The following is the text of a report set out on pages I-[1] to I-[3], received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[To insert the firm's letterhead] *[Draft]*

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GANZHOU HEMAY PHARMACEUTICAL CO., LTD. AND SDIC SECURITIES CORPORATE FINANCE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Ganzhou Hemay Pharmaceutical Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[45], which comprises the consolidated statements of financial position as at 31 December 2024 and 2025, the statements of financial position of the Company as at 31 December 2024 and 2025, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2024 and 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[45] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [**REDACTED**] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountant's 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, *Accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2024 and 2025 and the consolidated financial position of the Group as at 31 December 2024 and 2025, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 23 to the Historical Financial Information which states that no dividends have been paid by Ganzhou Hemay Pharmaceutical Co., Ltd. in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB") (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 COMPREHENSIVE INCOME

	Note	Year ended 31 December 2024	2025
		RMB'000	*RMB'000*
Other income	*6*	5,298	5,799
Selling and marketing expenses	*7*	(818)	(989)
General and administrative expenses	*7*	(33,304)	(45,978)
Research and development expenses	*7*	(96,987)	(90,275)
Other gains – net	*8*	3,963	2,414
Operating loss		(121,848)	(129,029)
Finance income	*9*	263	550
Finance costs	*9*	(1,808)	(1,327)
Finance costs – net		(1,545)	(777)
Loss before income tax		(123,393)	(129,806)
Income tax expense	*11*	–	–
Loss for the year		(123,393)	(129,806)
Loss for the year attributable to:			
Owners of the Company		(123,393)	(129,806)
Non-controlling interests		–	–
		(123,393)	(129,806)
Loss for the year		(123,393)	(129,806)
Currency translation differences		(98)	(68)
Total comprehensive loss for the year		(123,491)	(129,874)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(123,491)	(129,874)
Non-controlling interests		–	–
		(123,491)	(129,874)
Loss per share attributable to the owners of the Company (in RMB)			
Basic and diluted loss per share	*12*	(0.32)	(0.33)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2024	2025
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*13*	156,436	149,105
Intangible assets	*15*	66	57
Right-of-use assets	*14*	10,821	9,915
Prepayments and other receivables	*17*	28,747	13,855
Term deposits – non current	*18*	93,075	30,575
		289,145	203,507
Current assets			
Prepayments and other receivables	*17*	11,384	6,557
Term deposits – current	*18*	–	64,954
Cash and cash equivalents	*19*	149,797	57,392
		161,181	128,903
Total assets		450,326	332,410
Liabilities			
Non-current liabilities			
Deferred income	*22*	9,591	9,529
Lease liabilities	*21*	511	13
		10,102	9,542
Current liabilities			
Trade and notes payables	*24*	41,837	38,649
Accruals and other payables	*25*	18,072	20,014
Borrowings	*20*	96,325	100,108
Lease liabilities	*21*	489	572
		156,723	159,343
Total liabilities		166,825	168,885
Equity			
Equity attributable to owners of the Company			
Share capital	*26*	396,847	396,847
Reserves and accumulated losses	*27*	(113,346)	(233,322)
Total equity		283,501	163,525
Total equity and liabilities		450,326	332,410
Net current assets/(liabilities)		4,458	(30,440)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
	Note	**2024**	**2025**
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*13*	40,710	38,600
Right-of-use assets		2,194	2,145
Investment in subsidiaries	*33*	533,449	536,441
Prepayments and other receivables		20,012	4,420
Term deposits – non current	*18*	54,092	10,192
		650,457	591,798
Current assets			
Amounts due from subsidiaries	*34*	289,603	293,594
Prepayments and other receivables		4,228	6,102
Cash and cash equivalents		20,753	23,914
		314,584	323,610
Total assets		965,041	915,408
Liabilities			
Non-current liabilities			
Deferred income		8,424	8,424
Current liabilities			
Trade and notes payables	*24*	26,953	24,577
Accruals and other payables		4,198	10,858
Amounts due to subsidiaries	*34*	10,000	10,007
Borrowings		29,746	36,438
		70,897	81,880
Total liabilities		79,321	90,304
Equity			
Equity attributable to owners of the Company			
Share capital	*26*	396,847	396,847
Reserves and accumulated losses	*27*	488,873	428,257
Total equity		885,720	825,104
Total equity and liabilities		965,041	915,408

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company				
	Share capital	**Reserves**	**Accumulated losses**	**Total**	**Total equity**
	RMB'000 *(Note 26)*	*RMB'000* *(Note 27)*	*RMB'000* *(Note 27)*	*RMB'000*	*RMB'000*
Balance at 1 January 2024	384,895	478,807	(583,561)	280,141	280,141
Loss for the year	–	–	(123,393)	(123,393)	(123,393)
Issuance of shares (*Note 26*)	11,952	103,274	–	115,226	115,226
Share-based payment expenses (*Note 28*)	–	11,625	–	11,625	11,625
Currency translation differences on translation of foreign operations	–	(98)	–	(98)	(98)
Balance at 31 December 2024	396,847	593,608	(706,954)	283,501	283,501
Balance at 1 January 2025	396,847	593,608	(706,954)	283,501	283,501
Loss for the year	–	–	(129,806)	(129,806)	(129,806)
Share-based payment expenses (*Note 28*)	–	9,898	–	9,898	9,898
Currency translation differences on translation of foreign operations	–	(68)	–	(68)	(68)
Balance at 31 December 2025	396,847	603,438	(836,760)	163,525	163,525

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December	
	Note	**2024**	**2025**
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash used in operations	*29(i)*	(91,521)	(81,753)
Interest received	*9*	263	550
Net cash used in operating activities		(91,258)	(81,203)
Cash flows from investing activities			
Payments for property, plant and equipment		(10,693)	(10,455)
Proceeds from sales of property, plant and equipment		331	219
Received from deposits for investment commitment		–	1,000
Received from term deposits with maturities over one year		90,000	–
Interest received from term deposits with maturities over one year		4,250	–
Net cash generated from/(used in) investing activities		83,888	(9,236)
Cash flows from financing activities			
Capital injections from shareholders	*26*	118,000	–
Payment of share issuance transaction cost		(5,115)	–
Payment of [**REDACTED**]		[**REDACTED**]	[**REDACTED**]
Payment of convertible bonds service fee		–	(226)
Settlement of payable to a shareholder related to equity transaction before Track Record Period		(30,000)	–
Repayment of bank borrowings	*20*	(25)	(34,176)
Proceeds from bank borrowings	*29(ii)*	34,176	38,667
Payment of interests on borrowings		(3,560)	(3,810)
Principal payments and interest of lease liabilities	*21*	(2,001)	(483)
Payment for right-of-use assets deposits		–	(6)
Net cash generated from/(used in) financing activities		111,475	(1,958)
Net increase/(decrease) in cash and cash equivalents		104,105	(92,397)
Cash and cash equivalents at the beginning of the year		45,717	149,797
Effects of exchange rate changes on cash and cash equivalents		(25)	(8)
Cash and cash equivalents at the end of the year	*19*	149,797	57,392

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

1.1 General information

Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司) (the "Company") was incorporated as a limited liability company in Ganzhou city, Jiangxi province of the People's Republic of China (the "PRC") on 3 April, 2019. The address of its registered office and headquarters of the Company is west section of Green Source Avenue West District, Hi-tech Industrial Park, Xinfeng County, Ganzhou City, Jiangxi Province, Chinese mainland.

On 15 March 2023, the Company completed the conversion from a limited liability company into a joint stock company with limited liability in Chinese mainland and changed its name from Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業有限公司) to Ganzhou Hemay Pharmaceutical Co., Ltd. (贛州和美藥業股份有限公司).

As of 31 December 2025, Dr. Zhang Hesheng and Ms. Guo Xuemei, collectively hold approximately 46.51% shares interest of the Company, together with entities controlled by them are the controlling shareholders of the Company.

The Company and its subsidiaries (together, the "Group") are biopharmaceutical companies dedicated to the discovery and development of small-molecule drugs of autoimmune diseases and oncology.

The Historical Financial Information are presented in Renminbi ("RMB") thousands, unless otherwise stated.

2 BASIS OF PREPARATION

The material accounting policies applied in the preparation of the Historical Financial Information are set out in Note 2 and 3 and Note 35.1 to 35.10 below, other accounting policies are set in Note 35.11.

2.1 Basis of preparation

(i) Compliance with IFRS Accounting Standards

The Historical Financial Information of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

(ii) Accounting policies

The accounting policies applied in the preparation of the Historical Financial Information has been consistently applied to all the years presented, unless otherwise stated.

(iii) Going concern basis

The Historical Financial Information of the Group has been prepared on a going concern basis. The Group is in the development stage for certain drug candidates and has one drug candidate ready for commercialisation. During the year ended 31 December 2025, the Group incurred a net loss of RMB129,806,000 and net operating cash outflow of RMB81,203,000.

In view of such circumstance, the directors of the Company have carefully considered the Group's available sources of financing and its operating performance in assessing whether the Group will have sufficient financial sources to continue as a going concern for at least the next twelve months from 31 December 2025. The following plans and measures have been implemented to mitigate the liquidity pressure and to improve the financial position of the Group:

(a) The Group has been actively obtaining bank loan facilities to secure source of financing. As of 31 December 2025, the Group had total unutilised bank facilities of approximately RMB470,833,000. Based on the previous experiences with the relevant banks, the directors of the Company are confident that the Group will be able to draw down from these facilities when and as needed.

(b) Depending on the availability of funds, management will dynamically adjust the execution schedule of R&D activities and the corresponding expenditures.

The directors of the Company has reviewed management's cash flow projections covering not less than twelve months from 31 December 2025. Based on the Group's historical performance and management's operating and financing plans, the directors of the Company believe the cash and cash equivalents on hand, and anticipated cash inflow from unutilised banks facilities are sufficient to meet the cash requirements to fund the Group's planned operations, capital expenditures and other obligations for at least the next twelve months after 31 December 2025. Therefore, the Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.2 Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3 ACCOUNTING POLICIES

(a) New standards, amendments to standards and interpretations

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Group and consistently applied throughout the Track Record Period.

(b) New and amended standards and interpretations not yet effective and not been early adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the financial years during the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

Standards	Key requirements	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual improvements to IFRS	Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendment to illustrative Examples on IFRS7, IFRS 8, IAS1, IAS8, IAS36, IAS37	Disclosure about Uncertainties in the financial statements	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective, except for IFRS 18, which will mainly impact the presentation of statements of comprehensive income.

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

Impact on disclosures:

The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required:

– for the first annual period of application of IFRS 18, a reconciliation for each line item in the income statement between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in Chinese mainland with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is not exposed to foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the functional currency.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 21), cash and cash equivalents (Note 19), term deposits (Note 18) and borrowings (Note 20). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risk mainly arises from borrowings. As at 31 December 2024 and 2025, all the Group's borrowings were carried at fixed rates, which exposed the Group to fair value interest rate risk.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of term deposits, and cash at bank are not expected to change significantly.

(b) Credit risk

The Group is exposed to credit risk in relation to receivables, cash and cash equivalents and term deposits. The carrying amounts of receivables, cash and cash equivalents, and term deposits represent our maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and term deposits since they are substantially deposited at or purchased from state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties and the loss allowance provision is considered immaterial.

Management has assessed that during the years ended 31 December 2024 and 2025, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. As at 31 December 2024 and 2025, other receivables mainly comprise deposits. The Group expects that there is no significant credit risk associated with other receivables since the counterparties have no history of default. Accordingly, the expected credit loss of other receivables is considered immaterial.

The loss allowances for other receivables as at the end of the years reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Opening loss allowance at the beginning of the year	77	77
Write-off	–	(77)
Closing loss allowance at the end of the year	77	–

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the ability to apply for credit facilities if necessary. The Group finances its working capital requirements through issue of new shares and borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2024					
Borrowings, including interest payable *(Note 20)*	97,339	–	–	97,339	96,325
Trade and notes payables *(Note 24)*	41,837	–	–	41,837	41,837
Accruals and other payables (excluding salaries and welfare payables and other tax payables) *(Note 25)*	12,909	–	–	12,909	12,909
Lease liabilities *(Note 21)*	521	521	–	1,042	1,000
Total	152,606	521	–	153,127	152,071

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2025					
Borrowings, including interest payable *(Note 20)*	101,296	–	–	101,296	100,108
Trade and notes payables *(Note 24)*	38,649	–	–	38,649	38,649
Accruals and other payables (excluding salaries and welfare payables and other tax payables) *(Note 25)*	13,944	–	–	13,944	13,944
Lease liabilities *(Note 21)*	582	13	–	595	585
Total	154,471	13	–	154,484	153,286

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

As at 31 December 2024 and 2025, the gearing ratios were as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Total debts	97,325	100,693
Total assets	450,326	332,410
Gearing ratio	21.61%	30.29%

Gearing ratio equals total debts, comprising current borrowings and current and non-current lease liabilities, divided by total assets as at the years ended.

4.3 Fair value estimation

(a) This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards:

Level 1: The fair values of financial instruments traded in active markets (such as trading and available-for-sale securities) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

Level 2: The fair values of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	As at 31 December			As at 31 December		
	2024	2025		2024	2025	
Description						
Term deposits	93,075	95,529	Expected rate of return	1.90%-3.10%	1.90%-3.10%	The higher the expected rate of return, the higher the fair value

Key assumption used in the valuation of the fair value of term deposits is expected rate of return. The Group performed sensitivity analysis on expected rate of return for the years ended 31 December 2024 and 2025. If the expected rate of return had increased or decreased by 10% with all other variables held constant, the fair value of term deposits would have been increased or decreased by approximately RMB 308,000 and RMB 553,000 as of 31 December 2024 and 2025.

The following table presents the changes in level 3 instruments for the years ended 31 December 2024 and 2025.

	Financial assets at FVOCI Year ended 31 December 2024	Financial assets at FVOCI Year ended 31 December 2025
	RMB'000	*RMB'000*
Opening balance	183,372	93,075
Accrued interest income	3,953	2,454
Proceeds received	(4,250)	–
Disposed financial instruments	(90,000)	–
Closing balance	93,075	95,529
Total unrealised gains recognised in profit or loss attributable to balances held at the end of the year	–	2,454

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments or discounted cash flow analysis. The Group did not have any financial assets or liabilities measured at fair value on a recurring basis, with the exception of the Group's term deposits, which are measured at fair value through other comprehensive income and which constitute level 3 measurements under the fair value hierarchy. The Group's term deposits are valued based on cash flow discounted using the expected return based on management judgement and estimates.

(c) Fair value of financial assets and liabilities measured at fair value

The Group's financial assets at fair value through other comprehensive income ("FVOCI") as at 31 December 2024 and 2025 were term deposits from banks.

(d) Fair value of financial assets that are not measured at fair value

The Group considers that the carrying amount of the Group's financial assets recorded at amortised cost in the historical financial statements approximate their fair values.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charges in future periods.

(b) Deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the years ended 31 December 2024 and 2025, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences in consideration that Company has not yet reached commercialization and the future taxable profits would be uncertain.

(c) Recoverability of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. These calculations require the use of judgments and estimates. Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. Considering there was a substantial headroom based on the assessment, the directors and management believe that a reasonably possible change in any of the key assumptions would not cause the relevant carrying amount of the CGUs to exceed its recoverable amount.

6 OTHER INCOME

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Government grants *(i)*	5,236	5,737
Amortisation of deferred income *(Note 22)*	62	62
	5,298	5,799

(i) Government grants mainly represent subsidies and assistance received from local municipal governments in connection with the Group's activities in research and development and other one-time awards.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 10)*	37,287	38,923
Outsourced research and development costs	8,713	26,450
Clinical research and service fees	34,350	16,999
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Depreciation of property, plant and equipment *(Note 13)*	13,465	13,006
Share-based payment expenses *(Note 28)*	11,625	9,898
Raw materials and consumables used	10,964	3,618
Patent application/maintenance expenses	393	2,966
Professional service expenses	4,818	1,014
Office expenses	562	1,030
Depreciation of right-of-use assets *(Note 14)*	1,650	840
Traveling and transportation expenses	726	918
Logistic fees	395	369
Amortization of intangible assets *(Note 15)*	9	9
Others	6,152	4,669
	131,109	137,242

8 OTHER GAINS — NET

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Interest income from term deposits	3,953	2,454
Net losses on disposals of property, plant and equipment	(5)	(25)
Others	15	(15)
	3,963	2,414

9 FINANCE COSTS — NET

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Finance income		
Interest income from cash at banks	263	550
Finance costs		
Interest expenses on borrowings and convertible bonds	(3,737)	(3,328)
Less: received government subsidy related to interest	2,040	2,040
Net interest expenses on borrowings and convertible bonds	(1,697)	(1,288)
Interest expenses on lease liabilities	(86)	(31)
Net foreign exchange losses	(25)	(8)
	(1,808)	(1,327)
Finance costs – net	(1,545)	(777)

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries, wages and bonuses	28,961	30,707
Pension obligations, housing funds, medical insurances and other social insurances	6,220	6,427
Other employee benefits	2,106	1,789
Share-based payment	11,625	9,898
	48,912	48,821

(a) As stipulated by rules and regulations in Chinese mainland, the Group contributes to state-sponsored retirement schemes for its employees in Chinese mainland. The Group's employees make monthly contributions to the schemes at certain percentages of the relevant income (comprising salaries, wages and bonuses), subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Employees of the Group in Chinese mainland are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries, wages and bonuses of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(c) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 2025 included 2 and 3 directors, respectively, whose emoluments are reflected in the analysis presented in Note 32.

Details of the remuneration of the remaining 3 and 2 highest paid individuals for the years ended 31 December 2024 and 2025 are as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries and wages	2,310	2,224
Discretionary bonuses	380	202
Employer's contribution to pension schemes – defined contribution	93	48
Other employee benefits, allowance and benefits in kind	134	69
Share-based payment	1,661	707
	4,578	3,250

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2024	2025
Emolument bands		
HKD1,500,001-HKD2,000,000	3	2

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current income tax expense	–	–
Deferred income tax expense	–	–
	–	–

(i) Income tax expense

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.

The PRC

Xiajiang Hemay Pharmaceutical Co., Ltd. had been recognised as High and New Technology Enterprise ("HNTE") in 2025. Ganzhou Hemay Pharmaceutical Co., Ltd. had been recognised as HNTE in 2024. Tianjin Hemay Pharmaceutical Co., Ltd. renewed its status as HNTE in 2023. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when they were granted or renewed the HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries of the Group in Chinese mainland are subject to enterprise income tax rate of 25% for the years ended 31 December 2024 and 2025.

United States of America

Hemay Pharmaceuticals International, Inc. was incorporated in the United States of America and has been dissolved in March 2024. The entity was subject to federal and state income tax rate of 21%.

Commonwealth of Australia

Hemay Pharmaceutical Pty. Ltd was incorporated in Australia and is subject to federal and state income tax rate of 25% for the years ended 31 December 2024 and 2025.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to the Group as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loss before income tax	(123,393)	(129,806)
Income tax expenses calculated at the applicable tax rates	(30,848)	(32,452)
Effect of different tax rate	8,841	10,945
Super deduction of research and development expenses	(11,397)	(8,341)
Expenses not deductible for tax purposes	42	474
Recognition of previously unrecognised temporary differences	(2,006)	(2,714)
Tax losses for which no deferred income tax asset was recognized	35,368	32,088
	–	–

The Group has operations mainly in Chinese mainland and Australia. It is within the scope of the OECD Pillar Two model rules. The Pillar Two model rules in Australia came into effect from 1 January 2025. As of the reporting date, there is no public announcement in jurisdictions including Chinese mainland. The global consolidated revenue of the Group in 2024 and 2025 did not meet the applicable revenue threshold of the Pillar Two Rule. The Group has performed an assessment of the potential exposure of the Group with respect to Pillar Two Global Anti-Base Erosion Proposal ("GloBE") Rules. The assessment is based on the most recently available financial information and financial performance. The Group has estimated that the potential exposure for the year ended 31 December 2025 is immaterial.

(ii) Tax losses

Deductible losses that are not recognized as deferred tax assets will be expired during the Track Record Period are analysed as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Expire year:		
2025	39,028	–
2026	79,211	79,211
2027	99,493	99,493
2028	156,950	156,950
2029	66,683	66,683
2030	47,571	78,781
2031	97,446	97,446
2032	101,831	101,831
2033	90,525	90,525
2034	139,820	139,820
2035	–	161,901
	918,558	1,072,641

(iii) Unrecognised temporary differences

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Unrecognised temporary differences	209,737	167,315

12 BASIC AND DILUTED AND LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2025.

(b) Diluted loss per share

As the Group incurred losses for the reporting periods, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the reporting periods are the same as basic loss per share for the respective years.

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

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	(123,393)	(129,806)
Weighted average number of ordinary shares in issue *('000)*	388,958	396,847
Basic and diluted loss per share *(in RMB)*	(0.32)	(0.33)

As the Group incurred losses in the respective year, potential ordinary shares (i.e., convertible debentures issued by the subsidiary) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

(i) Property, plant and equipment of the Group

	Buildings	Machinery and furniture	Electronic equipment and others	Vehicles	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	138,599	41,519	7,635	961	2,475	191,189
Accumulated depreciation	(11,868)	(12,932)	(3,139)	(894)	–	(28,833)
Net book amount	126,731	28,587	4,496	67	2,475	162,356
Year ended 31 December 2024						
Opening net book amount	126,731	28,587	4,496	67	2,475	162,356
Additions	17	817	156	–	6,891	7,881
Transfer from CIP	3,149	752	97	–	(3,998)	–
Disposals	–	(335)	(1)	–	–	(336)
Depreciation charge *(Note 7)*	(7,391)	(4,182)	(1,873)	(19)	–	(13,465)
Closing net book amount	122,506	25,639	2,875	48	5,368	156,436
At 31 December 2024						
Cost	141,441	42,449	7,859	961	5,368	198,078
Accumulated depreciation	(18,935)	(16,810)	(4,984)	(913)	–	(41,642)
Net book amount	122,506	25,639	2,875	48	5,368	156,436
Year ended 31 December 2025						
Opening net book amount	122,506	25,639	2,875	48	5,368	156,436
Additions	367	2,129	124	249	3,050	5,919
Transfer from CIP	–	–	117	–	(117)	–
Disposals	–	(18)	(208)	(18)	–	(244)
Depreciation charge *(Note 7)*	(7,227)	(4,108)	(1,646)	(25)	–	(13,006)
Closing net book amount	115,646	23,642	1,262	254	8,301	149,105
At 31 December 2025						
Cost	141,808	44,465	6,595	859	8,301	202,028
Accumulated depreciation	(26,162)	(20,823)	(5,333)	(605)	–	(52,923)
Net book amount	115,646	23,642	1,262	254	8,301	149,105

As at 31 December 2024, the Group pledged certain machinery and furniture, vehicles, electronic equipment and others with carrying amount of approximately RMB 4,896,000 to a guarantee company (Note 20) as a counter-guarantee for a guarantee contract entered into with this guarantee company. The guarantee has been released on 14 March 2025 (Note 20).

As at 31 December 2024 and 2025, the Group pledged certain buildings with carrying amount of approximately RMB 11,306,000 and RMB 60,237,000 for the convertible bonds of the Group (Note 20).

During the Track Record Period, the Group's long-term assets primarily comprise the formulation production line of the Company and the active pharmaceutical ingredient production line of Xiajiang Hemay Pharmaceutical Co., Ltd. ("Xiajiang Hemay"). Management has engaged an independent professional valuer to conduct impairment testing on these assets.

The Group considered property, plant and equipment and right-of-use assets (Note 14) of the Company and Xiajiang Hemay as two separate groups of cash-generating units ("CGUs"). Impairment is assessed by comparing each CGU group's recoverable amount with its carrying amount.

The recoverable amount of the aforementioned group of CGUs was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial forecast approved by management covering a 9-to-11-year period reflecting the research and development timelines and expected commercialization schedules of the various pipeline products. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The pre-tax discount rate was estimated by using the weighted average cost of capital (WACC) method. The WACC was calculated by referring to public market data including risk-free rate, beta of comparable public companies, etc., and the specific risk of the company.

Based on the assessment results, no impairment was recognized for the CGUs as at 31 December 2024 and 2025. The recoverable amount is significantly higher than the carrying amount by several multiples, for the Company's CGUs, the multiples were 43.14 times and 58.92 times, and for Xiajiang Hemay's CGUs, the multiples were 2.76 times and 3.32 times as at 31 December 2024 and 2025.

Considering there was a substantial headroom based on the assessment, the directors and management believe that a reasonably possible change in any of the key assumptions would not cause the relevant carrying amount of the CGUs to exceed its recoverable amount.

(ii) Property, plant and equipment of the Company

	Buildings	Machinery and furniture	Electronic equipment and others	Vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024						
Cost	38,002	14,446	1,419	160	–	54,027
Accumulated depreciation	(4,519)	(4,363)	(743)	(133)	–	(9,758)
Net book amount	33,483	10,083	676	27	–	44,269
Year ended 31 December 2024						
Opening net book amount	33,483	10,083	676	27	–	44,269
Additions	–	181	37	–	–	218
Disposals	–	(178)	–	–	–	(178)
Depreciation charge	(1,808)	(1,496)	(276)	(19)	–	(3,599)
Closing net book amount	31,675	8,590	437	8	–	40,710
At 31 December 2024						
Cost	38,002	14,342	1,456	160	–	53,960
Accumulated depreciation	(6,327)	(5,752)	(1,019)	(152)	–	(13,250)
Net book amount	31,675	8,590	437	8	–	40,710
Year ended 31 December 2025						
Opening net book amount	31,675	8,590	437	8	–	40,710
Additions	27	762	29	–	690	1,508
Depreciation charge	(1,820)	(1,550)	(248)	–	–	(3,618)
Closing net book amount	29,882	7,802	218	8	690	38,600
At 31 December 2025						
Cost	38,029	15,104	1,485	160	690	55,468
Accumulated depreciation	(8,147)	(7,302)	(1,267)	(152)	–	(16,868)
Net book amount	29,882	7,802	218	8	690	38,600

14 RIGHT-OF-USE ASSETS

	Land use rights	Offices	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024			
Cost	10,397	6,884	17,281
Accumulated depreciation	(625)	(4,099)	(4,724)
Net book amount	9,772	2,785	12,557
Year ended 31 December 2024			
Opening net book amount	9,772	2,785	12,557
Depreciation charge	(210)	(1,526)	(1,736)
Closing net book amount	9,562	1,259	10,821
At 31 December 2024			
Cost	10,397	6,884	17,281
Accumulated depreciation	(835)	(5,625)	(6,460)
Net book amount	9,562	1,259	10,821
Year ended 31 December 2025			
Opening net book amount	9,562	1,259	10,821
Addition	–	37	37
Depreciation charge	(210)	(733)	(943)
Closing net book amount	9,352	563	9,915
At 31 December 2025			
Cost	10,397	2,083	12,480
Accumulated depreciation	(1,045)	(1,520)	(2,565)
Net book amount	9,352	563	9,915

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Research and development expenses	1,321	549
Administrative expenses	415	394
Less: amounts capitalised in property, plant and equipment	(86)	(103)
	1,650	840

Land use rights represent the land use rights granted by Chinese mainland government authority on the use of land within the pre-approved lease period. The original lease terms of the land use rights of the Group held in Chinese mainland are 50 years.

As at 31 December 2024 and 2025, the Group pledged certain land use rights with carrying amount of approximately RMB643,000 and RMB2,297,000 for the convertible bonds of Group (Note 20).

15 INTANGIBLE ASSETS

	Software
	RMB'000
At 1 January 2024	
Cost	90
Accumulated amortisation	(15)
Net book amount	75
Year ended 31 December 2024	
Opening net book amount	75
Amortisation charge	(9)
Closing net book amount	66
At 31 December 2024	
Cost	90
Accumulated amortisation	(24)
Net book amount	66
Year ended 31 December 2025	
Opening net book amount	66
Amortisation charge	(9)
Closing net book amount	57
At 31 December 2025	
Cost	90
Accumulated amortisation	(33)
Net book amount	57

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial assets at amortised cost		
Cash and cash equivalents	149,797	57,392
Prepayment and other receivables (excluding prepayments and value added tax recoverable)	2,743	1,767
	152,540	59,159

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial assets at FVOCI		
Term deposits	93,075	95,529

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Financial liabilities at amortised cost		
Borrowings	96,325	100,108
Trade and notes payables	41,837	38,649
Accruals and other payables (excluding salaries and welfare payables and other tax payables)	12,909	13,944
Lease liabilities	1,000	585
	152,071	153,286

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Non-current		
Value added tax recoverable	26,589	11,847
Deposits	1,687	1,687
Prepayment to suppliers	471	321
	28,747	13,855
Current		
Prepayment for clinical research and services and outsourced research and development	9,720	3,238
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepayment to suppliers	608	203
Deposits	1,087	12
Others	46	68
Less: loss allowance	(77)	–
	11,384	6,557
	40,131	20,412

As at 31 December 2024 and 2025, the carrying amounts of other receivables were denominated in RMB and approximated their fair values.

18 TERM DEPOSITS

(i) Term Deposits of the Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Term deposits in RMB – current	–	64,954
Term deposits in RMB – non-current	93,075	30,575
	93,075	95,529

(ii) Term Deposits of the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Term deposits in RMB	54,092	10,192

(a) Term deposits held by the Group as at 31 December 2024 and 2025 are at fixed interests rate at 1.90%-3.10% and 1.90%-3.10%, respectively, per annum with certain duration, and are held for collection of contractual cash flows and for selling the financial assets, therefore term deposits are measured as FVOCI. These term deposits were neither past due nor impaired. These term deposits were approximated their fair value.

19 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash at bank	149,797	57,392
Cash at bank balances denominated in:		
– RMB	148,529	55,305
– USD	–	–
– AUD	1,268	2,087
	149,797	57,392

20 BORROWINGS

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current		
Short-term bank borrowings *(Note (a))*	34,176	38,667
Convertible bonds *(Note (b))*	62,149	61,441
	96,325	100,108

As at 31 December 2024 and 2025, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Less than 1 year or repayment on demand	96,325	100,108

The carrying amounts of borrowings were denominated in RMB.

(a) As at 31 December 2025, short-term bank borrowings of RMB38,667,000 were drawn down under loan facilities of RMB509,500,000.

As at 31 December 2024, a bank borrowing of RMB4,430,000 was drawn down under a loan facility of RMB9,800,000 guaranteed by the Company, Dr. Zhang Hesheng, Mr. Chen Yingwei (a director of the Company) and Xiajiang County Yucai Financing Guarantee Co., Ltd.. This bank borrowing of RMB4,430,000 was repaid on 14 March 2025, and the related loan facility and guarantees were released accordingly.

As at 31 December 2024, guaranteed bank borrowings of RMB29,746,000 comprise of a letter of credit amounted to RMB8,012,000 and short-term bank borrowings amounted to RMB21,734,000. Those guaranteed bank borrowings were drawn down under a loan facility of RMB100,000,000 guaranteed by Dr. Zhang Hesheng. The guarantee of Dr. Zhang Hesheng was subsequently released by the bank on 10 April 2025.

(b) Xiajiang Hemay, a subsidiary of the Company issued convertible bonds with the principal of RMB60,000,000 and the interest rate of 4.9% to a third party (the "Subscriber") on 12 March 2020.

The contractual terms stipulate that the maturity date shall be 12 March 2025, with annual interest payments due on 12 March and full principal repayment upon maturity. If the principal and interest are not paid on the payment date or maturity date, the Subscriber has the right to apply for the conversion of the outstanding principal and interest of the convertible bonds into shares of Xiajiang Hemay in accordance with the valuation price within nine months from the default date.

The conversion right is treated as a derivative financial liability because its term does not meet the definition of an equity instrument. The valuation assessment of the fair value of the embedded derivative considers two aspects (1) the probability of such event-driven (default driven) affair occurring, and (2) the evaluation of additional gains or losses to the Subscriber resulting from such conversion trigger. With regard of the valuation of convertible bonds, since the payoff to the Subscriber is deemed to be zero both before and after the conversion-triggering event, the fair value of the conversion right is zero.

As at 12 March 2025, Xiajiang Hemay has not repaid the convertible bonds upon maturity, as the Group was negotiating with the Subscriber to enter into a new arrangement. The Subscriber has agreed that until a time when new agreement for the convertible bonds is entered into or 31 December 2025, whichever is later, the Subscriber will not consider Xiajiang Hemay's non-payment of principal and related interests as an event of default, and the Subscriber will not exercise its conversion rights. During this period, the Subscriber agreed that the interest rate would be the loan prime rate.

As at 27 June 2025, Xiajiang Hemay and Subscriber entered into a supplemental agreement, pursuant to which the term of the convertible bonds was extended to March 2026, and the applicable interest rate for a period from March 2025 to March 2026 will be amended to 3.6% per annum.

As at 31 December 2024 and 2025, the Group pledged certain buildings with a carrying amount of approximately RMB11,306,000 and RMB60,237,000 respectively (Note 13) and certain land use rights with carrying amount of approximately RMB643,000 and RMB2,297,000 respectively (Note 14) for the convertible bonds of the Group. Both the Company and Tianjin Hemay Pharmaceutical Co., Ltd. also provided guarantee for the convertible bonds.

As at 12 March 2026, Xiajiang Hemay repaid the principal and interest of the convertible bonds.

(c) The weighted average effective interest rate was 4.33% and 3.65% as at 31 December 2024 and 2025 respectively.

21 LEASE LIABILITIES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Minimum lease payments due		
– Within 1 year	521	582
– Between 1 and 2 years	521	13
	1,042	595
Less: future finance charges	(42)	(10)
Present value of lease liabilities	1,000	585
Current portion Lease liabilities	489	572
Non-current portion of lease liabilities	511	13
– Within 1 year	489	572
– Between 1 and 2 years	511	13
	1,000	585

The following table sets forth the discount rate of the lease liabilities as the dates indicated:

	As at 31 December	
	2024	2025
Lease liabilities	4.65%	3.5%-4.65%

The Group leases various properties and land use right for operation and these liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

The loss and total comprehensive loss shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Leased properties	1,526	733
Land use right	210	210
Less: amounts capitalised in property, plant and equipment	(86)	(103)
	1,650	840
Interest expense (included in finance costs)	(86)	(31)
Expense relating to short-term leases (included in administrative expenses)	22	662

The total cash outflow for leases in year 2024 and 2025 were RMB2,023,000 and RMB1,145,000 respectively.

Information about right-of-use assets is set out in Note 14.

22 DEFERRED INCOME

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Government grants	9,591	9,529

Deferred income represented government grants received relating to property, plant and equipment, which will be recognized over the estimated useful lives of the related assets.

23 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended 31 December 2024 and 2025.

24 TRADE AND NOTES PAYABLES

(i) Trade and Notes Payables of the Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade and notes payables *(Note (a))*	41,837	38,649

As at 31 December 2024 and 2025, all trade and notes payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

(a) As at 31 December 2024 and 2025, the ageing analysis of trade and notes payables based on invoice date are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
– Within 1 year	41,526	36,109
– More than one year	311	2,540
Total	41,837	38,649

(ii) Trade and Notes Payables of the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Trade and notes payables *(Note (a))*	26,953	24,577

(a) As at 31 December 2024 and 2025, the ageing analysis of trade and notes payables based on invoice date are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
– Within 1 year	26,512	24,559
– More than one year	441	18
Total	26,953	24,577

25 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Payable for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payable of purchase of property, plant, and equipment	11,211	7,178
Salaries and welfare payables	4,699	5,609
Payable for professional service fees	680	13
Other tax payables	464	461
Others	1,018	247
Total	18,072	20,014

26 SHARE CAPITAL — THE GROUP AND THE COMPANY

Share capital as at 31 December 2024 and 2025, represented the share capital of the Group and the Company.

	Share capital	Numbers of shares
	RMB'000	
Authorised capital:		
As at 31 December 2024	396,847	396,846,576
As at 31 December 2025	396,847	396,846,576

	Share capital	Numbers of shares
	RMB'000	
Issued and fully paid capital:		
As at 1 January 2024	384,895	384,894,546
Issuance of shares *(i)*	11,952	11,952,030
As at 31 December 2024, 1 January 2025 and 31 December 2025	396,847	396,846,576

(i) According to the related shareholder agreement, the Company issued 11,952,030 new shares at total consideration of RMB118,000,000 in cash, with the incremental directly attributable transaction cost of RMB2,774,000.

27 RESERVES AND ACCUMULATED LOSSES

(i) Reserves and Accumulated Losses of the Group

	Share premium	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	453,455	157	25,195	(583,561)	(104,754)
Loss for the year	–	–	–	(123,393)	(123,393)
Capital injection	103,274	–	–	–	103,274
Share-based payment expenses	–	–	11,625	–	11,625
Currency translation differences on translation of foreign operations	–	(98)	–	–	(98)
As at 31 December 2024	556,729	59	36,820	(706,954)	(113,346)
As at 1 January 2025	556,729	59	36,820	(706,954)	(113,346)
Loss for the year	–	–	–	(129,806)	(129,806)
Share-based payment expenses	–	–	9,898	–	9,898
Currency translation differences on translation of foreign operations	–	(68)	–	–	(68)
As at 31 December 2025	556,729	(9)	46,718	(836,760)	(233,322)

(ii) Reserves and accumulated losses of the Company

	Share premium	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	453,455	25,195	(37,916)	440,734
Loss for the year	–	–	(66,760)	(66,760)
Capital injection	103,274	–	–	103,274

	Share premium	Share based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share-based payment expenses	–	11,625	–	11,625
As at 31 December 2024	556,729	36,820	(104,676)	488,873
As at 1 January 2025	556,729	36,820	(104,676)	488,873
Loss for the year	–	–	(70,514)	(70,514)
Share-based payment expenses	–	9,898	–	9,898
As at 31 December 2025	556,729	46,718	(175,190)	428,257

28 SHARE-BASED PAYMENT

The share-based payment expenses charged to the consolidated statements of comprehensive income during the Track Record Period were as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Employee share ownership plans ("ESOP")	11,625	9,898

The accumulated share-based payment of the Group during the Track Record Period were as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Share based payment – the Group	36,820	46,718

(i) Details of the Group's employee share ownership plans

A limited partnership, namely Ganzhou Heyi Technical Consulting Center (Limited Partnership) (贛州和毅技術諮詢中心(有限合夥)) ("Ganzhou Heyi") was set up in September 2021, as the employee shareholding platform ("Employee Incentive Platform") to hold the shares granted to employees.

Participants of the ESOP (the "Participants") are granted limited partnership interests (the "Awards") in the Employee Incentive Platform. Upon receiving the Awards, the Participants indirectly receive economic interest in the pro rata portion of the underlying shares held by the Employee Incentive Platform.

(ii) Awards granted under ESOP

On 9 November 2021 (the grant date), common capitals of RMB552,633 (15,566,325 shares as adjusted upon the conversion into a joint stock company) of the Company with a grant price of RMB1.00 per share were granted to certain directors, senior management and employees through the Ganzhou Heyi, while the fair value of common capitals of the Company at the grant date was estimated to be RMB109.00 per unit common capital.

The fair value at grant date is independently valued by an qualified valuer using an option pricing model that takes into account the issue price of series C redemption liabilities from the nearest financing activity, risk free rate, the expected dividend yield, the probabilities of different scenarios (liquidation, redemption and [**REDACTED**]), the expected time to liquidation/redemption/[**REDACTED**] and historical volatilities of the peer group companies' shares.

The shares will be vested upon the expiration of a 12-month period following the company's [**REDACTED**]. The total amount of share-based payment was expensed over the vesting period.

During the Track Record Period, no share was granted or forfeited.

Key assumptions are set as below:

	RMB
Risk-free interest rate	2.52%
Expected volatility	47.4%
Dividend yield ratio	0.0%
Grant date option fair value per unit common capital	109.00

As at 31 December 2024 and 2025, the number of award shares held by the directors, senior management and employees under the ESOP is 15,566,325.

29 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loss before income tax	(123,393)	(129,806)
Adjustments for:		
Amortisation of intangible assets *(Note 15)*	9	9
Depreciation of property, plant and equipment *(Note 13)*	13,465	13,006
Depreciation of right-of-use assets *(Note 14)*	1,736	840
Interest expenses *(Note 9)*	3,848	3,359
Interest income *(Note 9)*	(263)	(550)
Interest income from term deposit *(Note 8)*	(3,953)	(2,454)
Amortisation of deferred income *(Note 6)*	(62)	(62)
Losses on disposal of property, plant and equipment *(Note 8)*	5	25
Share-based payment expenses *(Note 28)*	11,625	9,898
Changes in working capital:		
– Prepayment and other receivables	3,345	19,331
– Trade and notes payables	2,751	(3,188)
– Accruals and other payables	(634)	7,839
Cash used in operations	(91,521)	(81,753)

(ii) Reconciliation of liabilities from financing activities

	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024	2,915	61,997	64,912
Cash outflows	(2,001)	(3,585)	(5,586)
Cash inflows	–	34,176	34,176
Interest expenses	86	3,737	3,823
At 31 December 2024	1,000	96,325	97,325
At 1 January 2025	1,000	96,325	97,325
Cash outflows	(483)	(38,212)	(38,695)
Cash inflows	–	38,667	38,667
New lease	37	–	37
Interest expenses	31	3,328	3,359
At 31 December 2025	585	100,108	100,693

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control, joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and, common significant influence or joint control.

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Other than the related party transactions disclosed in Note 20, the other related party transactions are disclosed as below.

(i) Key management compensation:

Key management includes directors (executive and non-executive), supervisors and members of key management. The compensation paid or payable to key management for employee services is as follows:

	Year ended 31 December	
	2024	2025
	RMB'000	*RMB'000*
Salaries, wages and bonuses	5,231	6,790
Discretionary bonuses	1,571	1,766
Employer's contribution to pension schemes – defined contribution	368	363
Other employee benefits, allowance and benefits in kind	505	464
Share-based payment expenses	10,795	9,192
	18,470	18,575

31 COMMITMENTS

(i) Lease commitments (excluding the right-of-use assets and lease liabilities)

As at 31 December 2024 and 2025, the Group leases some offices under irrevocable lease contracts with lease term less than one year and leases of low value that have been exempted from recognition of right-of-use assets permitted under IFRS16. The future aggregate minimum lease payment under irrevocable lease contracts for these exempted contracts are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
No later than 1 year	–	591

(ii) Capital expenditure commitments

Capital expenditure contracted for as at 31 December 2024 and 2025 but not yet incurred by the Group are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Property, plant and equipment	2,624	2,236

32 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2025 are as follows:

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Dr. Zhang Hesheng	1,033	660	38	2	7,070	8,803
Executive directors						
Mr. Chen Yingwei	691	252	48	69	707	1,767
Ms. Huo Aihong	321	185	32	46	471	1,055
Non-executive directors						
Mr. Ren Yonghua	–	–	–	–	–	–
Mr. Zhang Guangneng	–	–	–	–	–	–
Mr. Wang Quanxi	50	–	–	–	–	50
Mr. Shao Leilei	120	–	–	–	–	120
Ms. Jia Meng	68	–	–	–	–	68
Dr. Yang Cheng	120	–	–	–	–	120
	2,403	1,097	118	117	8,248	11,983
Supervisors						
Mr. Wei Xiaodi	301	147	–	1	–	449
Mr. Zhang Donglei	287	90	48	69	-	494
Ms. Lv Jingjing	194	42	37	49	–	322
	782	279	85	119	–	1,265

Ms. Huo Aihong was appointed as an executive director in May 2025. Ms. Huo has been served as a senior management of the Group during the Track Record Period and the tables above disclose her remuneration during the period when she served as a director. Ms. Jia Meng was appointed as a non-executive director in May 2025. Mr. Wang Quanxi was resigned in May 2025. Mr. Ren Yonghua was resigned in April 2025.

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2024 are as follows:

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Dr. Zhang Hesheng	1,201	660	38	37	8,304	10,240
Executive directors						
Mr. Chen Yingwei	611	220	47	67	830	1,775
Non-executive directors						
Mr. Ren Yonghua	–	–	–	–	–	–
Mr. Zhang Guangneng	–	–	–	–	–	–
Mr. Wang Quanxi	120	–	–	–	–	120
Mr. Shao Leilei	120	–	–	–	–	120
Dr. Yang Cheng	120	–	–	–	–	120
	2,172	880	85	104	9,134	12,375

	Basic salaries and wages	Discretionary bonus	Pension obligations-defined contribution plans	Other employee benefits, allowance and benefits in kind	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors						
Mr. Wei Xiaodi	304	121	1	3	–	429
Mr. Zhang Donglei	270	68	47	67	–	452
Ms. Lv Jingjing	189	32	34	46	–	301
	763	221	82	116	–	1,182

(b) Directors' and supervisors' retirement benefits

No retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director, a supervisor in respect of his services as a director, a supervisor or other services in connection with the management of the affairs of the Group for the Track Record Period.

(c) Directors' and supervisors' termination benefits

None of the directors, supervisors received or will receive any termination benefit during the Track Record Period.

(d) Consideration provided to third parties for making available directors', supervisors' services

The Group did not pay consideration to any third party for making available directors', supervisors' services during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors.

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors and supervisors subsisted at the end of the year or at any time during the Track Record Period.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director, a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

33 SUBSIDIARIES

(a) Investments in subsidiaries — the Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Investment in unlisted shares *(i)*	509,120	509,120
Share-based payments for subsidiaries employees	24,329	27,321
	533,449	536,441

(i) Particulars of the subsidiaries of the Group as at 31 December 2024 and 2025 are set out below:

Name	Place of incorporation and operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company: As of 31 December 2024	2025	As at the date of this report	Principal activities
Directly held:							
Xiajiang Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	2 March 2012	RMB100,000,000	100%	100%	100%	Drug production
Tianjin Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	27 August 2014	RMB80,000,000	100%	100%	100%	Research and development of drugs
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.*	Chinese mainland	25 July 2016	RMB30,000,000	100%	100%	100%	Research and development of drugs
Anhui Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	24 May 2023	RMB80,000,000	100%	100%	100%	Drug production
Gansu Hemay Pharmaceutical Co., Ltd.*	Chinese mainland	31 October 2024	RMB98,000,000	100%	100%	100%	Drug production
Indirectly held:							
Tianjin Hemay Bio-Tech Co., Ltd.*	Chinese mainland	26 July 2002	RMB2,590,000	100%	100%	100%	No substantive business operations
Hemay Pharmaceutical Pty. Ltd.	Australia	18 September 2015	AUD3,488,769	100%	100%	100%	Application of clinical trials in Australia
Hemay Pharmaceuticals International, Inc.	the USA	31 March 2017	USD600,000	Deregistered	Deregistered	Deregistered	Research and development of drugs

No audited statutory financial statements have been issued for these entities as there are no statutory requirements in the respective places of incorporation.

Hemay Pharmaceuticals International, Inc. was deregistered on 6 March 2024.

* The English names of the subsidiaries are translation made by management of the Company as they do not have official English names.

34 AMOUNTS DUE TO/FROM SUBSIDIARIES — THE COMPANY

(a) Amounts due from subsidiaries

	As at 31 December 2024	2025
	RMB'000	*RMB'000*
Gansu Hemay Pharmaceutical Co., Ltd.	175	102,441
Tianjin Hemay Pharmaceutical Co., Ltd.	209,900	101,627
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.	64,028	64,026
Xiajiang Hemay Pharmaceutical Co., Ltd.	15,500	25,500
	289,603	293,594

(b) Amounts due to subsidiaries

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Anhui Hemay Pharmaceutical Co., Ltd.	–	8,000
Hemay Pharmaceutical Pty. Ltd.	–	1,090
Tianjin Hemay Pharmaceutical Co., Ltd.	–	870
Tianjin Hemay Oncology Pharmaceutical Co., Ltd.	–	47
Gansu Hemay Pharmaceutical Co., Ltd.	10,000	–
	10,000	10,007

The amounts due to/from subsidiaries is unsecured and payable or receivable on demand.

35 SUMMARY OF MATERIAL AND OTHER ACCOUNTING POLICIES

35.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

35.2 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	20 years
– Machinery and furniture	5 - 10 years
– Vehicles	4 years
– Electronic equipment and others	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35.3).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

Construction-in-progress represents properties and equipment under construction and is stated at cost less impairment. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for intended use.

35.3 Impairment of non-financial assets

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

35.4 Financial assets

(a) Classification

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

(i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(ii) those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(b) Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in finance costs and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss ("FVPL"). A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statements of comprehensive income as applicable.

35.5 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

35.6 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

35.7 Borrowings

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

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

35.8 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax, which is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. When it is not probable, the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and tax losses.

Outside basis differences

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associates' and joint ventures' undistributed profit is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

35.9 Share-based payments

The fair value of the employee services received in exchange for the grant of equity instruments (the "share-based payment") is the difference between the fair value of each award share of the Company and the cash consideration to be paid by the participant, and is recognized as an expense in "employee benefit expenses" in the consolidated statement of comprehensive income, with a corresponding increase in equity.

The total amount of share based payment of the Group was expensed over the vesting period.

At the end of each reporting period during the Track Record Period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

35.10 Intangible assets

(a) Software

Acquired software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of 10 years. The Group should assess whether there is any indication that software is impaired at each financial year end.

(b) Research and development ("R&D")

The research and development expenses of this Group mainly include expenses such as materials consumed for the implementation of research and development activities, salaries of R&D department employees, depreciation and amortization of R&D equipment and software assets, R&D testing, R&D technical service fees.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

35.11 Other accounting policies

35.11.1 Separate financial statements

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

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

35.11.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

During the years ended 31 December 2024 and 2025, the Group has been focusing on research and development of innovative medicine products. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

35.11.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The historical financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains or losses.

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

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

35.11.4 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

35.11.5 Other receivables

Other receivables are amounts for deposits and others. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Group holds the other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For impairment of other receivables, refer to Note 35.11.4.

35.11.6 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to past expenses are recognised directly in the consolidated statements of comprehensive income.

The interest subsidies directly received from government are recorded as a reduction of interest expenses to match the interest cost incurred.

Government grants relating to future costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as "Deferred income" and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

35.11.7 Redemption liabilities

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount ("Redemption liabilities") even if the Group's obligations to purchase is conditional on the counterparty exercising a right to redeem.

Capital reserve is debited to reflect the carrying amount of the redemption liabilities when initial recognition of redemption liabilities, and will be reversed when the redemption liabilities are derecognised. Subsequently, the redemption liabilities are measured at amortised cost with interest charged in finance costs.

The Group removes redemption liabilities to financial investors when, and only when, the redemption obligations are discharged, cancelled or expired. The carry amount of the removed redemption liabilities to financial investors is reclassified into equity, if the contract expires without delivery.

35.11.8 Employee benefits

The Group entities in Chinese mainland participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Chinese mainland and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made.

The contributions are recognised as employee benefit expense when they are due.

35.11.9 Share capital

Ordinary shares are classified as equity.

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

35.11.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

35.11.11 Interest income

Interest income from financial assets at FVOCI is included in the other gains/(losses) on these assets.

Interest income on cash and cash equivalent which are measured at amortised cost calculated using the effective interest method is recognised in finance income.

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

35.11.12 ***Leases and right-of-use assets***

The Group leases properties and land use rights in Chinese mainland as lessee. The consideration paid for lease are treated as right-of-use assets, which are stated at cost less accumulative amortisation and accumulated impairment losses, if any. land use right is amortised over the lease period of 50 years using straight-line method.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 35.3).

Rental contracts are typically made for fixed periods of 6 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain various terms and conditions.

Leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased assets is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Right-of-use assets are subject to impairment (Note 35.3).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise small items of machinery.

36 CONTINGENCIES

As at 31 December 2024 and 2025, there were no significant contingencies for the Group and the Company.

37 SUBSEQUENT EVENTS

There are no material subsequent undertaken by or impacted on the Company or the Group subsequent to 31 December 2025 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2025 and up to the date of the report.