December 2024.	<u>3,788</u>
Deferred tax credited to profit or loss during the year	<u>(988)</u>
Gross deferred tax liabilities at 31 December 2024	<u>2,800</u>
Deferred tax credited to profit or loss during the year	<u>(1,130)</u>
Gross deferred tax liabilities at 31 December 2025	<u>1,670</u>

Deferred tax assets

	Right-of-use assets
	RMB'000
As at 31 December 2024.	<u>3,788</u>
Deferred tax charged to profit or loss during the year	<u>(988)</u>
Gross deferred tax assets at 31 December 2024	<u>2,800</u>
Deferred tax charged to profit or loss during the year	<u>(1,130)</u>
Gross deferred tax assets at 31 December 2025	<u>1,670</u>

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

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–

13. DIVIDENDS

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

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the losses for the Relevant Periods attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares outstanding during the Relevant Periods.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of the convertible redeemable preferred shares and share options had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Year ended 31 December	
	2024	2025
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent for the purpose of calculating basic and diluted loss per share (RMB'000)	(87,997)	(154,782)
<u>Shares</u>		
Weighted average number of ordinary shares outstanding during the year used in the basic and diluted loss per share calculations	109,309,697	109,309,697
Loss per share (basic and diluted) (RMB per share)	(0.81)	(1.42)

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery and equipment	Office furniture and electronic equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024					
At 1 January 2024:					
Cost	26,427	3,189	582	14,392	44,590
Accumulated depreciation	(17,841)	(2,316)	(534)	(5,636)	(26,327)
Net carrying amount	8,586	873	48	8,756	18,263
At 1 January 2024, net of accumulated depreciation	8,586	873	48	8,756	18,263
Additions	282	64	–	301	647
Disposals	(345)	–	–	–	(345)
Depreciation provided during the year	(4,026)	(817)	(48)	(2,943)	(7,834)
At 31 December 2024, net of accumulated depreciation	4,497	120	–	6,114	10,731
At 31 December 2024:					
Cost	23,914	3,253	582	14,693	42,442
Accumulated depreciation	(19,417)	(3,133)	(582)	(8,579)	(31,711)

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	Machinery and equipment	Office furniture and electronic equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net carrying amount	4,497	120	–	6,114	10,731
At 1 January 2025					
Cost	23,914	3,253	582	14,693	42,442
Accumulated depreciation . .	(19,417)	(3,133)	(582)	(8,579)	(31,711)
Net carrying amount	4,497	120	–	6,114	10,731
At 1 January 2025, net of accumulated depreciation .	4,497	120	–	6,114	10,731
Additions	–	42	–	49	91
Depreciation provided during the year	(2,565)	(75)	–	(3,073)	(5,713)
At 31 December 2025, net of accumulated depreciation	1,932	87	–	3,090	5,109
At 31 December 2025:					
Cost	23,914	3,256	582	14,740	42,492
Accumulated depreciation . .	(21,982)	(3,169)	(582)	(11,650)	(37,383)
Net carrying amount	1,932	87	–	3,090	5,109

As at the end of each of the Relevant Periods, there were no pledged property, plant and equipment.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of laboratory and office premises used in its operations. Leases of laboratory and office premises generally have lease terms of 3 to 6.25 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Laboratory and office premises
	RMB'000
As at 31 December 2024	
As at 1 January 2024.	15,153
Depreciation charge	(3,953)
As at 31 December 2024.	11,200
	Laboratory and office premises
	RMB'000
As at 31 December 2025	
As at 1 January 2025.	11,200
Depreciation charge	(3,696)
Modification of a lease contract	(824)
As at 31 December 2025.	6,680

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(b) *Lease liabilities*

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

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Carrying amount at 1 January	16,138	12,162
Accretion of interest recognised during the year	643	405
Payments	(4,619)	(4,369)
Modification of a lease contract	—	(1,499)
Carrying amount at the end of the year	12,162	6,699
Analysed into:		
Current portion	4,316	3,758
Non-current portion	7,846	2,941

The maturity analysis of lease liabilities is disclosed in note 31 to the Historical Financial Information.

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

	Year ended 31 December	
	2024	2025
	RMB'000	RMB'000
Interest on lease liabilities	643	405
Depreciation charge of right-of-use assets	3,953	3,696
Gain on modification of a lease contract	—	(675)
Expenses relating to short-term leases	384	356
Expenses relating to low-value assets	263	338
Total amount recognised in profit or loss	5,243	4,120

(d) The total cash outflow for leases is disclosed in note 26(c) to the Historical Financial Information.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Non-current:		
Rental deposits	1,247	1,298
Current:		
Prepayments	2,695	4,531
Rental and other deposits	54	85
Other receivables	13	365
Value-added tax recoverable	22,735	24,593
Deferred [REDACTED] expense	2,130	4,243
Total	27,627	33,817

The Company

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Current:		
Prepayments	—	333
Deferred [REDACTED] expense	2,130	4,243
Total	2,130	4,576

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The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the ECLs in respect of these balances are minimal.

18. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Financial products	167,140	170,169

The amount of financial products represented short-term investments issued by banks with no predetermined or guaranteed return, which are not principal-protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates of financial products were 4.29% and 3.17% per annum during the years ended 31 December 2024 and 2025, respectively.

19. TIME DEPOSITS OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Cash and cash equivalents	32,819	225,129
Time deposits over three months	326,754	–
Denominated in		
RMB	12,553	6,625
USD	344,138	217,641
AUD	2,882	863
Total	359,573	225,129

The RMB is not freely convertible into other currencies, however, under Chinese mainland’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 banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

None of these deposits are past due or impaired.

The Company

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Cash and cash equivalents	7,279	12,214
Time deposits over three months	71,178	–
Denominated in USD.	78,457	12,214

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20. TRADE AND OTHER PAYABLES

The Group

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Trade payables	2,344	2,495
Accrued expenses for research and development services	10,508	4,052
Payables for property, plant and equipment	–	16
Accrued [REDACTED] expense	3,255	8,005
Other payables	998	533
Interest payables	47	37
Salary and bonus payables.	6,009	6,893
Other taxes payable.	863	1,146
Total	<u>24,024</u>	<u>23,177</u>

The Company

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Accrued [REDACTED] expense	3,000	7,892
Salary and bonus payables.	1,773	1,460
Other payables	–	257
Total	<u>4,773</u>	<u>9,609</u>

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

The Group

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Within 3 months	<u>2,344</u>	<u>2,495</u>

Trade and other payables are unsecured, non-interest-bearing and repayable on demand.

21. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2024			As at 31 December 2025		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			(%)		
Current						
Unsecured bank loans	3.85-4.30	2025	<u>27,350</u>	2.35-4.00	2026	<u>23,848</u>
Total – current			<u>27,350</u>			<u>23,848</u>
Non-current						
Unsecured bank loans	3.90-4.00	2026	<u>10,800</u>	2.80	2027	<u>16,334</u>
Total – non-current			<u>10,800</u>			<u>16,334</u>
Total			<u>38,150</u>			<u>40,182</u>

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	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	27,350	23,848
In the second year	10,800	16,334
Total	38,150	40,182

All borrowings are denominated in RMB.

22. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Company issued totally 413,558,734 convertible redeemable preferred shares to the existing preferred shareholders, which included 104,166,667 series A convertible redeemable preferred shares, 66,137,566 series A+ convertible redeemable preferred shares, 158,845,041 series B convertible redeemable preferred shares and 84,409,460 series C convertible redeemable preferred shares.

According to the amended and restated Memorandum and Articles of Association of the Company, the key terms of the convertible redeemable preferred shares are as follows:

Redemption rights

The preferred shareholders may request redemption at any time at the earlier of the following events: (i) the Company fails to consummate a qualified [REDACTED] on or prior to a specified date; or (ii) any material breach of the transaction documents by the Company or Hongtao Lu and Darren Xiaohui Ji, at an amount equal to: (a) the respective issue price, plus (b) any accrued but unpaid dividends on such convertible redeemable preferred shares, plus (c) an 8% simple interest per annum accrued on the convertible redeemable preferred shares issuance price from the issuance date, minus (d) all dividends paid on such convertible redeemable preferred shares.

Conversion rights

The convertible redeemable preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time on a one-for-one basis. The conversion ratio is subject to adjustments for share splits, combinations, ordinary share dividends, distributions, capital reorganisation and certain dilutive equity issuances. It is not expected that any of the preferred shareholders would exercise the optional conversion rights during and at least twelve months from 31 December 2025.

The convertible redeemable preferred shares will be automatically converted into ordinary shares at the then-effective conversion rate applicable to the relevant series of convertible redeemable preferred shares upon the earlier of the following events: (i) the closing of a qualified [REDACTED], or (ii) (a) the holders of at least 50% of the voting power of the outstanding series C convertible redeemable preferred shares and certain series C preferred shareholders agree to convert the series C convertible redeemable preferred shares into ordinary shares, (b) the holders of at least 50% of the voting power of the outstanding series B convertible redeemable preferred shares and certain series B shareholders agree to convert the series B convertible redeemable preferred shares into ordinary shares, (c) the holders exercising at least two-thirds of the voting power of the outstanding series A+ and series A convertible redeemable preferred shares agree to convert the series A and series A+ shares into ordinary shares.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Group, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution (after satisfaction of all creditors’ claim and claims that may be preferred by law) will be distributed in the following order:

Preferred shareholders of series C, series B, series A+ and series A shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares.

Dividends rights

The preferred shareholders will be entitled to receive cumulative dividends at a simple rate of eight percent (8%) of the respective issue prices per annum, for each convertible redeemable preferred share held by the preferred shareholders, as and if declared by the Board. The order of priority of dividend distributions whether in cash, in property or any other shares, is made firstly to preferred shareholders of series C, then series B, then series A+ and then series A on a pari passu basis. After payment of all dividends to the preferred shareholders, any additional dividends or distributions by the board of directors will be distributed among all holders of ordinary shares and any other class of shares in proportion to the number of ordinary shares that would be held by each holder if all convertible redeemable preferred shares had been converted to ordinary shares.

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Voting rights

Each convertible redeemable preferred share is entitled to a number of votes equal to the number of ordinary shares into which each convertible redeemable preferred share is convertible.

Presentation and classification

The movements of convertible redeemable preferred shares of the Group and the Company are set out below:

	Convertible redeemable preferred shares
	<i>RMB’000</i>
As at 1 January 2024.	3,201,506
Changes in fair value.	39,571
As at 31 December 2024 and 1 January 2025.	3,241,077
Changes in fair value.	14,663
As at 31 December 2025.	3,255,740

The Group has used the discounted cash flow method to determine the underlying equity value of the Group and adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares.

Key assumptions are set out below:

	As at 31 December	
	2024	2025
Risk-free interest rate	4.19%	3.47%
DLOM	1.5%-14.5%	1.00%-14.00%
Volatility	32.00%	33.71%
Discount rate	13.00%	13.00%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily share price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/(decrease) in the inputs	(Decrease)/increase in the fair value	
		As at 31 December 2024	As at 31 December 2025
		<i>RMB’000</i>	<i>RMB’000</i>
Risk-free interest rate	5%/(5%)	(111)/110	(398)/400
DLOM	5%/(5%)	(18,435)/18,435	(9,608)/9,608
Volatility	5%/(5%)	118/(115)	738/(794)
Discount rate	5%/(5%)	(286,183)/265,019	(183,437)/197,572

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23. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 13 July 2017 with initial authorised share capital of USD150,000 divided into 1,500,000,000 shares with a par value of USD0.0001 each.

Authorised

	As at 31 December	
	2024	2025
Ordinary shares of USD0.0001 each	1,086,441,266	1,086,441,266
Preferred shares of USD0.0001 each	413,558,734	413,558,734
Total	<u>1,500,000,000</u>	<u>1,500,000,000</u>

Issued and fully paid

	As at 31 December			
	2024		2025	
	Number of ordinary shares in issue	Share capital	Number of ordinary shares in issue	Share capital
		RMB’000		RMB’000
Ordinary shares of USD0.0001 each	<u>109,309,697</u>	<u>72</u>	<u>109,309,697</u>	<u>72</u>

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital	
		USD’000	RMB’000
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>109,309,697</u>	<u>11</u>	<u>72</u>

24. DEFICITS

The Group

The amounts of the Group’s reserves and the movements therein are presented in the consolidated statements of changes in equity on pages I-[●] of the Historical Financial Information.

The Company

Year ended 31 December 2024

	Ordinary share capital	Share-based payment reserve	Accumulated losses	Total deficits
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	72	300,112	(2,002,024)	(1,701,840)
Loss and total comprehensive loss for the year	–	–	(65,203)	(65,203)
Equity-settled share-based payment expenses (<i>note 25</i>)	–	21,399	–	21,399
Repurchase of share options	–	(3)	–	(3)
At 31 December 2024	<u>72</u>	<u>321,508</u>	<u>(2,067,227)</u>	<u>(1,745,647)</u>

Year ended 31 December 2025

	Ordinary share capital	Share-based payment reserve	Accumulated losses	Total deficits
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2025	72	321,508	(2,067,227)	(1,745,647)
Loss and total comprehensive loss for the year	–	–	(34,540)	(34,540)
Equity-settled share-based payment expenses (<i>note 25</i>)	–	8,878	–	8,878
At 31 December 2025	<u>72</u>	<u>330,386</u>	<u>(2,101,767)</u>	<u>(1,771,309)</u>

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25. SHARE-BASED PAYMENT TRANSACTIONS

2019 Share Incentive Plan-Share Option

The Company operates the 2019 Share Incentive Plan which became effective on 16 July 2019. Under the 2019 Share Incentive Plan, a total of 116,357,455 and 116,357,455 ordinary shares were authorised for issuance as of 31 December 2024 and 2025, respectively.

In August 2019, the Company granted a total of 4,882,506 share options to certain employees of the Group.

In February and June 2021, the Company granted a total of 1,896,532 and 5,317,780 share options to certain employees of the Group, respectively.

In March and April 2022, the Company granted a total of 4,671,526 share options to certain employees of the Group.

In February and August 2023, the Company granted a total of 3,957,198 and 151,000 share options to certain employees of the Group, respectively.

In February and June 2024, the Company granted a total of 1,012,529 and 235,000 share options to certain employees of the Group, respectively.

In March and September 2025, the Company granted a total of 364,912 and 1,395,659 share options to certain employees of the Group, respectively.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2019 Share Incentive Plan as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The following share options were outstanding during the Relevant Periods:

	Weighted average exercise price	Number of share options
	<i>USD per share</i>	
As at 1 January 2024.	0.074	12,048,608
Granted during the year	0.100	1,247,529
Repurchased during the year	0.107	(69,444)
Forfeited during the year	0.105	(70,042)
As at 31 December 2024 and 1 January 2025.	0.076	13,156,651
Granted during the year	0.100	1,760,571
Repurchased during the year	0.110	(28,113)
Forfeited during the year	0.100	(83,019)
As at 31 December 2025.	0.079	14,806,090

The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2024

Number of options	Exercise price	Exercise period
	<i>USD per share</i>	
3,363,339	0.015	25-9-18 to 9-8-29
1,046,250	0.080	3-12-19 to 6-2-31
3,357,237	0.090	31-12-20 to 22-2-32
5,059,280	0.100	10-9-22 to 17-6-34
330,545	0.180	12-4-22 to 22-3-32
13,156,651		

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As at 31 December 2025

Number of options	Exercise price <i>USD per share</i>	Exercise period
3,363,339	0.015	25-9-18 to 9-8-29
1,046,250	0.080	3-12-19 to 6-2-31
3,355,217	0.090	31-12-20 to 22-2-32
6,714,781	0.100	10-9-22 to 1-9-35
326,503	0.180	12-4-22 to 22-3-32
<u>14,806,090</u>		

The Group applied the binomial model to determine the fair value of the share options issued at the date of issuance. Key assumptions are set out below:

	As at 31 December	
	2024	2025
Dividend yield (%)	—	—
Expected volatility (%)	43.13-43.17	40.05-43.33
Risk-free interest rate (%)	4.28-4.29	4.21-4.25
Expected life of options (year)	10	10

The fair values of the share options granted during the years ended 31 December 2024 and 2025 were RMB7,269,000 (RMB5.83 each) and RMB10,512,000 (RMB5.97 each), respectively.

The share-based payment expenses relating to share options recognised in profit or loss were RMB6,481,000 and RMB5,883,000 during the years ended 31 December 2024 and 2025, respectively.

Restricted Share Award (“RSA”)

In May 2018, the Company granted 3,347,449 restricted share awards to certain employees of the Group.

In February 2021, the Company granted 25,499,698 restricted share awards to certain employees of the Group under the 2019 Share Incentive Plan.

In November 2021, the Company granted 41,869,773 restricted share awards to certain employees of the Group under the 2019 Share Incentive Plan.

The following RSAs were outstanding during the Relevant Periods:

	Number of RSAs
As at 1 January 2024.	21,348,726
Vested during the year	(13,498,145)
As at 31 December 2024 and 1 January 2025.	<u>7,850,581</u>
Vested during the year	<u>(7,850,581)</u>
As at 31 December 2025.	<u>—</u>

The grant date and the fair value of the RSAs outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2024

Grant date	Number of RSAs outstanding	Fair value at grant date <i>RMB per share</i>
24 November 2021	<u>7,850,581</u>	<u>3.4526</u>

The total share-based payment expenses relating to RSAs recognised in profit or loss were approximately RMB14,916,000 and RMB2,995,000 during the years ended 31 December 2024 and 2025, respectively.

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26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had no major non-cash transactions.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2024

	Interest payables	Bank loans	Lease liabilities	Convertible redeemable preferred shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024.	115	90,413	16,138	3,201,506	3,308,172
Changes from financing cash flows	(2,727)	(52,263)	(4,619)	–	(59,609)
Accretion of interest	2,659	–	643	–	3,302
Changes in fair value	–	–	–	39,571	39,571
At 31 December 2024.	47	38,150	12,162	3,241,077	3,291,436

Year ended 31 December 2025

	Interest payables	Bank loans	Lease liabilities	Convertible redeemable preferred shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025	47	38,150	12,162	3,241,077	3,291,436
Changes from financing cash flows	(1,514)	2,032	(4,369)	–	(3,851)
Accretion of interest	1,504	–	405	–	1,909
Modification of a lease contract	–	–	(1,499)	–	(1,499)
Changes in fair value	–	–	–	14,663	14,663
At 31 December 2025.	37	40,182	6,699	3,255,740	3,302,658

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2024	2025
	RMB'000	RMB'000
Within operating activities.	647	694
Within financing activities.	4,619	4,369
Total	5,266	5,063

27. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any significant contractual commitments.

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28. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

The Company

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Amounts due from subsidiaries: <i>(note (i))</i>		
Elpiscience HK	220,225	193,455
Elpiscience Shanghai	1,199	–
Elpiscience Suzhou	21	21
Total	<u>221,445</u>	<u>193,476</u>

Note:

(i) The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel of the Group

	Year ended 31 December	
	2024	2025
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	11,655	12,305
Performance related bonus	3,140	3,045
Pension scheme contributions	1,061	1,063
Share-based payment expenses	18,598	4,889
Total	<u>34,454</u>	<u>21,302</u>

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

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	167,140	–	167,140
Financial assets included in prepayments, other receivables and other assets	–	1,314	1,314
Time deposits over three months	–	326,754	326,754
Cash and cash equivalents	–	32,819	32,819
Total	<u>167,140</u>	<u>360,887</u>	<u>528,027</u>

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Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities included in trade and other payables	–	17,152	17,152
Interest-bearing bank borrowings	–	38,150	38,150
Convertible redeemable preferred shares	3,241,077	–	3,241,077
Total	3,241,077	55,302	3,296,379

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	170,169	–	170,169
Financial assets included in prepayments, other receivables and other assets	–	1,748	1,748
Cash and cash equivalents	–	225,129	225,129
Total	170,169	226,877	397,046

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities included in trade and other payables	–	15,138	15,138
Interest-bearing bank borrowings	–	40,182	40,182
Convertible redeemable preferred shares	3,255,740	–	3,255,740
Total	3,255,740	55,320	3,311,060

The Company

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL	167,140	–	167,140
Amounts due from subsidiaries	–	221,445	221,445
Time deposits over three months	–	71,178	71,178
Cash and cash equivalents	–	7,279	7,279
Total	167,140	299,902	467,042

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Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Financial liabilities included in trade and other payables	–	3,000	3,000
Convertible redeemable preferred shares.	3,241,077	–	3,241,077
Total	3,241,077	3,000	3,244,077

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Financial assets at FVTPL	170,169	–	170,169
Amounts due from subsidiaries	–	193,476	193,476
Cash and cash equivalents	–	12,214	12,214
Total	170,169	205,690	375,859

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Financial liabilities included in trade and other payables	–	8,149	8,149
Convertible redeemable preferred shares.	3,255,740	–	3,255,740
Total	3,255,740	8,149	3,263,889

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, 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 following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets, and 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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, time deposits over three months, financial assets at FVTPL, financial liabilities at FVTPL, interest-bearing bank borrowings and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade and other payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest-bearing assets and liabilities of the Group mainly include cash and cash equivalents, time deposits over three months and interest-bearing bank borrowings, details of which have been disclosed in notes 19 and 21 to the Historical Financial Information, respectively.

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing bank borrowings with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group’s loss before tax (through the impact on floating rate borrowings) and the Group’s equity.

	Increase/(decrease) in basis points	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
		RMB’000	RMB’000
31 December 2024			
RMB-denominated borrowings	50	191	(191)
RMB-denominated borrowings	(50)	(191)	191
31 December 2025			
RMB-denominated borrowings	50	201	(201)
RMB-denominated borrowings	(50)	(201)	201

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s loss before tax (arising from USD denominated financial instruments) and the Group’s equity. For the purpose of internal foreign exchange rate risk management, the effect of foreign exchange on convertible redeemable preferred shares is excluded.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in loss before tax	Increase/(decrease) in equity
	%	RMB’000	RMB’000
31 December 2024			
If RMB weakens against USD	5	(17,207)	17,207
If RMB strengthens against USD	(5)	17,207	(17,207)
31 December 2025			
If RMB weakens against USD	5	(10,881)	10,881
If RMB strengthens against USD	(5)	10,881	(10,881)

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.

The credit risk of the Group’s financial assets, which comprise cash and cash equivalents, time deposits over three months, financial assets included in prepayments, other receivables and other assets and financial assets at FVTPL, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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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 the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets included in prepayments, other receivables and other assets	1,314	—	—	—	1,314
Time deposits over three months	326,754	—	—	—	326,754
Cash and cash equivalents	32,819	—	—	—	32,819
Total	<u>360,887</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360,887</u>

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets included in prepayments, other receivables and other assets	1,748	—	—	—	1,748
Cash and cash equivalents	225,129	—	—	—	225,129
Total	<u>226,877</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>226,877</u>

Since the Group operates only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are concentrations of credit risks within the Group as the balances of cash and cash equivalents and time deposits over three months were deposited in a few financial institutions. As at the end of each of the Relevant Periods, the above-mentioned balances were deposited in financial institutions with high quality without significant credit risk.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

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

	As at 31 December 2024			
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Financial liabilities included in trade and other payables	17,152	—	—	17,152
Interest-bearing bank borrowings	28,072	11,126	—	39,198
Lease liabilities	4,767	8,143	—	12,910
Convertible redeemable preferred shares	—	2,506,289	—	2,506,289
Total	<u>49,991</u>	<u>2,525,558</u>	<u>—</u>	<u>2,575,549</u>

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As at 31 December 2025				
	Less than 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Financial liabilities included in trade and other payables	15,138	—	—	15,138
Interest-bearing bank borrowings	24,873	16,573	—	41,446
Lease liabilities	3,973	2,979	—	6,952
Convertible redeemable preferred shares	—	2,592,066	—	2,592,066
Total	43,984	2,611,618	—	2,655,602

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 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.

32. EVENTS AFTER THE RELEVANT PERIODS

There were no material subsequent events after the end of the Relevant Periods that require additional disclosure or adjustments.

33. 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.