[To insert the letterhead of the firm]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GENUINE BIOTECH LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Genuine Biotech Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], 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"), 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 [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the [**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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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 [●] have been made.

Dividends

We refer to note 11 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
[**REDACTED**]

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 HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	2024	2025
		RMB'000	*RMB'000*
REVENUE	*5*	237,868	24,802
Cost of sales		(73,013)	(75,646)
Gross profit/(loss)		164,855	(50,844)
Other income and gains	*5*	146,671	6,244
Administrative expenses		(86,399)	(82,699)
Research and development expenses		(150,687)	(135,894)
Selling and distribution expenses		(16,766)	(22,215)
Impairment losses on financial assets, net		(4,608)	(2,216)
Other expenses		(7,362)	(6,086)
Finance costs	*7*	(6,223)	(6,272)
Fair value losses on convertible redeemable preferred shares	*28*	(79,523)	(9,657)
LOSS BEFORE TAX	*6*	(40,042)	(309,639)
Income tax expense	*10*	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(40,042)	(309,639)
Attributable to:			
Owners of the parent		(40,042)	(309,639)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*12*	(0.20)	(1.51)
Diluted (RMB)	*12*	(0.20)	(1.51)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2024**	**2025**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	55,999	51,325
Right-of-use assets	*14*	56,797	51,225
Intangible assets	*15*	137,479	118,672
Other non-current assets	*17*	1,004	35,603
Total non-current assets		251,279	256,825
CURRENT ASSETS			
Inventories	*19*	105,559	14,697
Trade receivables	*20*	26,412	12,131
Prepayments, other receivables and other assets	*18*	50,995	18,522
Financial assets at fair value through profit or loss	*21*	–	405
Cash and cash equivalents	*22*	138,465	24,151
Total current assets		321,431	69,906
CURRENT LIABILITIES			
Trade payables	*23*	135,098	132,106
Contract liabilities	*29*	568	501
Other payables and accruals	*24*	114,913	73,189
Interest-bearing loans and other borrowings	*25*	134,415	136,653
Convertible redeemable preferred shares	*28*	–	1,069,049
Lease liabilities	*14*	4,826	4,123
Deferred income	*27*	17,296	–
Total current liabilities		407,116	1,415,621
NET CURRENT LIABILITIES		(85,685)	(1,345,715)
TOTAL ASSETS LESS CURRENT LIABILITIES		165,594	(1,088,890)

	Notes	As at 31 December 2024	As at 31 December 2025
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	*28*	1,059,392	–
Lease liabilities	*14*	2,471	3,696
Interest-bearing loans and other borrowings	*25*	–	65,000
Other non-current liabilities	*26*	196,936	226,660
Deferred income	*27*	5,333	20,629
Total non-current liabilities		1,264,132	315,985
Net liabilities		(1,098,538)	(1,404,875)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	135	135
Treasury shares	*30*	–*	–*
Deficits	*32*	(1,098,673)	(1,405,010)
Non-controlling interests		–	–
Total deficits		(1,098,538)	(1,404,875)

* Amount less than RMB1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2024

	Share capital	Treasury shares	Share premium	Capital Reserve	Share-based payment reserve	Accumulated losses	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 30)	*(Note 30)*	*(Note 32(iii))*	*(Note 32(i))*	*(Note 32(ii))*		
At 1 January 2024	135	–**	24,715	10,035	122,844	(1,218,682)	(1,060,953)
Loss and total comprehensive loss for the year	–	–	–	–	–	(40,042)	(40,042)
Equity-settled share-based payment expenses *(Note 31)*	–	–	–	–	2,457	–	2,457
Vesting of restricted shares	–	–	1,643	–	(1,643)	–	–
At 31 December 2024	135	–**	26,358	10,035*	123,658*	(1,258,724)*	(1,098,538)

Year ended 31 December 2025

	Share capital	Treasury shares	Share premium	Capital reserve	Share-based payment reserve	Accumulated losses	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 30)	*(Note 30)*	*(Note 32(iii))*	*(Note 32(i))*	*(Note 32(ii))*		
At 1 January 2025	135	–**	26,358*	10,035*	123,658*	(1,258,724)*	(1,098,538)
Loss and total comprehensive loss for the year	–	–	–	–	–	(309,639)	(309,639)
Equity-settled share-based payment expenses *(Note 31)*	–	–	–	–	3,302	–	3,302
Vesting of restricted shares	–	–	1,840	–	(1,840)	–	–
At 31 December 2025	135	–**	28,198*	10,035*	125,120*	(1,568,363)*	(1,404,875)

* These reserve accounts comprise the consolidated deficits of RMB1,098,673,000, and RMB1,405,010,000 in the consolidated statements of financial position as at 31 December 2024 and 2025, respectively.

** Amount less than RMB1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Notes	2024	2025
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(40,042)	(309,639)
Adjustments for:			
Bank interest income	*5*	(950)	(86)
Impairment losses on financial assets, net	*6*	4,608	2,216
Foreign exchange difference, net	*5*	(136)	5
Equity-settled share-based payment expenses	*31*	2,457	3,302
Fair value losses on convertible redeemable preferred shares	*6*	79,523	9,657
Losses on disposal of items of property, plant and equipment	*6*	393	–
Investment income on financial assets at fair value through profit or loss	*6*	(47)	(8)
Fair value gains on financial assets at fair value through profit or loss	*5*	–	(5)
Depreciation of property, plant and equipment	*6*	14,682	13,492
Amortisation of intangible assets	*6*	14,344	18,807
Depreciation of right-of-use assets	*6*	9,374	10,956
Losses on disposal of items of right-of-use assets	*6*	–	525
Impairment of prepayments	*6*	305	8,627
Write-down of inventories to net realisable value	*6*	34,859	54,007
Finance costs	*7*	6,223	6,272
		125,593	(181,872)
Increase in inventories		(9,459)	(928)
Decrease in prepayments, other receivables and other assets		138,213	26,567
(Increase)/decrease in trade receivables		(26,420)	14,097
Decrease in restricted cash		1,030	–
Decrease in other non-current assets		1,530	–
Decrease in trade payables		(104,835)	(8,096)
Decrease in contract liabilities		(86,790)	(67)
Decrease in deferred income		(6,704)	(2,000)
(Decrease)/increase in other payables and accruals		(43,718)	501
Cash used in operations		(11,560)	(151,798)
Interest received		950	86
Income tax paid		–	–
Net cash flows used in operating activities		(10,610)	(151,712)

		Year ended 31 December	
	Notes	**2024**	**2025**
		RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		(30,070)	(1,730)
Proceeds upon maturity of financial assets at fair value through profit or loss		50,151	1,338
Proceeds from disposal of items of property, plant and equipment		1,255	–
Purchases of items of property, plant and equipment		(1,060)	(8,253)
Purchases of intangible assets		(48)	(9,000)
Net cash flows generated from/(used in) investing activities		20,228	(17,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		152,589	140,610
New loans from third parties		–	68,000
Repayment of bank loans		(240,040)	(141,834)
Payment for [**REDACTED**] expense		[**REDACTED**]	[**REDACTED**]
Receipt of rental deposit		245	373
Payment of rental deposit		(159)	(608)
Principal portion of capital element of lease payments		(15,285)	(4,556)
Payment of expense related to the issuance of preferred shares		(851)	–
Interest paid		(5,989)	(5,512)
Net cash flows (used in)/generated from financing activities		[**REDACTED**]	[**REDACTED**]
NET DECREASE IN CASH AND CASH EQUIVALENTS		(101,066)	(114,309)
Cash and cash equivalents at beginning of year		239,395	138,465
Effect of foreign exchange rate changes, net		136	(5)
CASH AND CASH EQUIVALENTS AT END OF YEAR		138,465	24,151
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	*22*	138,465	24,151
Cash and cash equivalents as stated in the consolidated statements of cash flows		138,465	24,151

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2024	As at 31 December 2025
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	*16*	756,008	762,332
Total non-current assets		756,008	762,332
CURRENT ASSETS			
Prepayments, other receivables and other assets	*18*	5,353	7,763
Cash and cash equivalents	*22*	14,378	13
Total current assets		19,731	7,776
CURRENT LIABILITIES			
Other payables and accruals	*24*	3,149	8,646
Convertible redeemable preferred shares	*28*	–	1,069,049
Total current liabilities		3,149	1,077,695
NET CURRENT ASSETS/(LIABILITIES)		16,582	(1,069,919)
TOTAL ASSETS LESS CURRENT LIABILITIES		772,590	(307,587)
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	*28*	1,059,392	–
Total non-current liabilities		1,059,392	–
Net liabilities		(286,802)	(307,587)
EQUITY			
Share capital	*30*	135	135
Treasury shares	*30*	–	–
Deficits	*32*	(286,937)	(307,722)
Total deficits		(286,802)	(307,587)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 September 2019. The address of the registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the research and development and sales of innovative antiviral and other drugs.

The Company and its subsidiaries now comprising the Group underwent the Corporate Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document. Apart from the Corporate Reorganisation, the Company has not commenced any business or operation since its incorporation.

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 set out below:

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*	
Genuine Biotech (BVI) Limited *(note (a))*	British Virgin Islands ("BVI") 9 October 2019	US$101	100%	–	Investment holding
Genuine Biotech HK Limited (真實生物科技香港有限公司) *(note (b))*	Hong Kong 31 October 2019	HKD10,000	–	100%	Investment holding
Henan Genuine Biotech Co., Ltd.* (河南真實生物科技有限公司, "Henan Genuine") *(note (c))*	People's Republic of China ("PRC")/ Chinese Mainland 12 September 2012	RMB800,000,000	–	100%	Manufacture and sale of pharmaceutical drugs and product research and development
Shenzhen Genuine Biomedical Technology Co., Ltd.* (深圳真實生物醫藥科技有限公司, "Shenzhen Genuine") *(note (c)*	PRC/Chinese Mainland 2 January 2020	RMB115,000,000	–	100%	Product research and development
Shanghai Innov Kong Biomedical Technology Co., Ltd.* (上海翊維康醫藥有限責任公司, "Innov Kong") *(note (c))*	PRC/Chinese Mainland 18 November 2022	RMB20,000,000	–	100%	Product research and development
Henan Baoyuan Pharmaceutical Co., Ltd.* (河南寶源醫藥有限公司) *(note (c))*	PRC/Chinese Mainland 9 June 2023	RMB10,000,000	–	100%	Sale of pharmaceutical drugs

Notes:

(a) As at the date of this report, no audited financial statements of this entity have been prepared since the date of incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

(b) The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, were audited by Ernst & Young. As at the date of this report, no audited financial statements of this entity for the years ended 31 December 2024 and 2025 have been prepared.

(c) The statutory financial statements of the entities for the year ended 31 December 2024 prepared in accordance with Accounting Standards for Business Enterprises – Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions ("PRC GAAP") issued by the Ministry of Finance, were audited by Da Hua Certified Public Accountants LLP (大華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. As at the date of this report, no audited financial statements of this entity for the year ended 31 December 2025 have been prepared.

* The English names of these companies represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 30 October 2020.

As the Reorganisation mainly involved inserting new holding companies above an existing company and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing companies using the pooling of interest method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the consolidated results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where there is a shorter period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), 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 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.

As at 31 December 2025, the Group recorded net current liabilities of RMB1,345,715,000 and net liabilities of RMB1,404,875,000 and incurred accumulated losses from operations. The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2025 and are based on the following:

(i) the Group has obtained financing facilities from two entities amounted to RMB250,000,000 and RMB120,000,000 covering periods up to September 2028 and December 2027, respectively;

(ii) the Group has obtained a bank facility amounts to RMB250,000,000 covering period up to September 2027;

(iii) the Group can achieve the sales azvudine for the treatment of COVID-19 and the treatment of HIV infection in 2026 and expected to grow in 2027 upon the implementation of deep dive commercialised initiatives;

(iv) the payment of a substantial amount to certain suppliers have been extended as agreed with the suppliers subsequent to 31 December 2027 or upon the completion of the [**REDACTED**], whichever is earlier, or two months after the completion of the [**REDACTED**].

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, available bank facilities, the ability in adjusting the pace of the R&D projects and capital investments at management's discretion, the directors of the Company 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 for the next twelve months from 31 December 2025, and accordingly, the Historical Financial Information has been prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Historical Financial Information.

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

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

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

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in certain accounting policies but are likely to have a significant impact on the Group's financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.4 MATERIAL ACCOUNTING POLICIES

Subsidiaries

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).

When the Company has, directly or indirectly, 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.

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. The results of subsidiaries are included in the Company's profit or loss to the extent of dividend received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories), 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.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Plant and machinery	5% to 20%
Office equipment and furniture	20% to 33⅓%
Motor vehicles	20%

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 each reporting period end.

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 the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Intangible assets (other than goodwill)

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

Intellectual property

Purchased Intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over the amortisation period, which is determined on the shorter of its remaining validity period and its estimated useful life of 11 to 20 years.

Trademark

Purchased trademark is initially recognised and measured at cost. The cost is amortised on the straight-line basis over its estimated useful life of 10 years.

Software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Research and development costs

All research costs are charged to the statement of 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:

Plant and buildings	2 to 20 years
Motor vehicles	2 to 5 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.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or 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 the statement of 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 the statement of 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 1 year past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 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 and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

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 payables, financial liabilities included in other payables and accruals and other non-current liabilities, interest-bearing loans, and convertible redeemable preferred shares.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include convertible redeemable preferred shares, which are designated upon initial recognition as at fair value through profit or loss.

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 the statement of 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 convertible redeemable preferred shares are classified as non-current liabilities when the holders of the convertible redeemable preferred shares cannot demand the Company to redeem the convertible redeemable preferred shares until at least 12 months after the end of the financial period.

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

After initial recognition, interest-bearing loans, trade payables, and financial liabilities included in other payables and accruals and other non-current liabilities 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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the 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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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 the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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, 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, 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 reporting period 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 reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

(a) License and collaboration revenue

The Group enters into a license and collaboration agreement ("the Agreement") for research, development, manufacturing and commercialization services with one customer in 2022. Pursuant to the Agreement, the Group will conduct strategic cooperation in relation to the development and exclusive commercialization of azvudine for the treatment and prevention of COVID-19 and HIV infection (the "Cooperation Products") in the Chinese mainland (excluding Hong Kong, Macau and Taiwan). The Group is entitled to a non-refundable upfront fee of RMB100 million payable within five business days after the execution of the Agreement, a non-refundable cooperation fee of RMB399.5 million within seven business days after completion and satisfaction of prerequisite due diligence and evaluation process, and sales-based royalties based on the profit sharing from sales of the Cooperation Products.

At contract inception, the Group assesses the goods or services promised within each contract and determines whether those are performance obligations, and assesses whether each promised good or service is distinct. In assessing whether a license is distinct from the other promises, the Group considers factors such as the research, development, manufacturing and commercialization capabilities of the customer and the availability of the associated expertise in the general marketplace. In addition, the Group considers whether the customer can benefit from a license for its intended purpose without the receipt of the remaining promises by considering whether the value of the license is dependent on the unsatisfied promises, whether there are other vendors that could provide the remaining promises, and whether it is separately identifiable from the remaining promises. Given that the Group is the marketing authorization holder of azvudine in the Chinese mainland and the Group should be responsible for manufacturing the Cooperation Products as stipulated in the Agreement, the customer cannot benefit from the license without the manufacturing services, and therefore, the license granted to the customer and the manufacturing services are not distinct and instead combined as a single performance obligation. The Group determined that the promises in the Agreement represent three performance obligations, including: (i) the research and development service for clinical studies on azvudine for the treatment of HIV infection; (ii) the manufacturing services for the treatment of HIV infection, and (iii) the manufacturing services for the treatment of COVID-19.

The Group uses judgement to determine whether milestones or other variable consideration, should be included in the transaction price. Upon contract inception, the Group has estimated that the total transaction price is constrained to RMB499.5 million which included upfront fee of RMB100 million and cooperation fee of RMB399.5 million. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. As sales-based royalties relate specifically to the Group's efforts to satisfy the performance obligation of the manufacturing services of the Cooperation Products, they are allocated entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

Research and development services

Revenue from research and development service is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Manufacturing services of the Cooperation Products

Revenue from manufacturing services of the Cooperation Products (i.e. azvudine for the treatment of HIV infection or azvudine for the treatment of COVID-19) is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits from the manufacturing services provided by the Group. The output method recognises revenue based on the proportion of the actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products.

Sales-based royalties

Sales-based royalties are recognised as revenue when the subsequent sale occurs, and the amount is determinable and agreed by the customer.

Amendment to the Agreement

The Group signed an amendment agreement to the Agreement with the customer ("Amendment Agreement") on 26 September 2024. Pursuant to the Amendment Agreement, the exclusive commercialization rights granted to the customer have been regain, and thereafter, the Group becomes the sole owner of the commercialization right over azvudine in the Chinese mainland and no longer has to fulfil its obligations to manufacture the Cooperation Products for the customer. The research and development service for clinical studies on azvudine for the treatment of HIV infection under the Agreement was also terminated. In return, the Group has agreed to pay to the customer (i) a fixed payment of RMB60 million and (ii) a variable payment, calculated as 10% of the Group's net sales generated from sales of the Cooperation Products in the Chinese mainland within a period of five years subsequent to the effective date of the Amendment Agreement.

The Amendment Agreement represented contract modification under IFRS 15. Considering the Group no longer needs to fulfil the performance obligations as identified in the Agreement and the amendment is a termination to the arrangement under the Agreement, on the date of termination, the contract liabilities was derecognised and the estimated consideration payable to the customer as agreed in the Amendment Agreement was recognised, with the differences being recognised as an adjustment to revenue.

Paragraph 15 of IFRS 15 requires an entity to recognise the consideration received as revenue only when the consideration received from the customer is non-refundable. Therefore, any additional revenue arising from the variable consideration payable to the customer is only recognised when the amount is certain and not refundable. On this basis, on the termination date and subsequently at each reporting period ending within the 5 years subsequent to the effective date of the Amendment Agreement, the Group estimates the consideration payable to the customer and compares that with the amount of contract liabilities on the termination date, if the difference represents deduction of revenue, it is recognised immediately; if the difference represents additional revenue, it is only recognised at the end of the aforementioned 5 years when the amount is not refundable.

(b) Sales of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery and acceptance of the goods by the customers.

(c) Bill-and-hold arrangement

The Company entered a bill-and-hold arrangement with a customer, under which the Company transfers control of the goods to the customer at the point in time when the customer accepts the goods, while the goods remain in the Company's physical possession. The Company recognised the revenue of the goods transferred to the customer in the bill-and-hold arrangement as the customer has the ability to direct the use the goods and the customer obtain substantially all the remaining benefit from the product.

The Bill-and-hold arrangement contains performance obligations of transferring of the goods, providing shipping service at the direction of the customer when a physical transfer is ordered and providing of custodial service when the products remain in the physical possession of the Company. The goods or services promised in the contract are assessed to be distinct. The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognises revenue as or when the performance obligations under the contract are satisfied.

After performing the assessment, in view of the Director of the Company, the transaction price allocated to the performance obligations of the shipping service and custodial service is minimal and insignificant.

Revenue from other sources

Interest income

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

Contract liabilities

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

Share-based payments

The Group provided share incentives to employees. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees of the Group 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 the share award is determined using the discounted cash flow model, further details of which are given in note 31 to the Historical Financial Information.

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 reporting period 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 the statement of 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.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee benefits

Pension scheme

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

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

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

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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.

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 Historical Financial Information.

Determining the performance obligations of the Agreement

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

In assessing whether each item has standalone value to the customer, the Group considers factors such as the research, manufacturing, and commercialization capabilities of the customer and the availability of the associated expertise in the general marketplace, which indicates that the customer can benefit from both license and service on their own. The Group determined that the promises to transfer the licenses and provide research and development service are capable of being distinct and separately identifiable. The Group also determined that the promises to transfer the licenses and provide research and development services are distinct within the context of the contract. The Group is not providing a significant integration service because the presence of the licenses and research and development services together in the contract does not result in any additional or combined functionality and neither the licenses nor the research and development modifies or customises the other. In addition, the licenses and research and development services are not highly interdependent or highly interrelated, because the Group would be able to transfer the licenses even if the customer declined research and development services and would be able to provide research and development service if other distributors have such request. However, the Group determined that the promises to transfer the licenses and to provide manufacturing services of the Cooperation Products are not distinct within the context of the contract, as the Group is the marketing authorization holder of azvudine in the Chinese mainland and the customer cannot benefit from the licenses without the manufacturing services.

Research and development expenses

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. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements. In the opinion of management, during the Relevant Periods the criteria for capitalization of development costs were not met and development expenditure were expensed.

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.

Stand-alone selling prices of each performance obligation

The Group has allocated the transaction price to each performance obligation of the Agreement based on relative standalone selling prices. The standalone selling prices are not directly observable, therefore the Group estimates using income approach for the manufacturing services of the Cooperation Products and expected cost plus margin approach for research and development services with the assistance of an independent third-party valuer. The Group has considered all information that is reasonably available, including but not limited to, industry pricing and forecast, costs incurred to provide the services, related profit margins, discount rates.

Estimation of process towards completion of performance obligations

The Group measures the progress of completion for the manufacturing services of the Cooperation Products according to the proportion of actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products. The Group measures the progress of completion for the research and development services based on the percentage of actual incurred costs to the total expected costs to complete the performance obligation. Total forecasted quantity that would be manufactured during the entire life of the Cooperation Products and total expected costs that would incur for the research and development services require estimations from management based on understanding of the performance of the contract, market demand of the Cooperation Products and the Group's historical experience. The Group reviews and revises the estimates during the entire life of the Cooperation Products prepared for the Agreement as the research and development service and commercialization progress.

Estimation of variable consideration payable to the customer under the Amendment Agreement

On the termination date and subsequently at each reporting period ending within the 5 years subsequent to the effective date of the Amendment Agreement, the Group estimates the consideration payable to the customer and recognises additional revenue when the amount is certain and not refundable. In estimating the consideration payable to the customer under the Amendment Agreement, the Group considers market demand of the Cooperation Products in the Chinese mainland, the sales orders on hand, current industry practice and its historical experience. Based on the Group's estimation, the consideration payable to the customer was less than the amount of contract liabilities on the termination date and as at 31 December 2024 and 2025, therefore, no adjustment to revenue was recognised during the years ended 31 December 2024 and 2025.

Estimation of prepayment to a supplier under the Raw Materials Supplement Agreement

The Group estimates the amount of the prepayment to the supplier considering the sales forecast and the market demand of azvudine product. Subsequently at each reporting period ended within the next 5 years, the Group reassess the estimation on the prepayment according to the azvudine raw materials supplied and the market demand, an impairment loss will be provided if further write-down in the prepayment is required. Further details in connection with the Raw Materials Supplement Agreement are set out in note 19 to the Historical Financial Information.

Useful lives of intangible assets

The Group's finite life intangible assets primarily represent intellectual property and trademark. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the shorter of their remaining validity period and their estimated useful lives. Additional amortisation is recognised if the estimated useful lives are different from the previous estimation. Useful lives are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Impairment of non-financial assets

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 values of those cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Recognition of income taxes and deferred tax assets

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

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 10 to the Historical Financial Information.

Fair value of convertible redeemable preferred shares

The fair value of the convertible redeemable preferred shares issued by the Company is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the liquidation event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 28 to the Historical Financial Information.

Fair value of share-based payment transactions

The fair value of the share awards in share-based payment transactions is determined by using the most appropriate valuation model based on the terms and conditions of the awards. Significant estimates on assumptions for estimating the fair value are made by the Group, further details of which are included in note 31 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group as a whole for the purpose of making decision on resources allocation and preformation assessment, therefore, no operating segment information is presented.

Geographical information

(a) ***Revenue from external customers***

During the Relevant Periods, all of the Group's external customers were located in the Chinese mainland.

(b) ***Non-current assets***

During the Relevant Periods, all of the Group's non-current assets were located in the Chinese mainland.

Information about a major customer

During the Relevant Periods, revenue derived from sales to the customer A was RMB235,922,000, RMB7,528,000, accounting for 99% and 30% of the total revenue of the Group, respectively.

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	237,868	24,802

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Types of goods or services		
Sale of goods	1,946	17,274
License and collaboration revenue		
– Research and development services	9,803	–
– Manufacturing services for the treatment of COVID-19	1,586	–
– Sales-based royalties	224,533	7,528
Total revenue from contracts with customers	237,868	24,802
Geographical markets		
Chinese mainland	237,868	24,802
Timing of revenue recognition		
Transferred at the point in time	226,479	24,802
Transferred over time	11,389	–
Total revenue from contracts with customers	237,868	24,802

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	–	568
License and collaboration revenue		
– Research and development services	9,803	–
– Manufacturing services for the treatment of COVID-19	1,586	–
	11,389	568

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. The credit term is generally 30 to 180 days.

For the Bill-and-hold arrangement, the Group also have other performance obligations such as shipping services and custodial services, such obligations were satisfied over time as services rendered. As the transaction price allocated to such obligations was minimal and insignificant, there was no revenue recognized for these obligations as the Group recognized all the transaction price under the Bill-and-hold arrangement when the goods delivered and accepted by the customer.

Research and development services

The performance obligation is generally satisfied over time as services are rendered. At inception the amount allocated to research and development services was approximately RMB226 million. Pursuant to the Amendment Agreement, the Company do not obligate to the provision of research and development services from the effective date of the Amendment Agreement.

Manufacturing services for the treatment of COVID-19

The performance obligation is satisfied over time as the progress of the goods manufactured. At inception the amount allocated to manufacturing services for the treatment of COVID-19 was approximately RMB195 million. Pursuant to the Amendment Agreement, the Company do not obligate to the provision of manufacturing services for the treatment of COVID-19 from the effective date of the Amendment Agreement.

Manufacturing services for the treatment of HIV infection

The performance obligation is satisfied over time as the progress of the goods manufactured. At inception the amount allocated to manufacturing services for the treatment of HIV infection was approximately RMB50 million. During the Relevant Periods, no revenue was recognised for this performance obligation as no goods were manufactured for this infection.

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

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Sale of good		
Within one year	568	501
Total	568	501

The amounts disclosed above do not include variable consideration which is constrained.

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Other income		
Investment income on financial assets at fair value through profit or loss	47	8
Government grants*	21,671	5,841
Additional deduction for input VAT**	2,478	86
Bank interest Income	950	86
Subsidy for production costs***	121,067	–
Others	322	218
Total other income	146,535	6,239
Gains		
Fair value gains on financial assets at fair value through profit or loss	–	5
Foreign exchange gains, net	136	–
Total gains	136	5

* The government grants mainly represented amounts received from the local governments for the purpose to compensate for expenses spent on research and clinical trials and award for new drug development. There were no unfulfilled conditions or contingencies relating to the government grants.

** On 3 September 2023, the MOF and the STA of China jointly issued the Public Announcement on Strengthening the VAT Reform Policies, or Public Announcement [2023] No. 43, pursuant to which, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input VAT. Certain subsidiaries of the Group were within the above scope and the additional deductible input VAT was recognised as other income during the Relevant Periods.

*** It represented the one-off subsidy received in 2024 to compensate for the production costs incurred by the Group in early 2023 when the Group produced azvudine at full capacity during the COVID-19 situation. As there was no contract with the customers in relation to such production of goods, the subsidy is not a consideration to obtain goods or services that are an output of the Group's ordinary activities, such amount was recognised as other income in 2024 when the amount was confirmed.

6. LOSS BEFORE TAX

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

		Year ended 31 December	
	Notes	**2024**	**2025**
		RMB'000	*RMB'000*
Cost of manufacturing service of azvudine for COVID-19		26,041	–
Cost of research and development services provided		9,108	–
Cost of goods sold		3,005	21,639
Research and development costs:			
Current year expenditure		150,687	135,894
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		62,753	68,744
Pension scheme contributions*		13,942	20,396
Equity-settled share-based payment expenses	*31*	2,457	3,302
		79,152	92,442

		Year ended 31 December	
	Notes	**2024**	**2025**
		RMB'000	*RMB'000*
Depreciation of property, plant and equipment***	*13*	14,682	13,492
Depreciation of right-of-use assets	*14*	9,374	10,956
Write-down of inventories to net realisable value**		34,859	54,007
Amortisation of intangible assets	*15*	14,344	18,807
Impairment losses on financial assets, net		4,608	2,216
Impairment of prepayments***	*18*	305	8,627
Lease payments not included in the measurement of lease liabilities	*14*	255	221
Auditor's remuneration		20	25
[**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]
Clinical trial data usage fee****		850	203
Loss on disposal of items of property, plant and equipment		393	–
Losses on disposal of items of right-of-use assets		–	525
Fair value losses on convertible redeemable preferred shares	*28*	79,523	9,657

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income and not included in the "Cost of manufacturing of azvudine for COVID-19" or "Cost of goods sold" as disclosed above.

*** Impairment of prepayments and impairment of property, plant and equipment are included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

**** In May 2022, the Group entered into an agreement with a third party, pursuant to which, the third party provided the Group with the clinical trial data to assist the new drug approval of azvudine, the Group should pay the third party the clinical trial data usage fee based on certain proportion of the invoiced amount of azvudine for the treatment of COVID-19 in the Chinese mainland. The total clinical trial data usage fee amounted to RMB850,000 and RMB203,000 for the Relevant Periods were included in "Selling and distribution expenses" in the statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Interest on bank loans	5,499	5,098
Interest on loans from third parties	–	438
Accrued interest on long-term payables for inventories	289	298
Interest on lease liabilities *(note 14)*	435	438
Total	6,223	6,272

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of the directors is set out below:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Fees	444	439
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	9,944	9,806
Pension scheme contributions	34	37
Total	10,422	10,282

(a) Independent non-executive directors

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

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Mr. He Ruyi	444	439

Mr. He Ruyi was appointed as an independent non-executive director of the Company on 1 August 2022.

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

Year ended 31 December 2024

	Fees	**Salaries, bonuses, allowances and benefits in kind**	**Equity-settled share-based payment expenses**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Dr. Du Jinfa *(Note (i))*	–	5,000	–	–	5,000
Dr. Dang Qun *(Note (ii))*	–	3,444	–	–	3,444
Mr. Wang Lin *(Note (iii))*	–	1,500	–	34	1,534
	–	9,944	–	34	9,978
Non-executive directors:					
Mr. Zhu Jinqiao *(Note (iv))*	–	–	–	–	–
Mr. Li Juhe *(Note (v))*	–	–	–	–	–
Total	–	9,944	–	34	9,978

Year ended 31 December 2025

	Fees	Salaries, bonuses, allowances and benefits in kind	Equity-settled share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Dr. Du Jinfa *(Note (i))*	–	5,000	–	–	5,000
Dr. Dang Qun *(Note (ii))*	–	3,306	–	–	3,306
Mr. Wang Lin *(Note (iii))*	–	1,500	–	37	1,537
	–	9,806	–	37	9,843
Non-executive directors:					
Mr. Zhu Jinqiao *(Note (iv))*	–	–	–	–	–
Mr. Li Juhe *(Note (v))*	–	–	–	–	–
Total	–	9,806	–	37	9,843

Notes:

(i) Dr. Du Jinfa was appointed as a director of the Company on 26 September 2019 and was re- designated as an executive director of the Company on 1 August 2022. Dr. Du Jinfa was also serving as the chairman of the board of directors, the chief executive and chief scientific officer of the Company.

(ii) Dr. Dang Qun was appointed as an executive director of the Company on 1 August 2022. Dr. Dang Qun was also serving as the president and chief business officer of the Company.

(iii) Mr. Wang Lin was appointed as a director of the Company on 26 September 2019 and was re-designated as an executive director of the Company on 1 August 2022.

(iv) Mr. Zhu Jinqiao was appointed as a director of the Company on 12 April 2022 and a non-executive director of the Company on 1 August 2022.

(v) Mr. Li Juhe was appointed as a non-executive director of the Company on 1 May 2024.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods, include two and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three and three highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	6,381	8,940
Equity-settled share-based payment expenses	504	2,591
Pension scheme contributions	91	105
Total	6,976	11,636

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
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	2
HK$6,500,001 to HK$7,000,000	–	1

10. 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.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and the Group's subsidiary are not subject to any income tax in the Cayman Islands and the BVI, respectively.

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group has no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for corporate income tax in the Chinese mainland is based on the statutory rate of 25% of the assessable profits, in accordance with the PRC Income Tax Law and the respective regulations which were approved and became effective on 1 January 2008.

Henan Genuine and Shenzhen Genuine are qualified high and new technology enterprises and was subject to income tax at a preferential tax rate of 15% during the Relevant Periods.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Group's major operating activities are domiciled 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	(40,042)	(309,639)
Tax at the statutory tax rate	(10,011)	(77,410)
Effect of different tax rates enacted by local authorities	14,702	32,642
Effect of research and development expenses that are additionally deducted	(19,421)	(17,975)
Expenses not deductible for tax	4,617	1,728
Effect of deductible temporary difference not recognised	(6,699)	(35,743)
Tax losses not recognised	16,812	96,758
Tax charge at the Group's effective rate	–	–

Based on Public Notice [2023] No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises originally eligible for additional 75% deduction of eligible R&D expenses can further enjoy an increased super deduction ratio of 100% since 1 January 2023. Henan Genuine, Shenzhen Genuine and Innov Kong have claimed such additional super deduction during the Relevant Periods.

The Group has accumulated tax losses in the Chinese mainland of RMB471,138,000 and RMB1,092,196,000 as at 31 December 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits of the companies located in the Chinese mainland in which the tax losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making 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.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation and up to the end of the Relevant Periods.

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

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue (excluding shares reserved for share award plan) during the Relevant Periods.

The weighted average number of ordinary shares used in the calculation of the diluted loss per share amounts is the number of ordinary shares in issue during the year or period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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 preferred shares and share awards 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**
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculations	(40,042)	(309,639)

	Number of shares	
	Year ended 31 December	
	2024	**2025**
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	204,731,680	204,902,250

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment and furniture	Plant and machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024						
At 1 January 2024						
Cost	35,830	5,832	53,195	462	580	95,899
Accumulated depreciation and impairment	(12,332)	(3,293)	(10,060)	(143)	(580)	(26,408)
Net carrying amount	23,498	2,539	43,135	319	–	69,491
At 1 January 2024, net of accumulated depreciation	23,498	2,539	43,135	319	–	69,491
Additions	224	215	2,254	–	–	2,693
Disposals	–	–	(1,503)	–	–	(1,503)
Depreciation provided during the year *(note 6)*	(7,706)	(1,314)	(5,575)	(87)	–	(14,682)
At 31 December 2024, net of accumulated depreciation and impairment	16,016	1,440	38,311	232	–	55,999

	Leasehold improvements	Office equipment and furniture	Plant and machinery	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2024						
Cost	36,054	6,047	53,946	462	580	97,089
Accumulated depreciation and impairment	(20,038)	(4,607)	(15,635)	(230)	(580)	(41,090)
Net carrying amount	16,016	1,440	38,311	232	–	55,999
31 December 2025						
At 1 January 2025:						
Cost	36,054	6,047	53,946	462	580	97,089
Accumulated depreciation and impairment	(20,038)	(4,607)	(15,635)	(230)	(580)	(41,090)
Net carrying amount	16,016	1,440	38,311	232	–	55,999
At 1 January 2025, net of accumulated depreciation	16,016	1,440	38,311	232	–	55,999
Additions	3,483	322	59	–	4,954	8,818
Depreciation provided during the year *(note 6)*	(7,056)	(1,011)	(5,344)	(81)	–	(13,492)
At 31 December 2025, net of accumulated depreciation and impairment	12,443	751	33,026	151	4,954	51,325
At 31 December 2025:						
Cost	39,537	6,369	54,005	462	5,534	105,907
Accumulated depreciation and impairment	(27,094)	(5,618)	(20,979)	(311)	(580)	(54,582)
Net carrying amount	12,443	751	33,026	151	4,954	51,325

14. LEASES

The Group had lease contracts for plant and buildings with lease terms of 2 to 20 years and vehicles with lease terms of 2 to 5 years during the Relevant Periods.

	Right-of-use assets			Lease liabilities
	Plant and buildings	Motor vehicles	Total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
At 1 January 2024	61,376	381	61,757	18,168
Depreciation charged *(note 6)*	(9,270)	(104)	(9,374)	–
Remeasurement due to lease modification	4,414	–	4,414	4,414
Interest expense *(note 7)*	–	–	–	435
Payments	–	–	–	(15,720)
At 31 December 2024	56,520	277	56,797	7,297

	Right-of-use assets			Lease liabilities
	Plant and buildings	Motor vehicles	Total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025				
At 1 January 2025	56,520	277	56,797	7,297
Additions	7,194	–	7,194	7,194
Depreciation charged *(note 6)*	(10,852)	(104)	(10,956)	–
Disposals	(1,810)	–	(1,810)	(2,116)
Interest expense *(note 7)*	–	–	–	438
Payments	–	–	–	(4,994)
At 31 December 2025	51,052	173	51,225	7,819

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Lease liabilities:		
Analysed into:		
Current portion	4,826	4,123
Non-current portion	2,471	3,696
	7,297	7,819

Total amounts recognised in profit or loss in relation to leases during the Relevant Periods are as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Interest on lease liabilities *(note 7)*	435	438
Depreciation charge of right-of-use assets *(note 6)*	9,374	10,956
Losses on disposal of items of right-of-use assets *(note 6)*	–	525
Expenses relating to short-term leases and low-value leases *(note 6)*	255	221
Total amount recognised in profit or loss	10,064	12,140

15. INTANGIBLE ASSETS

	Intellectual property	Trademark	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
At 1 January 2024:				
Cost	168,047	2,600	1,241	171,887
Accumulated amortisation	(59,349)	(1,034)	(507)	(60,889)
Net carrying amount	108,698	1,566	734	110,998
At 1 January 2024, net of accumulated amortisation	108,698	1,566	734	110,998
Additions	40,777	–	48	40,825
Amortisation *(note 6)*	(13,634)	(376)	(334)	(14,344)
At 31 December 2024, net of accumulated amortisation	135,841	1,190	448	137,479
At 31 December 2024:				
Cost	208,824	2,600	1,289	212,713
Accumulated amortisation	(72,983)	(1,410)	(841)	(75,234)
Net carrying amount	135,841	1,190	448	137,479
As at at 31 December 2025				
At 1 January 2025				
Cost	208,824	2,600	1,289	212,713
Accumulated amortisation	(72,983)	(1,410)	(841)	(75,234)
Net carrying amount	135,841	1,190	448	137,479
At 1 January 2025, net of accumulated amortisation	135,841	1,190	448	137,479
Amortisation *(note 6)*	(18,229)	(376)	(202)	(18,807)
At at 31 December 2025, net of accumulated amortisation	117,612	814	246	118,672
At at 31 December 2025:				
Cost	208,824	2,600	1,289	212,713
Accumulated amortisation	(91,212)	(1,786)	(1043)	(94,041)
Net carrying amount	117,612	814	246	118,672

Impairment testing of non-financial assets:

Non-financial assets (including the property, plant and equipment, right-of-use assets and intangible assets) of the Group are allocated to the following four cash-generating units for impairment testing as at the end of each of the Relevant Periods:

- Azvudine products cash-generating unit (Azvudine);
- CL-197 products cash-generating unit (CL-197);
- MTB-1806 products cash-generating unit (MTB-1806); and
- Dosimertinib products cash-generating unit (Dosimertinib).

The recoverable amount of the cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the remaining useful life of non-financial assets allocated to each cash-generating unit approved by senior management. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate and operating cost rate used to extrapolate the cash flows of the cash-generating units are as follows:

Azvudine products CGU:

	As at 31 December 2024	As at 31 December 2025
Revenue growth rate	16.1%	76.0%
Operating cost rate	15%-25%	15%-25%
Pre-tax discount rate	16.8%	17.04%

CL-197 products CGU:

	As at 31 December 2024	As at 31 December 2025
Revenue growth rate	6.1%	6.1%
Operating cost rate	15%	15%
Pre-tax discount rate	15.4%	15.6%

MTB-1806 products CGU:

	As at 31 December 2024	As at 31 December 2025
Revenue growth rate	8.8%	8.0%
Operating cost rate	15%	15%
Pre-tax discount rate	15.5%	15.9%

Dosimertinib products CGU:

	As at 31 December 2024	As at 31 December 2025
Revenue growth rate	19.6%	19.6%
Operating cost rate	15%	15%
Pre-tax discount rate	15.7%	15.8%

The calculation of value in use is based on the following assumptions:

Revenue growth rate — the rate is based on the average growth achieved in the past years and expected market development.

Operating cost rate — the rate is based on the average operating cost over revenue incurred in the past years and anticipated efficiency improvements.

Pre-tax discount rate — the rate reflects management's estimate of the risks specific to the unit.

The values assigned to the key assumptions on revenue growth rate, operating cost margin, discount rates are consistent with management's past experience and external information sources.

As at 31 December 2024, the recoverable amount of Azvudine, CL-197, MTB-1806 and Dosimertinib to which non-financial assets were allocated exceeded its carrying amount by RMB62,037,000, RMB89,478,000, RMB34,141,000 and RMB330,893,000, respectively.

As at 31 December 2025, the recoverable amount of Azvudine, CL-197, MTB-1806 and Dosimertinib to which non-financial assets were allocated exceeded its carrying amount by RMB71,878,000, RMB88,344,000, RMB13,449,000 and RMB320,107,000, respectively.

A sensitivity analysis for key assumptions as at the end of the Relevant Periods is shown below that how the value in use of cash-generating units would have increased/(decreased) as a result of a 5% change in the key assumptions:

- Azvudine products CGU

	As at 31 December	
	2024	**2025**
	Increase/(decrease)	*Increase/(decrease)*
	RMB'000	*RMB'000*
Revenue growth rate	63,122/(61,118)	59,974/(59,974)
Operating cost rate	(29,962)/29,962	(11,954)/11,954
Pre-tax discount rate	(28,983)/30,664	(26,746)/28,227

- CL-197 products CGU

	As at 31 December	
	2024	**2025**
	Increase/(decrease)	*Increase/(decrease)*
	RMB'000	*RMB'000*
Revenue growth rate	14,938/(14,424)	18,458/(17,824)
Operating cost rate	(2,739)/2,739	(3,151)/3,151
Pre-tax discount rate	(11,377)/12,403	(12,138)/13,178

- MTB-1806 products CGU

	As at 31 December	
	2024	**2025**
	Increase/(decrease)	*Increase/(decrease)*
	RMB'000	*RMB'000*
Revenue growth rate	15,865/(15,386)	12,200/(11,926)
Operating cost rate	(2,958)/2,958	(2,455)/2,455
Discount rate	(11,620)/12,770	(8,409)/9,278

- Dosimertinib CGU

	As at 31 December	
	2024	**2025**
	Increase/(decrease)	*Increase/(decrease)*
	RMB'000	*RMB'000*
Revenue growth rate	36,302/(34,732)	42,476/(40,630)
Operating cost rate	(7,072)/7,072	(7,816)/7,816
Pre-tax discount rate	(24,447)/26,303	(23,982)/25,711

16. INVESTMENT IN A SUBSIDIARY

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Investment in a subsidiary		
Genuine Biotech (BVI) Limited	143,301	143,301
Share-based payments	99,003	102,304
Less: provision for impairment	–	–
Subtotal	242,304	245,605
Loans to a subsidiary	513,704	516,727
Total	756,008	762,332

The loans to the subsidiary are unsecured, interest-free and repayable on demand. In the opinion of the directors, these loans are unlikely to be repaid in the foreseeable future and are considered as part of the Company's net investments in the subsidiary. There was no recent history of default and past due for loans to the subsidiary. As at 31 December 2024 and 2025, the loss allowance was assessed to be minimal.

The subsidiary incurred losses and its principal activity is mainly investment holding and has no other operation. The management has performed impairment testing for investment in the subsidiary which has impairment indicators as at each of the Relevant Periods. There is no impairment loss recognised on the investment in the subsidiary as at 31 December 2024 and 2025, respectively.

17. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Deposits receivables	1,004	602
Prepayments for raw materials *(note 19)*	–	37,783
Value-added tax recoverable	–	5,834
	1,004	44,219
Impairment for prepayments for raw materials *(note 19)*	–	(8,616)
Total	1,004	35,603

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Prepayments	23,327	9,659
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Value-added tax recoverable	20,871	–
Receivables due from shareholders	130	130
Other receivables	9,682	12,633
	[**REDACTED**]	[**REDACTED**]
Impairment for prepayments	(305)	–
Impairment for other receivables *(note a)*	(4,678)	(6,710)
Total	[**REDACTED**]	[**REDACTED**]

Notes:

(a) Expected credit losses for other receivables are estimated by applying the general approach under IFRS 9. The Group considered the historical loss rate and adjusted it to reflect the current conditions and forecasts of future economic conditions, as appropriate, in calculating the expected credit loss rate. During the year ended 31 December 2024, amount of RMB4,600,000 was provided for the default other receivables for which the counterparties failed to make the demanded repayments. During the year ended 31 December 2025, amount of RMB4,000,000 was reversal for the Group received the receivables from the counterparties.

The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
At beginning of year	78	4,678
Impairment losses, net	4,600	2,032
At end of year	4,678	6,710

Except for the above balances due from the related parties which are disclosed in note 35 to the Historical Financial Information, other receivables are unsecured, non-interest-bearing and are collectable within one year.

The Company

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Prepayments	1,100	2,196
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Receivables due from subsidiaries	2,155	2,627
Receivables due from shareholders	130	130
Total	[**REDACTED**]	[**REDACTED**]

The amounts due from subsidiaries and shareholders are unsecured, non-interest-bearing, non-trade and repayable on demand.

19. INVENTORIES

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Raw materials*	95,772	6,453
Finished goods	9,512	7,904
Low value consumables	275	340
Total	105,559	14,697

* By 18 June 2025, there are certain raw materials amounting to RMB61,203,000 stored and held physically by a supplier ("Previously Stored Raw Materials") at the direction of the Group due to strict storage conditions required.

On 18 June 2025, the Group entered into a supplement agreement with the supplier in respect of the settlement of the above Previously Stored Raw Materials ("Raw Materials Supplement Agreement"). Pursuant to the Raw Materials Supplement Agreement, the supplier agreed to supply in-time new azvudine raw materials equivalent to the weighting and quantity of the Previously Stored Raw Materials, the supply of new azvudine raw materials was agreed to be fulfilled within a 5-year period subsequent to the effective date of the Raw Materials Supplement Agreement. The subsequent supply schedule will be fulfilled in batches by the supplier based on the orders made by the Group in the 5-year period, no further payment and consideration is required under the Raw Material Supplement Agreement.

Upon the effective date of the Raw Material Supplement Agreement, those Previously Stored Raw Materials were destroyed. In exchange for the net carrying amount of destroyed Previously Stored Raw Materials, the Group recorded new supplied raw materials by the end of 30 June 2025 in the amount equivalent to the negotiated unit price per weight multiples the quantity supplied, and for the remaining undelivered azvudine raw materials which are expected to be fulfilled in the coming 5 years, the Group recorded as a prepayment to the supplier and will be discharged to inventory upon the delivery of new azvudine materials physically in the future 5 years. Accordingly, Previously Stored Raw Materials amounted to RMB61,203,000 were derecognised when destroyed, and the Group recorded new raw materials supplied up to 30 June 2025 in the amount of RMB7,221,000, and the recognition of estimated prepayment to the supplier of RMB37,783,000 which was calculated based on the forecast usage of the materials within 5 years.

Subsequently at each reporting period ended within the next 5 years, the Group reassess the estimation on the prepayment according to the azvudine raw materials supplied and the market demand, an impairment loss will be provided if further write-down of the prepayment is required.

[Subsequent to the June 2025 and up to 31 December 2025, no new materials were produced and supplied by the supplier to settle the prepayment paid, the Group had performed impairment test on the prepayment, and impairment loss of RMB8,616,000 was provided.]

20. TRADE RECEIVABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade receivables	26,420	12,323
Impairment	(8)	(192)
Net carrying amount	26,412	12,131

The Group generally provides the customers with a credit period of 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The ageing of the trade receivables as at the end of each reporting period, based on the invoice date, is less than six months.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
At beginning of year	–	8
Impairment losses, net	8	184
At end of year	8	192

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2024

	Current
Expected credit loss rate	0.03%
Gross carrying amount (RMB'000)	26,420
Expected credit losses (RMB'000)	8

As at 31 December 2025

	Current
Expected credit loss rate	1.56%
Gross carrying amount (RMB'000)	12,323
Expected credit losses (RMB'000)	192

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial products	–	405

The above amount represented investments in certain financial products issued by a commercial bank in the Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash and bank balances	138,465	24,151
Cash and cash equivalents	138,465	24,151
Denominated in:		
RMB	135,005	24,131
USD	3,431	16
HKD	29	4

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash and cash equivalents	14,378	13
Denominated in:		
RMB	11,688	11
USD	2,689	1
HKD	1	1

The RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, 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. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade payables	130,137	124,041
Payables for inventories due within one year *(note 26)*	4,961	8,065
	135,098	132,106

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

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Within 6 months	60,755	58,833
6 months to 1 year	5,336	2,530
Over 1 year	69,007	70,743
	135,098	132,106

The trade payables are non-interest-bearing and normally settled within one year. The amount aged over 1 year as at 31 December 2024 and 2025 was due to the delayed settlement with the suppliers.

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Payroll payable	12,140	11,891
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Tax payable	113	138
Payables for property, plant and equipment	2,300	2,717
Payable for intellectual property*	40,777	31,777
Consideration payable under the Amendment Agreement due within one year *(note 26)*	39,351	4,806
Deposits received	3,010	3,769
Other payables and accruals	14,195	11,832
	[**REDACTED**]	[**REDACTED**]

* It represented the consideration payable for azvudine related intellectual property when the milestone was achieved in 2024.

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Accrued [**REDACTED**] expense	[**REDACTED**]	[**REDACTED**]
Amount due to subsidiaries	122	2,387
Other payables	1,677	–
	[**REDACTED**]	[**REDACTED**]

The above other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING LOANS AND OTHER BORROWINGS

	As at 31 December 2024			As at 31 December 2025		
	Effective interest rate	**Maturity**	**RMB'000**	**Effective interest rate**	**Maturity**	**RMB'000**
	(%)			*(%)*		
Current						
Bank loans – unsecured	–	N/A	–	3.45	2026	30,029
Bank loans – unsecured	–	N/A	–	4.23	2026	24,014
Bank loans – unsecured	–	N/A	–	2.80	2026	4,003
Bank loans – unsecured	3.45	2025	34,599	–	N/A	–
Bank loans – unsecured	3.93	2025	50,056	–	N/A	–
Bank loans – unsecured	4.13	2025	25,241	–	N/A	–
Bank loans – unsecured	–	N/A	–	4.50	2026	12,533
Bank loans – unsecured	–	N/A	–	2.90	2026	6,007
Bank loans – unsecured	–	N/A	–	4.50	2026	25,248
Bank loans – unsecured	–	N/A	–	4.50	2026	9,995
Bank loans – secured	–	N/A	–	3.60	2026	21,434
Bank loans – secured	3.60	2025	24,519	–	N/A	–
Interest accrued on other loans*	–	N/A	–	N/A	2026	383
Other loans – secured*	–	N/A	–	3.90	2026	3,007
Total Current	–	–	134,415	–	–	136,653
Non-current						
Other loans – unsecured*	–	N/A	–	5.00	2027	30,000
Other loans – unsecured*	–	N/A	–	5.00	2027	35,000
Total Non-current			–			65,000
Total			134,415			201,653

* It represented interest-bearing borrowings from independent third parties. In 2025, the Group has obtained financing facilities from two entities amounted to RMB250,000,000 and RMB120,000,000. At the end of 31 December 2025, the Group's above facility amounting to RMB30,000,000 and RMB35,000,000 had been utilised.

All interest-bearing loans of the Group are denominated in RMB and repayable within one to two years.

As at 31 December 2024 and 31 December 2025, the Group's bank loans up to RMB24,519,000 and RMB21,434,000 were guaranteed by an independent third party free of charge. In addition, the Group's other loans up to RMB3,007,000 were guaranteed by intellectual property as at 31 December 2025.

26. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Consideration payable under the Amendment Agreement*	231,481	231,317
Payables for inventories**	9,767	8,065
Less: Consideration payable under the Amendment Agreement due within one year (note 24)	(39,351)	(4,806)
Less: Payables for inventories due within one year (note 23)	(4,961)	(8,065)
Others	–	149
	196,936	226,660

* It represented consideration payable to one customer under the Amendment Agreement, which will be payable within 5 years subsequent to the effective date of the Amendment Agreement.

** It represented payables to a supplier for the purchase of raw materials which will be settled by installments as agreed by both parties.

27. DEFERRED INCOME

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Deferred government grant	22,629	20,629
Analysed into:		
Current	17,296	–
Non- current	5,333	20,629

Deferred income represented amounts received from the local governments to support the Group's research and development activities with certain conditions to fulfil, which will be recognised in profit or loss upon the fulfilment of the conditions. For Government grants related to income it was classified as current liabilities when the conditions are expected to be satisfied within 12 months.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Group and the Company

In February 2021, the Company issued 19,958,038 Series A preferred shares ("Series A Preferred shares") with a par value of US$0.0001 per share to the Series A Preferred Investors, at a cash consideration of RMB149,470,000.

In November 2021, the Company and Series B Preferred Investors entered into a share subscription agreement whereby Series B Preferred Investors agreed to make a total investment of RMB563,297,000 ("Series B Financing") for 42,388,062 series B preferred shares ("Series B Preferred shares"). The Company closed its Series B Financing in April 2022. The financing raised a total amount of RMB563,297,000 by issuing 42,388,062 Series B Preferred shares with a par value of US$0.0001 each.

For illustration purposes, the Series B Preferred Investors and the Series A Preferred Investors are referred to as the holders of Preferred shares ("Holders of Preferred shares").

According to the revised Memorandum and Articles of Association ("MOA") of the Company passed on 12 April 2022, the key terms of Series A Preferred shares and Series B Preferred shares ("Preferred shares") are as follows:

Conversion rights

The holders of Preferred shares shall have the right to convert Preferred shares after the issuance date into such number of ordinary shares as determined by dividing the relevant issue price by the then effective conversion price ("Conversion Price"). The conversion price is initially the subscription price for Holders of Preferred shares, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, reorganization, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

All outstanding Preferred shares shall automatically be converted into ordinary shares upon the closing of the first firm commitment underwritten [**REDACTED**] of the ordinary shares or of the [**REDACTED**] vehicle.

Redemption features*

In the event that (i) the Company fails to achieve a [**REDACTED**] of the ordinary shares before 31 December 2023; (ii) the current ultimate controlling owner of the Company, Mr. Zhaoyang Wang ceases to be the ultimate controlling owner of the Company; (iii) the Company's substantial assets are seized, confiscated, frozen, auctioned or executed, or the Company is in a proceeding seeking to adjudicate it as bankrupt or insolvent; (iv) the material breach of any covenant or agreement by any of the warrantors contained in any of the transaction documents; or (v) any group company is subject to any administrative penalty, or business license of Wholly Foreign Owned Enterprise ("WFOE") is suspended, or WFOE fails to keep requisite power and authority to carry on its business as now conducted, each Holder of Preferred shares shall be entitled to require the Company to redeem all or any of such holder's Preferred shares at a per share price equal to the issue price plus an amount of interest at a simple annual rate of 10% and plus any declared but unpaid dividends thereupon.

If the Company's assets and funds which are legally available are insufficient to pay the full redemption price, such assets and funds shall be used to redeem the Preferred shares, following the order, firstly to holders of Series B Preferred shares, and then to holders of Series A Preferred shares.

* In the shareholders' meeting held on 23 December 2023, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [**REDACTED**] of the ordinary shares before 5 January 2025.

* In the shareholders' meeting held on 19 November 2024, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [**REDACTED**] of the ordinary shares before 5 January 2026.

* In the shareholders' meeting held on 13 October 2025, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [**REDACTED**] of the ordinary shares before 5 July 2026.

* In the shareholders' meeting held on 2 April 2026, the Company passed a special resolution to revise the MOA of the Company, pursuant to which, the trigger event (i) is revised that the Holders of Preferred shares shall be entitled to request redemption of all or part of the outstanding Preferred shares in the event that the Company fails to achieve a [**REDACTED**] of the ordinary shares before 5 April 2027.

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution, after satisfaction of all creditors' claims and claims that may be preferred by applicable Law, shall be distributed to the Holders of Preferred shares with an amount equal to (i) the original price for Holders of Preferred shares, plus (ii) an amount of interest at a simple interest rate of 10% per annum on the issue price from the issue date, and plus (iii) any declared but unpaid dividends on such Preferred shares ("Preference Amount").

If there are any assets or funds remaining after the Preference Amount have been distributed or paid in full to the Holders of Preferred shares, the remaining assets and funds of the Company available for distribution shall be distributed ratably among all shareholders.

If the assets and funds shall be insufficient to permit the payment to such Holders of Preferred shares of the full Preference Amount, the assets and funds that are legally available shall be distributed as follows (i) firstly, the Series B Preferred shares shall be distributed ratably among the Series B Preferred Investors in proportion to the aggregate Series B Preference Amount; (ii) after full payment to the Series B Preferred Investors, the Series A Preferred shares shall be distributed ratably among the Series A Preferred Investors in proportion to the aggregate Series A Preference Amount.

Deemed Liquidation Event generally refers to (i) a merger, consolidation, amalgamation or scheme of arrangement of any group company with or into any other Person, or sale of shares of the company, or other reorganization, (ii) a sale, transfer, lease, exclusive license or other disposal of all or substantially all of the assets or intellectual property of the company or of all of its subsidiaries as a whole, or (iii) the exclusive and irrevocable licensing of all or substantially all of any group company's intellectual property to a third party.

Voting rights

Each holder of Preferred shares shall be entitled to the number of votes equal to the number of ordinary shares into which the Preferred shares held by such holder could be converted. The Holders of Preferred shares shall vote with the holders of ordinary shares, and not as a separate class.

Dividends

The dividends available for distribution to the holder of shares in the Register of Member ("ROM") shall be distributed ratably among all Shareholders according to the relative number of shares held by such Shareholder on an as-converted basis. No dividends shall be distributed to any Member unless and until such distribution has been approved by the Board.

Presentation and classification

The Group does not bifurcate any embedded derivatives from the Preferred Shares and designates both of the entire instruments of Series A Preferred shares and Series B Prefer shares as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Management considered that fair value change in the Preferred Shares attributable to changes of credit risk was not significant.

The movements of the convertible redeemable preferred shares are set out as follows:

	Series A	Series B	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	275,131	704,738	979,869
Changes in fair value	21,958	57,565	79,523
At 31 December 2024	297,089	762,303	1,059,392

	Series A	Series B	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2024 and 1 January 2025	297,089	762,303	1,059,392
Changes in fair value	(2,681)	12,338	9,657
At 31 December 2025	294,408	774,641	1,069,049

The Group has used the discount cash flow method and back-solve method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the Preferred shares.

Key valuation assumptions used to determine the fair value of Preferred shares as at 31 December 2024 and 2025 are as follows:

	As at 31 December 2024	As at 31 December 2025
Risk-free interest rate	1.0%	1.3%
Discounts for lack of marketability ("DLOM")	5.1%	5.5%
Volatility	32%	34%

The Group estimated the risk-free interest rate based on the yield of the government bond with maturity close to the expected exit timing as of 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 stock price return of comparable companies for a period from the valuation date and with a similar time span 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	(Decrease)/increase in the fair value
		As at 31 December 2024	As at 31 December 2025
		RMB'000	*RMB'000*
Risk-free interest rate	1%/(1%)	(1,710)/1,725	(2,013)/2,029
DLOM	1%/(1%)	(10,794)/10,794	(11,073)/11,073
Volatility	1%/(1%)	357/(343)	349/(340)

29. CONTRACT LIABILITIES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sales of goods	568	501
Analysed into:		
Current	568	501

30. SHARE CAPITAL AND TREASURY SHARES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 September 2019. The share capital of the Company is US$50,000 divided into 500,000,000 ordinary shares, with par value of US$0.0001 each. On 12 April 2022, the authorised share capital of the Company was changed to US$50,000, divided into 500,000,000 shares, consisting of (i) 437,653,900 ordinary shares, with par value of US$0.0001 each; (ii) 19,958,038 Series A Preferred shares, with par value of US$0.0001 each; and (iii) 42,388,062 Series B Preferred shares, with par value of US$0.0001 each. Further details of the issuance of Series A Preferred shares and Series B Preferred shares are set out in note 28 to the Historical Financial Information.

Issued:

	As at 31 December 2024		
	Number of shares in issue	**Share capital**	**Equivalent to**
		US$'000	*RMB'000*
Ordinary shares of US$0.0001 each*	205,500,000	21	135

	As at 31 December 2025		
	Number of shares in issue	**Share capital**	**Equivalent to**
		US$'000	*RMB'000*
Ordinary shares of US$0.0001 each*	205,500,000	21	135

* As at 31 December 2024 and 2025, the total number of issued ordinary shares included 650,500 and 496,500 treasury shares, respectively, held for the share award plan.

31. SHARE-BASED PAYMENTS

Share award plan

A share award plan was adopted by the Company on 29 July 2021 (the "Share Award Plan"). The Share Award Plan is a share incentive scheme and is established to incentivise directors, senior management, employees and consultants for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group.

Subject to any early termination as may be determined by the board of directors pursuant to the terms of the Share Award Plan, the plan will be valid and effective for a term of 10 years commencing on the date of adoption.

Creative Summit Developments Limited was incorporated in the BVI with limited liability on 2 July 2021 by Tri-Link Ventures Limited, which is wholly owned by Mr. Zhaoyang Wang, as the holding company for the purpose of implementing and administering the Share Award Plan. On 17 August 2021, the Company allotted and issued a number of 5,500,000 ordinary shares to Creative Summit Developments Limited at par. On 18 August 2021, the Company established the Share Award Plan Trust, with the Company as the settlor, Mr. Zhaoyang Wang as the trustee and Creative Summit Developments Limited as the holding company for the administration of the Share Award Plan and holds the shares on trust. The Share Award Plan Trust is a fixed trust intended for the benefit of eligible persons entitled to receive a grant in accordance with the terms of the Share Award Plan. The purpose to establish Creative Summit Developments Limited was to facilitate the administration of shares granted or to be granted under the Share Award Plan. Creative Summit Developments Limited and the Share Award Plan Trust were considered as the extension of the Company.

On 18 August 2021 and 1 November 2024, Creative Summit Developments Limited granted 4,712,000 shares and 788,000 shares of the Company to certain employees, respectively. According to the letter of grant, the vesting conditions are mainly related to service period, and the exercise price for each share under the share award plan is nil. The fair value of the shares granted was measured at the grant date by using a discounted cash flow model, taking into account the terms and conditions upon which the shares were granted. The share-based payment expenses are recognised in profit or loss over the vesting periods on a straight-line basis.

The following shares were outstanding under the Share Award Plan:

	Number of shares
At 1 January 2024	
Granted during the year	788,000
Vested during the year	(137,500)
At 31 December 2024	650,500
At 1 January 2025	650,500
Vested during the year	(154,000)
Forfeited during the year	(60,000)
At 31 December 2025	436,500

The Group recognised share-based payment expenses of RMB2,457,000 and RMB3,302,000 during the Relevant Periods, respectively.

32. RESERVES

The Group

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

(i) Capital reserve

Capital reserve of the Group represents the paid-up capital of the companies comprising the Group, the excess of consideration paid by the Group over the par value of the shares repurchased during the Reorganisation and deemed contribution from the then shareholders.

(ii) Share-based payment reserve

The share-based payment reserve of the Group represents the share-based compensation reserve due to equity-settled share-based payment transactions, details of which were set out in note 31 to the Historical Financial Information.

(iii) Share premium

When the share awards are vested, the amount previously recognised in share-based payment reserve and treasury shares are transferred to share premium, details of which were set out in note 31 to the Historical Financial Information.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are as follows:

	Share premium	Share-based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	24,715	71,828	(294,971)	(198,428)
Loss and total comprehensive loss for the year	–	–	(90,966)	(90,966)
Vesting of restricted shares	1,643	(1,643)	–	–
Equity-settled share-based payment expense	–	2,457	–	2,457
At 31 December 2024	26,358	72,642	(385,937)	(286,937)
At 31 December 2024 and 1 January 2025	26,358	72,642	(385,937)	(286,937)
Loss and total comprehensive loss for the year	–	–	(24,087)	(24,087)
Vesting of restricted shares	1,840	(1,840)	–	–
Equity-settled share-based payment expense	–	3,302	–	3,302
At 31 December 2025	28,198	74,104	(410,024)	(307,722)

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,414,000 and RMB7,194,000, respectively, in respect of new lease arrangements and lease modifications for plant and buildings.

During the year ended 31 December 2025, pursuant to the details set out on Note 19 to the Historical Financial Information, the Group had non-cash additions to prepayment of RMB37,783,000 and non-cash decrease in inventory of RMB37,783,000, respectively, in respect of the Raw Materials Supplement Agreement.

During the year ended 31 December 2024, the Group had non-cash increase in other payables and decrease in contract liabilities of RMB288,085,000, in respect of the Amendment Agreement.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Other payables	Interest-bearing loan and other borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	18,168	1,239	221,921	241,328
Changes from financing cash flows	(15,720)	(1,960)	(93,005)	(110,685)
Non-cash transactions	4,414	1,032	–	5,446
Interest expenses	435	–	5,499	5,934
At 31 December 2024 and 1 January 2025	7,297	311	134,415	142,023
Changes from financing cash flows	(4,994)	(1,238)	61,702	55,470
New leases entered into during the year	7,194	–	–	7,194
Non-cash transactions	(2,116)	1,669	–	(447)
Interest expenses	438	–	5,536	5,974
At 31 December 2025	7,819	742	201,653	210,214

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Within operating activities	255	221
Within financing activities	15,634	5,229
Total	15,889	5,450

34. COMMITMENTS

(a) The Group had the following capital commitments at the end of each of the Relevant Periods:

The Group signed the contracts to purchase certain intellectual properties or knowledge and total future payments as at 31 December 2024 and 2025 amounted to RMB80,000,000 and RMB80,000,000, respectively, the payment of which is subject to the achievement of milestones.

(b) The Group had the following lease commitments in relation to short-term leases and lease of low-value assets contracts at the end of each of the Relevant periods:

	As at 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Lease	769	101

35. RELATED PARTY TRANSACTIONS

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

(a) Name of related parties

	Relationship with the Group
Pingdingshan Xingyu Zhongke Membrane Technology Development Co., Ltd. ("Pingdingshan Xingyu")	Company controlled by the substantial shareholder

(b) Outstanding balances with related parties:

(i) Details of the Group's receivables from the shareholders and the Company's receivables from the subsidiaries and shareholders are included in note 18 to the Historical Financial Information. The balances due from shareholders are non-trade in nature and expected to be settled before the [**REDACTED**].

(ii) Details of the Company's payables to the subsidiaries are included in note 24 to the Historical Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2024	**2025**
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	16,770	18,106
Pension scheme contributions	125	139
Equity-settled share-based payment expenses	393	2,591
	17,288	20,836

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

36. 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 amortised cost
	RMB'000
Cash and cash equivalents	138,465
Trade receivables	26,412
Financial assets included in prepayments, other receivables and other assets	5,134
Financial assets included in other non-current assets	1,004
	171,015

Financial liabilities

	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing loans	–	134,415	134,415
Trade payables	–	135,098	135,098
Convertible redeemable preferred shares	1,059,392	–	1,059,392
Financial liabilities included in other payables and accruals	–	102,660	102,660
Other non-current liabilities	–	196,936	196,936
	1,059,392	569,109	1,628,501

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	–	24,151	24,151
Financial assets at fair value through profit or loss	405	–	405
Trade receivables	–	12,131	12,131
Financial assets included in prepayments, other receivables and other assets	–	6,053	6,053
Financial assets included in other non-current assets	–	602	602
	405	42,937	43,342

Financial liabilities

	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing loans and other borrowings	–	201,653	201,653
Trade payables	–	132,106	132,106
Convertible redeemable preferred shares	1,069,049	–	1,069,049
Financial liabilities included in other payables and accruals	–	61,160	61,160
Other non-current liabilities	–	226,660	226,660
	1,069,049	621,579	1,690,628

The Company

As at 31 December 2024

Financial assets

	Financial assets at amortised cost
	RMB'000
Cash and cash equivalents	14,378
Financial assets included in prepayments, other receivables and other assets	2,285
	16,663

Financial liabilities

	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	1,059,392	–	1,059,392
Financial liabilities included in other payables and accruals	–	3,149	3,149
	1,059,392	3,149	1,062,541

As at 31 December 2025

Financial assets

	Financial assets at amortised cost
	RMB'000
Cash and cash equivalents	13
Financial assets included in prepayments, other receivables and other assets	2,757
	2,770

Financial liabilities

	Financial liabilities at fair value through profit and loss	**Financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	1,069,049	–	1,069,049
Financial liabilities included in other payables and accruals	–	8,646	8,646
	1,069,049	8,646	1,077,695

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss*	–	405	–	405

Liabilities measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares**	–	–	1,059,392	1,059,392

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares**	–	–	1,069,049	1,069,049

* Further details of financial assets at fair value through profit or loss are included in note 21 to the Historical Financial Information.

** Further details of preferred shares are included in note 28 to the Historical Financial Information.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, other interest-bearing loans and preferred shares. The Group has various other financial assets and liabilities such as other receivables, trade payables and other payables and accruals and lease liabilities, which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The fluctuations in the exchange rate between RMB and other currencies in which the Group conducts business may affect the Group's results of operations. The Group seeks to limit its exposures to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as 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 (due to translation of monetary assets and liabilities) and the Group's accumulated losses.

	Increase/ (decrease) in the rate of foreign currency	(Increase)/ decrease in loss before tax	(Increase)/ decrease in accumulated losses
	%	*RMB'000*	*RMB'000*
31 December 2024			
If the RMB weakens against the USD	5	966	966
If the RMB strengthens against the USD	(5)	(966)	(966)
31 December 2025			
If the RMB weakens against the USD	5	(244)	(244)
If the RMB strengthens against the USD	(5)	244	244

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to interest-bearing loans. The Group currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

The following table details the effect on the Group's loss before tax for each of the Relevant Periods and accumulated losses as at the end of each reporting period that an increase/decrease of 5% in interest rate would have.

	Increase/ (decrease) in interest rate	Decrease/ (increase) in loss before tax	Decrease/ (increase) in accumulated loss
	%	*RMB'000*	*RMB'000*
31 December 2024			
Increase of interest rate	5	(275)	(275)
Decrease of interest rate	(5)	275	275
31 December 2025			
Increase of interest rate	5	(277)	(277)
Decrease of interest rate	(5)	277	277

Liquidity risk

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

	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	135,247	–	–	–	135,247
Financial liabilities included in other payables and accruals	102,660	–	–	–	102,660
Lease liabilities	–	1,659	3,920	2,520	8,099
Interest-bearing loans	–	85,018	51,180	–	136,198
Convertible redeemable preference shares	–	–	–	995,300	995,300
Other non-current liabilities	–	–	–	197,241	197,241
Total expected undiscounted payments	237,907	86,677	55,100	1,195,061	1,574,745

As at 31 December 2025

	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	132,261	–	–	–	132,261
Financial liabilities included in other payables and accruals	61,160	–	–	–	61,160
Lease liabilities	–	1,175	3,353	4,000	8,528
Interest-bearing loans	–	32,171	110,596	66,958	209,725
Convertible redeemable preference shares	–	–	1,031,426	–	1,031,426
Other non-current liabilities	–	–	–	226,660	226,660
Total expected undiscounted payments	193,421	33,346	1,145,375	297,618	1,669,760

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratios. The Group's overall strategy remained unchanged during the Relevant Periods.

The asset-liability ratios as at the end of each of Relevant Periods are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Total assets	572,710	326,731
Total liabilities	1,671,248	1,731,606
Asset-liability ratio	34%	19%

39. 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.