The following is the text of a report set out on pages I-1 to I-[52], received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LYNK PHARMACEUTICALS CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Lynk Pharmaceuticals Co., Ltd.* (凌科藥業(浙江)股份有限公司) (previously known as Lynk Pharmaceuticals Co., Ltd.* (凌科藥業(杭州)有限公司)) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[52], which comprises the consolidated statements of financial position of the Group as at December 31, 2024 and 2025 and March 31, 2026, the statements of financial position of the Company as at December 31, 2024 and 2025 and March 31, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of two years ended December 31, 2024 and 2025 and the three months ended March 31, 2026 (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-52] 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 (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

* *English name for identification purpose only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2024 and 2025 and March 31, 2026, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2025 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing ("HKSAs") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with HKSAs issued by the HKICPA ("Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	**Year ended December 31,**		**Three months ended March 31,**	
		2024	**2025**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	–	–	–	38,643
Gross profit		–	–	–	38,643
Other income	8	16,978	57,002	21,830	7,340
Other gains and losses	9	1,129	(1,281)	24	(928)
Administrative expenses		(31,466)	(25,942)	(6,641)	(8,454)
Research and development expenses		(222,552)	(158,398)	(38,626)	(32,147)
[REDACTED] expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Finance costs	10	(76,349)	(57,714)	(18,809)	(182)
(Loss)profit before tax		(312,260)	(203,481)	(42,222)	2,459
Income tax expense	11	–	–	–	–
(Loss)profit for the year/period	12	(312,260)	(203,481)	(42,222)	2,459
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(63)	88	6	62
Other comprehensive (expense) income for the year/period		(63)	88	6	62
Total comprehensive (expense) income for the year/period		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
(Loss)profit per share – Basic and diluted *(RMB)*	15	(23.55)	(10.70)	(3.18)	0.07

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2024	At December 31, 2025	At March 31, 2026
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment	16	6,729	5,899	5,921
Right-of-use assets	17	2,547	2,553	2,125
Rental deposits	19	444	462	480
Term deposits	20	90,000	–	–
		99,720	8,914	8,526
CURRENT ASSETS				
Financial assets at fair value through profit or loss ("FVTPL")	18	–	–	3,848
Prepayments, deposits and other receivables	19	22,953	24,416	32,320
Term deposits	20	–	50,000	50,000
Restricted bank deposits	20	–	–	13,650
Cash and cash equivalents	20	164,014	98,554	144,123
		186,967	172,970	243,941
CURRENT LIABILITIES				
Trade and other payables	21	43,251	58,868	57,710
Bank borrowings	23	5,850	19,184	27,350
Lease liabilities	25	1,103	1,378	1,390
Redemption liabilities	26	1,196,542	–	–
Amounts due to related parties	27	684	–	–
		1,247,430	79,430	86,450
NET CURRENT (LIABILITIES) ASSETS		(1,060,463)	93,540	157,491
TOTAL ASSETS LESS CURRENT LIABILITIES		(960,743)	102,454	166,017

	NOTES	At December 31, 2024	At December 31, 2025	At March 31, 2026
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Bank borrowings	23	–	–	6,150
Other non-current liabilities	22	125,472	125,472	125,472
Lease liabilities	25	1,051	808	700
Deferred income	24	16,080	16,080	16,080
		142,603	142,360	148,402
NET (LIABILITIES) ASSETS		(1,103,346)	(39,906)	17,615
CAPITAL AND RESERVES				
Paid-in capital/share capital	28	23,642	36,702	37,279
Reserves		(1,126,988)	(76,608)	(19,664)
TOTAL (DEFICITS) EQUITY		(1,103,346)	(39,906)	17,615

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At December 31,		At March 31,
	NOTES	**2024**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment	16	3,714	2,495	2,594
Right-of-use assets	17	2,547	2,553	2,125
Rental deposits	19	437	462	441
Term deposits	20	90,000	–	–
Investments in subsidiaries	37	77,238	78,710	74,897
		173,936	84,220	80,057
CURRENT ASSETS				
Financial assets at FVTPL	18	–	–	3,848
Prepayments, deposits and other receivables	19	12,336	18,258	21,326
Amounts due from a subsidiary	27	106	–	–
Term deposits	20	–	50,000	50,000
Restricted bank deposits	20	–	–	13,650
Cash and cash equivalents	20	106,911	64,930	138,440
		119,353	133,188	227,264
CURRENT LIABILITIES				
Trade and other payables	21	39,401	57,682	55,740
Bank borrowings	23	5,850	19,184	27,350
Lease liabilities	25	1,103	1,378	1,390
Amounts due to related parties	27	684	–	–
Amounts due to subsidiaries	27	10,452	36,710	56,824
Redemption liabilities	26	1,196,542	–	–
		1,254,032	114,954	141,304
NET CURRENT (LIABILITIES) ASSETS		(1,134,679)	18,234	85,960
TOTAL ASSETS LESS CURRENT LIABILITIES		(960,743)	102,454	166,017

		At December 31,		At March 31,
	NOTES	**2024**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Bank borrowings	23	–	–	6,150
Other non-current liabilities	22	125,472	125,472	125,472
Lease liabilities	25	1,051	808	700
Deferred income	24	16,080	16,080	16,080
		142,603	142,360	148,402
NET (LIABILITIES) ASSETS		(1,103,346)	(39,906)	17,615
CAPITAL AND RESERVES				
Paid-in capital/share capital	28	23,642	36,702	37,279
Reserves	31	(1,126,988)	(76,608)	(19,664)
TOTAL (DEFICITS) EQUITY		(1,103,346)	(39,906)	17,615

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Share capital *RMB'000*	Capital reserves *RMB'000* *(Note a)*	Share premium *RMB'000*	Translation reserve *RMB'000*	Other reserve *RMB'000* *(Note b)*	Accumulated losses *RMB'000*	Total *RMB'000*
At January 1, 2024	23,588	–	901,919	–	158	(945,000)	(771,688)	(791,023)
Loss for the year	–	–	–	–	–	–	(312,260)	(312,260)
Other comprehensive expense for the year	–	–	–	–	(63)	–	–	(63)
Total comprehensive expense for the year	–	–	–	–	(63)	–	(312,260)	(312,323)
Issue of series C shares *(Note 28)*	54	–	4,957	–	–	–	–	5,011
Recognition of liabilities on series C shares *(Note 26)*	–	–	–	–	–	(5,011)	–	(5,011)
At December 31, 2024	23,642	–	906,876	–	95	(950,011)	(1,083,948)	(1,103,346)
Loss for the year	–	–	–	–	–	–	(203,481)	(203,481)
Other comprehensive income for the year	–	–	–	–	88	–	–	88
Total comprehensive income(expense) for the year	–	–	–	–	88	–	(203,481)	(203,393)
Paid-in capital *(Note 28)*	13,060	–	–	–	–	–	–	13,060
Recognition of liabilities on series junior tranche *(Note c & Note 26)*	–	–	–	–	–	(20,000)	–	(20,000)
Conversion of the redemption liabilities into equity *(Note 26)*	–	–	303,762	–	–	970,011	–	1,273,773
Conversion into a joint stock company *(Note 28)*	(36,702)	36,702	(1,210,638)	374,237	–	–	836,401	–
At December 31, 2025	–	36,702	–	374,237	183	–	(451,028)	(39,906)
Profit for the period	–	–	–	–	–	–	2,459	2,459
Other comprehensive income for the period	–	–	–	–	62	–	–	62
Total comprehensive income for the period	–	–	–	–	62	–	2,459	2,521
Issue of series C+ shares *(Note 28)*	–	577	–	54,423	–	–	–	55,000
At March 31, 2026	–	37,279	–	428,660	245	–	(448,569)	17,615
For the three months ended March 31, 2025 (unaudited)								
At January 1, 2025	23,642	–	906,876	–	95	(950,011)	(1,083,948)	(1,103,346)
Loss for the period	–	–	–	–	–	–	(42,222)	(42,222)
Other comprehensive income for the period	–	–	–	–	6	–	–	6
Total comprehensive income (expense) for the period	–	–	–	–	6	–	(42,222)	(42,216)
At March 31, 2025 (unaudited)	23,642	–	906,876	–	101	(950,011)	(1,126,170)	(1,145,562)

Notes:

(a) The capital reserves represents the difference between per then paid-in capital and the consideration received from capital contribution.

(b) The other reserve represents recognition of redemption liabilities as stipulated in note 26 of Historical Financial Information.

(c) In July 2025, three shareholders of the Company entered into a subscription agreement with two investors. Pursuant to the subscription agreement, the two investors acquired paid-in capital of RMB429,014 from the three shareholders of the Company with consideration amounting to RMB20,000,000, and the two investors entitled to and bound by the rights and obligations to the Company as a junior tranche investor.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES				
(Loss)profit before tax	(312,260)	(203,481)	(42,222)	2,459
Adjustments for:				
Finance costs	76,349	57,714	18,809	182
Bank interest income	(10,895)	(4,662)	(1,664)	(824)
Depreciation of property and equipment	2,416	2,015	497	499
Depreciation of right-of-use assets	3,056	1,717	434	428
Net foreign exchange (gains) losses	(1,092)	1,365	95	973
Non-cash consideration of license out *(Note 6)*	–	–	–	(3,848)
Operating cash outflows before movements in working capital	(242,426)	(145,332)	(24,051)	(131)
(Increase) decrease in prepayments, deposits and other receivables	(3,096)	(2,037)	2,484	(7,535)
Increase (decrease) in amounts due to related parties	684	(684)	(684)	–
Increase (decrease) in trade and other payables	3,928	18,085	(6,385)	(961)
NET CASH USED IN OPERATING ACTIVITIES	(240,910)	(129,968)	(28,636)	(8,627)
INVESTING ACTIVITIES				
Interest received	9,655	5,236	998	455
Purchase of property and equipment	(3,222)	(1,185)	(527)	(521)
Payments for rental deposits	(120)	(25)	–	(46)
Withdrawn of rental deposits	–	7	–	28
Withdrawn of restricted cash	2,047	–	–	–
Placement of restricted cash	–	–	–	(13,650)
Placement of term deposits	(434,421)	–	–	–
Withdrawn of term deposits	585,744	40,000	–	–
Withdrawn of structured deposits	120,000	–	–	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	279,683	44,033	471	(13,734)

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
FINANCING ACTIVITIES				
Issue costs paid	–	(2,468)	–	(197)
Proceeds from bank borrowings	5,850	19,184	–	18,500
Repayment of bank borrowings	–	(5,850)	–	(4,184)
Interest paid	(58)	(388)	(49)	(160)
Repayments of lease liabilities	(3,425)	(1,786)	(114)	(118)
Proceeds from investors	–	13,060	–	–
Proceeds from issuance of series C-1 and C-2 shares	5,011	–	–	–
Proceeds from issuance of series C+ shares	–	–	–	55,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,378	21,752	(163)	68,841
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	46,151	(64,183)	(28,328)	46,480
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	116,834	164,014	164,014	98,554
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,029	(1,277)	(90)	(911)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	164,014	98,554	135,596	144,123

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Lynk Pharmaceuticals Co., Ltd.* (凌科藥業(浙江)股份有限公司) (previously known as Lynk Pharmaceuticals Co., Ltd.* (凌科藥業(杭州)有限公司)) (the "Company") was incorporated and registered in the People's Republic of China (the "PRC") on November 10, 2017, as a limited liability company. On November 21, 2025, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed ["Corporate Information"] in the document.

The Company and its subsidiaries (together, the "Group") is principally engaged in developing innovative and differentiated small-molecule inhibitors for autoimmune and inflammatory diseases.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The statutory financial statements of the Company for the year ended December 31, 2024 were prepared in accordance with Accounting System for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a certified public accountants registered in the PRC. The statutory financial statements of the Company for the year ended December 31, 2025 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a certified public accountants registered in the PRC.

At the end of the reporting period and up to the date of this report, the Group has unused bank facilities amounting to RMB10,500,000, which are secured over next 12 months from [the reporting date].

The directors have assessed the Group's ability to continue as a going concern, taking into account these funding sources, the Group has prudently prepared a backbone budget plan to advance all necessary research and development activities for its core products assuming the Company is unable to raise proceeds from April 1, 2026. Based on the rigorous review of the budget under backbone scenario, the directors of the Company are satisfied that the Group would have sufficient working capital to meet its present obligations, taking into account the financial resources available to the Group for next twelve months from the date of this report. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Application of new and amendments to IFRS Accounting Standards

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2026, throughout the Track Record Period.

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 20	Regulatory Assets and Regulatory Liabilities[3]

1 Effective for the annual periods beginning on or after a date to be determined.
2 Effective for the annual periods beginning on or after January 1, 2027.
3 Effective for the annual periods beginning on or after January 1, 2029.

Except for the new to IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

* *English name for identification purpose only*

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of IFRS 18) and IFRS 7 *Financial Instruments: Disclosures*. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Investments in subsidiaries

Under the equity method, an investment is subsidiaries in initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the subsidiaries.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the risk-free rate based on government bond rates and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation.

Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees, such as wages and salaries, after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Restricted shares/Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For restricted shares/share options that vest immediately at the date of grant, the fair value of the restricted shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to accumulated losses.

When restricted shares granted are vested, the amount previously recognized in share-based payment reserve will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss)profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Tax* requirements to the lease liabilities, and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated other intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as other intangible assets that are acquired separately.

Impairment on property and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of property and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash- generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash- generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including other receivables and deposits, amounts due from a subsidiary, term deposits and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors.
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other receivables where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item (note 9) as part of the net foreign exchange gains (losses).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities including trade and other payables, bank borrowings, redemption liabilities, amounts due to related parties and amounts due to subsidiaries are subsequently measured at amortized cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other gains and losses' line item in profit or loss (note 9) as part of net foreign exchange gains(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenditures

Development expenses incurred on the Group's product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determines that the Group's product pipelines do not meet the above said capitalization criteria. During the Track Record Period, all the development costs are expensed when incurred.

Key sources of estimation uncertainty

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

Impairment of property and equipment and right-of-use assets

Property and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

At the end of each reporting period, according to IAS 36 *Impairment of Assets*, the Group reviews its property and equipment and right-of-use assets to determine whether there is any indication that an impairment loss may have occurred. Notwithstanding that the Group recorded a loss for the years ended December 31, 2024 and 2025 and the three months ended March 31, 2026, no indicators of the impairment for property and equipment and right-of-use assets are identified as of December 31, 2024 and 2025 and March 31, 2026, since the progress of the research and development projects remains in line with expectations.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Timing of revenue recognition				
A point in time				
Out-licensing arrangement	–	–	–	38,643

License-out of LNK01006

In December 2025, the Company and Bleecker Bio, Inc. entered into a licensing agreement (the "Agreement"). Pursuant to which, the Company shall exclusively out-license a licensed product ("LNK01006") in the licensed territory (territory excluding China Mainland, Hong Kong, Macau and Taiwan) to Bleecker Bio, Inc with considerations: (a) a one-time, non refundable, non creditable fee of United States dollars ("USD") 5,000,000; (b) a warrant to purchase one million (1,000,000) shares of junior preferred stock of Bleecker Bio, Inc..

The revenue for the out-licensing arrangement is recognized as a performance obligation satisfied at a point in time. Under the Agreement, the Company's performance obligation was to grant Bleecker Bio, Inc. an exclusive, irrevocable, and sublicensable license to research, develop, manufacture, and commercialize LNK01006 in the licensed territory.

As of March 31, 2026, the Group delivered the complete set of technical documentation and fulfilled all obligations. Meanwhile, the Group recognized related contract revenue amounting to RMB38,643,000, equivalent to USD5,000,000 (RMB34,795,000) and the fair value of the warrant amounting to RMB3,848,000.

Except for the above considerations, the variable consideration under the Agreement includes development and regulatory milestone payments, commercial event payments, and royalties, which are contingent upon the future achievement of specific events related to the research, development, regulatory approval, and commercialization of the licensed product in the licensed territory. Variable considerations are not included in the transaction price in accordance with the requirements for constraining estimates of variable consideration. As a result, as at March 31, 2026, after considering the constraint, there is no transaction price that would be allocated to unsatisfied performance obligations.

7. SEGMENT INFORMATION

(i) Segment information

The chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole. Accordingly, the Group has only entity-side disclosures and geographical information is presented.

(ii) Geographical information

All of the Group's non-current assets are located in the PRC as of December 31, 2024 and 2025 and March 31, 2026.

For the three months ended March 31, 2026, the Group's revenue was RMB38,643,000.00, all derived from income generated under the out-licensing arrangement. And all of revenue is derived from a single external customer located in the United States of America ("USA").

(iii) Information about major customers

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A *(Note)*	–	–	–	38,643

Note:

Revenue from customer A is from out-licensing arrangement.

8. OTHER INCOME

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants *(Note a)*	6,083	52,340	20,166	2,706
Bank interest income	10,895	4,662	1,664	824
Others *(Note b)*	–	–	–	3,810
	16,978	57,002	21,830	7,340

Note a: The amounts represent government grants received from various PRC government authorities in connection with the enterprise development support, and fiscal subsidy, which had no unfulfilled conditions to receive the grants.

Note b: The amounts represent one-time income from the sale of materials for research and development.

9. OTHER GAINS AND LOSSES

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net foreign exchange gains (losses)	949	(1,248)	27	(928)
Others	180	(33)	(3)	–
	1,129	(1,281)	24	(928)

10. FINANCE COSTS

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank borrowings	58	388	49	160
Interest on lease liabilities	122	95	20	22
Interest on redemption liabilities *(Note 26)*	76,169	57,231	18,740	–
	76,349	57,714	18,809	182

11. INCOME TAX EXPENSE

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company and the Company's PRC subsidiaries is 25%.

No EIT Tax was provided as the group entities had no assessable profits during the Track Record Period.

The income tax expense for the Track Record Period is reconciled to the (loss) profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)profit before tax	(312,260)	(203,481)	(42,222)	2,459
Tax at the domestic income tax rate of 25%	(78,065)	(50,870)	(10,556)	615
Tax effect of expenses not deductible for tax purposes	19,873	14,742	4,766	200
Tax effect of deductible temporary differences not recognized	29	570	–	2,402
Utilization of deductible temporary differences previously not recognized	–	–	(1,119)	–
Tax effect of tax losses not recognized	104,674	67,501	12,895	1,260
Effect of additional deduction on research and development expenses *(Note)*	(46,511)	(31,943)	(5,986)	(4,477)
Income tax expense for the year/period	–	–	–	–

Note: Pursuant to Caishui 2023 circular No. 7, the Company and the PRC subsidiary enjoy super deduction of 200% on qualifying research and development expenditures throughout the Track Record Period.

As at December 31, 2024 and 2025 and March 31, 2026, the Group had unused tax losses of approximately RMB1,395,735,000, RMB1,555,031,000 and RMB1,560,069,000, respectively for offset against future profits. At December 31, 2024 and 2025 and March 31, 2026, the Group had deductible temporary differences of approximately RMB4,476,000, RMB6,756,000 and RMB16,362,000 respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	As at December 31, 2024	2025	As at March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
2025	110,707	–	–
2026	187,474	187,474	187,474
2027	318,528	318,528	318,528
2028	350,880	350,880	350,880
2029	418,244	418,244	418,244
2030	–	269,673	269,673
2031	–	–	4,951
Indefinite	9,902	10,232	10,319
	1,395,735	1,555,031	1,560,069

12. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended December 31, 2024	2025	Three months ended March 31, 2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) profit for the year/period has been arrived at after charging:				
[REDACTED] expense	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Auditor's remuneration	200	150	38	38
Depreciation of property and equipment	2,416	2,015	497	499
Depreciation of right-of-use assets	3,056	1,717	434	428
	[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Analyzed as:				
– charged in administrative expenses	4,191	2,640	658	667
– charged in research and development expenses	1,281	1,092	273	260
	5,472	3,732	931	927
Directors' and supervisors' remuneration *(Note 13)*	12,148	11,569	2,889	2,213
Other staff costs				
– Salaries and other allowances	35,570	31,633	6,672	9,732
– Retirement benefit scheme contributions	2,705	2,777	674	746
– Discretionary bonus *(Note)*	5,725	2,868	591	2,688
	56,148	48,847	10,826	15,379
Analyzed as:				
– charged in administrative expenses	13,120	10,503	3,566	3,549
– charged in research and development expenses	43,028	38,344	7,260	11,830
	56,148	48,847	10,826	15,379

Note: Discretionary bonus is determined at the end of each reporting period based on the duties and responsibilities of the relevant individuals within the Group.

13. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(A) Directors', Supervisors' and chief executive's emoluments

During the Track Record Period, directors', supervisors' and chief executive's remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Date of appointment	Director fee	Salaries and other benefits	Retirement benefit scheme	Discretionary bonus	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2024						
Executive directors:						
Dr. Wan Zhaokui *(chief executive officer)*	November 10, 2017	–	2,333	21	536	2,890
Dr. Wang Jun	November 10, 2017	–	1,997	–	478	2,475
Dr. Michael Lawrence Vazquez	November 19, 2020	–	1,334	–	383	1,717
Mr. Chen Yan	November 10, 2017	–	1,081	21	303	1,405
Dr. Wu Yu *(Note (iv))*	March 2, 2022	–	1,598	21	413	2,032
Non-executive directors:						
Mr. Jin Qi	May 11, 2018	–	–	–	–	–
Mr. Tong Xiaohang *(Note (i))*	February 28, 2020	–	–	–	–	–
Mr. Hong Tan *(Note (ii))*	December 1, 2020	–	–	–	–	–
Ms. Wei Lucy Xiuxia *(Note (iii))*	August 3, 2021	–	–	–	–	–
Ms. Su Xiaodi *(Note (v))*	September 16, 2022	–	–	–	–	–
Ms. Li Dan *(Note (vi))*	June 16, 2023	–	–	–	–	–
Mr. Yang Shujun *(Note (vii))*	December 9, 2024	–	–	–	–	–
		–	8,343	63	2,113	10,519
Supervisors:						
Dr. Lv Lili *(Note (ix))*	February 1, 2018	–	1,263	23	343	1,629
Ms. Wan Liqun *(Note (ix))*	February 1, 2020	–	–	–	–	–
Ms. Zou Min *(Note (ix))*	December 1, 2020	–	–	–	–	–
		–	1,263	23	343	1,629

	Date of appointment	Director fee *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme *RMB'000*	Discretionary bonus *RMB'000*	Total *RMB'000*
For the year ended December 31, 2025						
Executive directors:						
Dr. Wan Zhaokui *(chief executive officer)*	November 10, 2017	–	2,237	24	536	2,797
Dr. Wang Jun	November 10, 2017	–	1,806	–	478	2,284
Dr. Michael Lawrence Vazquez	November 19, 2020	–	1,277	–	383	1,660
Mr. Chen Yan	November 10, 2017	–	960	24	303	1,287
Dr. Wu Yu *(Note (iv))*	March 2, 2022	–	1,530	24	413	1,967
Non-executive directors:						
Mr. Jin Qi	May 11, 2018	–	–	–	–	–
Mr. Tong Xiaohang *(Note (i))*	February 28, 2020	–	–	–	–	–
Ms. Wei Lucy Xiuxia *(Note (iii))*	August 3, 2021	–	–	–	–	–
Ms. Su Xiaodi *(Note (v))*	September 16, 2022	–	–	–	–	–
Ms. Li Dan *(Note (vi))*	June 16, 2023	–	–	–	–	–
Mr. Yang Shujun *(Note (vii))*	December 9, 2024	–	–	–	–	–
Mr. Pei Yanlong *(Note (viii))*	December 19, 2025	–	–	–	–	–
Independent directors:						
Dr. Shao Liming	November 21, 2025	–	–	–	–	–
Dr. Yu Cheung Hoi	November 21, 2025	–	–	–	–	–
Ms. Man See Yee *(Note (x))*	November 21, 2025	–	–	–	–	–
Ms. Li Chuchu	January 16, 2026	–	–	–	–	–
		–	7,810	72	2,113	9,995
Supervisors:						
Dr. Lv Lili *(Note (ix))*	February 1, 2018	–	1,207	24	343	1,574
Ms. Wan Liqun *(Note (ix))*	February 1, 2020	–	–	–	–	–
Ms. Zou Min *(Note (ix))*	December 1, 2020	–	–	–	–	–
		–	1,207	24	343	1,574

	Date of appointment	Director fee *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme *RMB'000*	Discretionary bonus *RMB'000*	Total *RMB'000*
For the three months ended March 31, 2025 (unaudited)						
Executive directors:						
Dr. Wan Zhaokui *(chief executive officer)*	November 10, 2017	–	553	6	134	693
Dr. Wang Jun	November 10, 2017	–	458	–	120	578
Dr. Michael Lawrence Vazquez	November 19, 2020	–	311	–	96	407
Mr. Chen Yan	November 10, 2017	–	243	6	76	325
Dr. Wu Yu *(Note (iv))*	March 2, 2022	–	383	6	103	492
Non-executive directors:						
Mr. Jin Qi	May 11, 2018	–	–	–	–	–
Mr. Tong Xiaohang *(Note (i))*	February 28, 2020	–	–	–	–	–
Ms. Wei Lucy Xiuxia *(Note (iii))*	August 3, 2021	–	–	–	–	–
Ms. Su Xiaodi *(Note (v))*	September 16, 2022	–	–	–	–	–
Ms. Li Dan *(Note (vi))*	June 16, 2023	–	–	–	–	–
Mr. Yang Shujun *(Note (vii))*	December 9, 2024	–	–	–	–	–
		–	1,948	18	529	2,495
Supervisors:						
Dr. Lv Lili *(Note (ix))*	February 1, 2018	–	302	6	86	394
Ms. Wan Liqun *(Note (ix))*	February 1, 2020	–	–	–	–	–
Ms. Zou Min *(Note (ix))*	December 1, 2020	–	–	–	–	–
		–	302	6	86	394
For the three months ended March 31, 2026						
Executive directors:						
Dr. Wan Zhaokui *(chief executive officer)*	November 10, 2017	–	574	6	134	714
Dr. Wang Jun	November 10, 2017	–	478	–	120	598
Dr. Michael Lawrence Vazquez	November 19, 2020	–	319	–	96	415
Mr. Chen Yan	November 10, 2017	–	256	6	76	338
Non-executive directors:						
Mr. Jin Qi	May 11, 2018	–	–	–	–	–
Independent directors:						
Dr. Shao Liming	November 21, 2025	42	–	–	–	42
Dr. Yu Cheung Hoi	November 21, 2025	42	–	–	–	42
Ms. Man See Yee *(Note (x))*	November 21, 2025	22	–	–	–	22
Ms. Li Chuchu	January 16, 2026	42	–	–	–	42
		148	1,627	12	426	2,213

Notes:

(i) Mr. Tong Xiaohang was appointed as a director of the Company with effect from February 28, 2020 and resigned as a director of the Company with effect from November 21, 2025.

(ii) Mr. Hong Tan was appointed as a director of the Company with effect from December 1, 2020 and resigned as a director of the Company with effect from December 9, 2024.

(iii) Ms. Wei Lucy Xiuxia was appointed as a director of the Company with effect from August 3, 2021 and resigned as a director of the Company with effect from November 21, 2025.

(iv) Dr. Wu Yu was appointed as a director of the Company with effect from March 2, 2022 and resigned as a director of the Company with effect from November 21, 2025.

(v) Ms. Su Xiaodi was appointed as a director of the Company with effect from September 16, 2022 and resigned as a director of the Company with effect from November 21, 2025.

(vi) Ms. Li Dan was appointed as a director of the Company with effect from June 16, 2023 and resigned as a director of the Company with effect from September 19, 2025.

(vii) Mr. Yang Shujun was appointed as a director of the Company with effect from December 9, 2024 and resigned as a director of the Company with effect from November 21, 2025.

(viii) Mr. Pei Yanlong was appointed as a director of the Company with effect from September 19, 2025 and resigned as a director of the Company with effect from November 21, 2025

(ix) Dr. Lv Lili, Ms. Wan Liqun and Ms. Zou Min resigned as supervisors of the Company with effect from November 21, 2025.

(x) Ms. Man See Yee was appointed as a director of the Company with effect from November 21, 2025 and resigned as a director of the Company with effect from [January 16, 2026].

The directors' and chief executive's emoluments shown above were paid for their services in connection with the management of the affairs the Company and/or the Group during the Track Record Period. The supervisors' emoluments shown above were paid for their services as supervisors of the Company during the Track Record Period.

During the Track Record Period, none of the directors and supervisors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors or supervisors of the Company as an inducement of join or upon joining the Group or as compensation for loss of office.

During the Track Record Period, certain directors were granted share options, in respect of their services to the Group, details are set out in Note 30 to the Historical Financial Information.

(B) Five highest paid employees

The five highest paid individuals of the Group are directors, supervisors and employees of the Company for the Track Record Period and three months ended March 31, 2025, and details of whose remuneration are set out above. The emoluments of these employees for each of two years ended December 31, 2024 and 2025 and the three months ended March 31, 2025(unaudited) and 2026, respectively are as follows:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	8,525	8,171	2,006	2,102
Retirement benefits schemes contributions	65	84	18	21
Discretionary bonus	2,153	2,187	538	586
Total	10,743	10,442	2,562	2,709

The emoluments of these employees are within the following bands:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	Number of employees	*Number of employees*	*Number of employees* (unaudited)	*Number of employees*
Nil to Hong Kong dollars ("HK$") 500,000	–	–	2	–
HK$500,001 to HK$1,000,000	–	–	3	5
HK$1,500,001 to HK$2,000,000	2	2	–	–
HK$2,000,001 to HK$2,500,000	1	2	–	–
HK$2,500,001 to HK$3,000,000	1	–	–	–
HK$3,000,001 to HK$3,500,000	1	1	–	–
Total	5	5	5	5

14. DIVIDEND

No dividend was declared or paid by the Company in respect of the Track Record Period.

15. (LOSS) PROFIT PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) profit for the year/period attributable to owners of the Company *(RMB'000)*	(312,260)	(203,481)	(42,222)	2,459
Number of shares *('000)*				
Weighted average number of ordinary shares	13,261	19,014	13,261	36,968

For investors' shares, which are recorded as redemption liabilities in Note 26, are not treated as outstanding shares and thus are excluded in the calculation of basic loss per share until the redemption right was legally terminated on September 30, 2025. The Company was converted to a joint stock company on November 21, 2025, 36,702,093 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. This capitalization of share capital is applied retrospectively for the purpose of calculating basic loss per share, as adjusted for the capital contributions by the then shareholders and the number of ordinary shares.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2024 and 2025 and the three months ended March 31, 2025 (unaudited), the Company had certain investors' shares which are potential ordinary shares. As the Group incurred losses for the years ended December 31, 2024 and 2025 and the three months ended March 31, 2025 (unaudited), the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

No diluted earnings per share for the three months ended March 31, 2026 were presented as there were no potential ordinary shares in issue during the period.

Accordingly, diluted loss (profit) per share for the years ended December 31, 2024 and 2025 and the three months ended March 31, 2025 (unaudited) and 2026 are the same as basic loss (profit) per share for the respective years/periods.

Pursuant to the resolutions passed by the shareholders of Company on February 28, 2026, the ordinary shares will be subdivided on a one-for-four basis. Basic and diluted loss per share will be retrospectively adjusted as RMB5.89, RMB2.68, RMB0.80 and RMB0.02 for the year ended December 31, 2024 and 2025 and the three months ended March 31, 2025 (unaudited) and 2026, respectively, assuming the share subdivision had been in effect on the beginning of the Track Record Period.

16. PROPERTY AND EQUIPMENT

The Group

	Leasehold improvements *RMB'000*	**Laboratory equipment** *RMB'000*	**Office computer** *RMB'000*	**Total** *RMB'000*
COST				
At January 1, 2024	7,572	7,024	627	15,223
Additions	3,222	–	–	3,222
At December 31, 2024	10,794	7,024	627	18,445
Additions	641	17	527	1,185
At December 31, 2025	11,435	7,041	1,154	19,630
Additions	509	–	12	521
At March 31, 2026	11,944	7,041	1,166	20,151
ACCUMULATED DEPRECIATION				
At January 1, 2024	4,932	4,002	366	9,300
Provided for the year	1,499	824	93	2,416
At December 31, 2024	6,431	4,826	459	11,716
Provided for the year	1,141	721	153	2,015
At December 31, 2025	7,572	5,547	612	13,731
Provided for the period	298	167	34	499
At March 31, 2026	7,870	5,714	646	14,230
CARRYING VALUES				
At December 31, 2024	4,363	2,198	168	6,729
At December 31, 2025	3,863	1,494	542	5,899
At March 31, 2026	4,074	1,327	520	5,921

The Company

	Leasehold improvements *RMB'000*	**Laboratory equipment** *RMB'000*	**Office computer** *RMB'000*	**Total** *RMB'000*
COST				
At January 1, 2024	7,572	7,024	627	15,223
Additions	55	–	–	55
At December 31, 2024	7,627	7,024	627	15,278
Additions	51	17	–	68
At December 31, 2025	7,678	7,041	627	15,346
Additions	400	–	12	412
At March 31, 2026	8,078	7,041	639	15,758
ACCUMULATED DEPRECIATION				
At January 1, 2024	4,932	4,002	366	9,300
Provided for the year	1,347	824	93	2,264
At December 31, 2024	6,279	4,826	459	11,564
Provided for the year	497	721	69	1,287
At December 31, 2025	6,776	5,547	528	12,851
Provided for the period	137	167	9	313
At March 31, 2026	6,913	5,714	537	13,164
CARRYING VALUES				
At December 31, 2024	1,348	2,198	168	3,714
At December 31, 2025	902	1,494	99	2,495
At March 31, 2026	1,165	1,327	102	2,594

The above items of property and equipment are depreciated on a straight-line basis, after taking into account the residual value, over the following periods:

Leasehold improvements	Over the shorter of the term of the lease or 5 years
Laboratory equipment	5 years
Office computer	3–5 years

17. RIGHT-OF-USE ASSETS

The Group and the Company

	Leased properties
	RMB'000
At December 31, 2024	
Carrying amount	2,547
At December 31, 2025	
Carrying amount	2,553
At March 31, 2026	
Carrying amount	2,125
For the year ended 31 December 2024	
Depreciation charge for the year	3,056
For the year ended 31 December 2025	
Depreciation charge for the year	1,717
For the three months ended 31 March 2026	
Depreciation charge for the period	428

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Expense relating to leases of short-term leases	27	29	2	5
Total cash outflows for leases	3,452	1,815	116	123
Additions to right-of-use assets	1,467	1,723	–	–

During the Track Record Period, the Group and the Company leases various office premises and laboratory facilities for its operations. Lease contracts are entered into for fixed term of thirteen months or three years. The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office printers. As at December 31, 2024 and 2025 and March 31, 2026, the portfolio of short-term leases is similar to the portfolio of short term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of RMB2,154,000, RMB2,186,000 and RMB2,090,000 are recognized with related right-of-use assets of RMB2,547,000, RMB2,553,000 and RMB2,125,000 as at December 31, 2024 and 2025 and March 31, 2026, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. These leased assets may not be used as security for borrowing purposes.

18. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	At December 31,		At March 31,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Warrant to purchase shares of junior preferred stock *(Note)*	–	–	3,848

Note: The amount represents a warrant to purchase shares of junior preferred stock in a company based in the USA, which is classified as financial assets at FVTPL. Refer to Note 6 Revenue from contracts with customers and segment information for further details. Details of the valuation techniques and key inputs attached for the fair value measurements are disclosed in Note 33.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for research and development services	12,126	4,201	11,490
Other receivables	–	–	4,036
Interest receivable	4,002	3,428	3,797
VAT recoverable	4,191	10,982	6,979
Rental deposits	444	462	480
Deferred issue costs	–	4,121	4,551
Others	2,634	1,684	1,467
	23,397	24,878	32,800
Analyzed as:			
Current	22,953	24,416	32,320
Non-current	444	462	480
	23,397	24,878	32,800

Analysis of prepayments, deposits and other receivables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
USD	–	–	4,036

The Company

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for research and development services	5,603	4,201	7,407
Other receivables	–	–	4,036
Interest receivable	4,002	3,428	3,797
VAT recoverable	540	4,877	94
Rental deposits	437	462	441
Deferred issue costs	–	4,121	4,551
Others	2,191	1,631	1,441
	12,773	18,720	21,767
Analyzed as:			
Current	12,336	18,258	21,326
Non-current	437	462	441
	12,773	18,720	21,767

Analysis of prepayments, deposits and other receivables of the Company denominated in currencies other than functional currency is set out below:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
USD	–	–	4,036

20. CASH AND CASH EQUIVALENTS/TERM DEPOSITS

The Group and the Company

Term deposits

As at December 31, 2024 and 2025 and March 31, 2026, term deposits of RMB90,000,000, RMB50,000,000 and RMB50,000,000 with original maturity over one year that carried interest at prevailing interest rates ranging from 2.65% to 3.15%, 2.65% to 3.10% and 2.65% to 3.10%, respectively.

Term deposits are classified as current assets if their remaining maturity at the reporting date is 12 months or less; otherwise, they are classified as non-current assets.

Restricted bank deposits

The Group's and the Company's restricted bank deposits are deposited to banks for the issuance bills payables by the Group and the Company and are therefore classified as current assets. These deposits bear interest at a fixed rate of 0.85% per annum as at March 31, 2026. The restricted bank deposits will be released upon the settlement of relevant bills payables.

Cash and cash equivalents

Cash and cash equivalents include short-term deposits for the purpose of meeting the Group and the Company's short-term cash commitments, which carry interest at market rates ranging from 0.05% to 4.49%, 0.01% to 0.35% and 0.01% to 3.68%, respectively.

Cash and cash equivalents that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
USD	73,504	47,305	75,583

21. TRADE AND OTHER PAYABLES

The Group

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	16,793	5,260	4,022
Bills payables	13,650	–	13,650
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accruals for issue cost	–	1,653	1,884
Accruals for legal and professional fee	854	2,036	195
Accruals for research and development expenses	1,065	33,007	17,702
Amounts due to employees	519	529	589
Accrued payroll	10,214	9,514	12,060
Others	156	333	355
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

The credit period on purchase of materials or receiving services for research and development activities is usually within 30 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	16,705	4,300	4,022
31 to 60 days	59	924	–
Over 60 days	29	36	–
	16,793	5,260	4,022

The following is an aging analysis of bills payables presented based on the bills issuance date at the end of each reporting period:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
61 to 90 days	–	–	13,650
91 to 120 days	13,650	–	–
	13,650	–	13,650

Analysis of trade and other payables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
USD	1,281	9,852	8,837

The Company

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	12,988	4,093	2,522
Bills payables	13,650	–	13,650
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
[REDACTED]	–	1,653	1,884
Accruals for legal and professional fee	854	2,036	195
Accruals for research and development expenses	1,065	33,007	17,581
Amounts due to employees	474	529	589
Accrued payroll	10,214	9,514	12,060
Others	156	314	6
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

The credit period on purchase of materials or receiving services for research and development activities is usually within 30 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	12,900	3,979	2,522
31 to 60 days	59	78	–
Over 60 days	29	36	–
	12,988	4,093	2,522

The following is an aging analysis of bills payables presented based on the bills issuance date at the end of each reporting period:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
61 to 90 days	–	–	13,650
91 to 120 days	13,650	–	–
	13,650	–	13,650

Analysis of trade and other payables of the Company denominated in currencies other than RMB is set out below:

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
USD	1,281	9,852	8,837

22. OTHER NON-CURRENT LIABILITIES

The Group and the Company

In 2022, the Company entered into a cooperation agreement (the "Agreement") with Simcere Pharmaceutical Group Limited ("Simcere"). Pursuant to the Agreement, the Group grants the exclusive commercialization interest of LNK01001 for RA ("Rheumatoid Arthritis") and AS ("Ankylosing Spondylitis") indications in China. Simcere are responsible for promotion after regulatory approval. The consideration of the Agreement includes an upfront payment of RMB125,472,000, and following the promotion activities, the two parties will share the sales revenue according to an agreed ratio. Currently, both of the products are in Phase III clinical trials, with commercialization expected after successful new drug application submissions anticipated in 2027 and 2028, respectively.

23. BANK BORROWINGS

The Group and the Company

At December 31, 2024 and 2025 and March 31, 2026, bank borrowings carried at a fixed interest rate of 3.35%, 2.50%–3.00% and 2.14%–3.00%, respectively, unsecured and unguaranteed.

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
The carrying amounts of the above bank borrowing is repayable:			
Within one year	5,850	19,184	27,350
Within a period of more than one year but not exceeding two years	–	–	6,150
Less: Amounts due within one year shown under current liabilities	5,850	19,184	27,350
Amounts shown under non-current liabilities	–	–	6,150

There was no restrictive covenant in our borrowing agreements, nor was there any default on our borrowing or breach of covenant during the Track Record Period.

24. DEFERRED INCOME

The Group and the Company

Deferred income at December 31, 2024 and 2025 and March 31, 2026 represents the government grant received from the local government to support the business operations of the Group. They are conditional upon meeting specific requirements based on the relevant grant documents, and the expected completion time for these requirements exceeds one year.

25. LEASE LIABILITIES

The Group and the Company

	At December 31, 2024 *RMB'000*	2025 *RMB'000*	At March 31, 2026 *RMB'000*
Lease liabilities payable:			
Within one year	1,103	1,378	1,390
Within a period of more than one year but not exceeding two years	750	808	700
Within a period of more than two years but not exceeding three years	301	–	–
Less: Amounts due for settlement with 12 months shown under current liabilities	(1,103)	(1,378)	(1,390)
Amounts due from settlement after 12 months shown under non-current liabilities	1,051	808	700

As at December 31, 2024 and 2025 and March 31, 2026, the incremental borrowing rates applied to lease liabilities ranged from 3.10% to 4.65%, 3.00% to 4.60% and 3.00% to 4.20%, respectively.

26. REDEMPTION LIABILITIES

The Company has entered into several investor (the "Agreements") with several independent investors and issued several rounds of shares. Details as follows:

Round	Date of issue	Subscription of paid-in capital	Number of investor(s)	Per then paid-in capital	Total consideration *RMB'000*
series angle	February 2018	5,217,391	10	12.075	63,000
series A	January 2020	7,355,073	5	19.714	145,000
series A+	May 2020	2,501,104	1	39.982	100,000
series B	July 2021	4,607,298	5	65.114	300,000
series junior tranche	July 2021	307,153	2	65.114	20,000
series C-1	April 2023	2,145,067	3	93.237	200,000
series C-2	September 2023/ February 2024	1,308,491	8	93.237	122,000
series junior tranche	July 2025	429,014	2	46.619	20,000
			36		970,000

Redemption right

Investors have a right to require the Company to redeem their investment if (i) the Company failed to either file for an **[REDACTED]** before by December 31, 2025 or achieve an **[REDACTED]** or approved acquisition by December 31, 2026; (ii) the Company failed to begin Phase III clinical trials for at least two indications by December 31, 2024, and obtain new drug marketing approval for at least one product pipeline by December 31, 2027; (iii) the Company and its existing shareholders have committed a major breach to the agreements; (iv) the Company and its existing shareholders have committed a significant violation of laws and regulations, which has an adverse impact on the Company or results in the Company being unable to complete an **[REDACTED]**.

The redemption amount is calculated as the original investment principal from investors, plus an annual simple rate of 8% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year).

Upon the closure of the investment, at the Group's consolidated statements of the financial position, the Group recognized the contractual obligation to the investors as financial liabilities measured at amortized cost using the effective interest rate method over the period from the closure date to the termination date of September 30, 2025.

Anti-dilution right

If the Company increases its share capital at a price lower than the price paid by the pre-**[REDACTED]** investors who are eligible for the anti-dilution rights as stipulated in relevant investment agreements (the "Anti-Dilution Right Holder") on a per share capital basis prior to a qualified **[REDACTED]**, the Anti-Dilution Right Holder has a right to require the Company and the controlling shareholder of the Company to take necessary actions, so that the total amount paid by the Anti-Dilution Right Holder divided by the total amount of share capital obtained is equal to the price per share capital in the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no liability was recognized by the Company.

Liquidation preference

In the event of any liquidation of the Company, the investors of the pre-**[REDACTED]** investments are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company in order of priority as specified in relevant shareholder agreements.

Termination of special rights

Pursuant to the agreements entered into by the Company with the Pre-**[REDACTED]** investors, the redemption rights, liquidation preference rights and anti-dilution rights against the Company have been irrevocably terminated on September 30, 2025. All the other special rights shall be terminated on or before the day immediately prior to the **[REDACTED]**.

The Group and the Company

	Total
	RMB'000
At January 1, 2024	1,115,362
Recognition of financial instruments with preferred rights at amortized cost	5,011
Charged to finance costs	76,169
At December 31, 2024	1,196,542
Recognition of financial instruments with preferred rights at amortized cost	20,000
Charged to finance costs	57,231
Conversion of the redemption liabilities into equity	(1,273,773)
At December 31, 2025 and March 31, 2026	–

27. AMOUNTS DUE FROM (TO) SUBSIDIARIES/AMOUNTS DUE TO RELATED PARTIES

(a) Amounts due from a subsidiary/amounts due to subsidiaries

The amounts due from a subsidiary and the amounts due to subsidiaries were non-trade in nature, interest-free, unsecured and repayable on demand.

(b) Amounts due to related parties

The amounts are unsecured, non-trade in nature, interest-free and repayable on demand. The amounts due to related parties has been settled for the year ended December 31, 2025.

The Group and the Company

	At December 31,		**At March 31,**
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Dr. Wan Zhaokui	199	–	–
Dr. Wang Jun	180	–	–
Dr. Michael Lawrence Vazquez	121	–	–
Dr. Wu Yu	120	–	–
Dr. Lv Lili	64	–	–
	684	–	–

28. PAID-IN CAPITAL/SHARE CAPITAL

The Company converted into a joint stock company on November 21, 2025, the balance as at January 1, 2024 and December 31, 2024 represented the paid-in capital of the Company prior to the conversion of the Company. Share capital as at December 31, 2025 represented the issued share capital of the Company. The summary of movements in the Company's paid-in capital and share capital are set out as below:

A. Paid-in capital

	Paid-in capital
	RMB'000
At January 1, 2024	23,588
Issue of series C-2 shares *(Note a)*	54
At December 31, 2024	23,642
Capital contribution by shareholder *(Note b)*	13,060
Conversion into a joint stock company	(36,702)
At December 31, 2025 and March 31, 2026	–

B. Share capital

	Number of shares	**Share capital**
		RMB'000
Ordinary shares of RMB1 each		
Authorized, issued and fully paid:		
At January 1, 2024 and December 31, 2024	–	–
Issue of ordinary shares upon conversion into a joint stock company *(Note c)*	36,702,093	36,702
At December 31, 2025	36,702,093	36,702
Issue of series C+ shares *(Note d)*	576,747	577
At March 31, 2026	37,278,840	37,279

Notes:

(a) The Company received financing proceeds of RMB5,011,000 during the year ended December 31, 2024 from an investor, for the subscription of RMB53,627 in paid-in capital.

(b) In August 2025, the shareholders of the Company fully paid in a total of RMB13,060,000 in paid-in capital, at an amount of RMB1 per then paid-in capital.

(c) On November 21, 2025, pursuant to the shareholders' resolution on November 19, 2025, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company at the conversion base date were converted into 36,702,093 ordinary shares with a par value of RMB1 each. The excess of net assets converted over nominal value of ordinary shares was credited to the Company's share premium.

(d) In February 2026, the Company entered into a subscription agreement with three investors. Pursuant to the agreement, the three investors made a capital contribution of RMB55,000,000 to the Company in exchange for 576,747 ordinary shares.

29. RETIREMENT BENEFITS PLANS

The employees of the Group's entities in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC entities are required to contribute a certain percentage of the payroll costs of their employees to the retirement benefit scheme, subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expenses charged to profit or loss, amounting to RMB2,791,000, RMB2,873,000, RMB698,000 (unaudited) and RMB758,000 for the years ended 31 December 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively, represent contributions payable or paid to the retirement benefits scheme by the Group.

30. EMPLOYEE INCENTIVE PLAN

During the years ended December 31, 2024 and 2025 and the three months ended March 31, 2026, the Group has the following outstanding share-based payment arrangements.

In recognition of contribution of the Group's senior management and core personnel and to incentivize them to promote the business development, the founder of the Company established an employee stock ownership platform to hold the Company's paid-in capital of RMB4,436,726, to implement employee incentive plan of the Company.

On September 30, 2025, the directors of the Company resolved to modify the share options of all existing employee incentive plans to restricted shares which only changed the incentive scheme method from share options to restricted shares. Pursuant to this amendment, all participants will entitle the restricted shares through the general partner of the employee stock ownership platform ("GP") upon payment of the exercise price. These restricted shares will be fully vested upon the successful listing of the Company.

Effective on June 30, 2021, The Group adopted the employee incentive plan and RMB1,832,332 the then paid-in capital of the Company, the GP decided to grant option of relevant portion of employee stock ownership platform to 4 directors, 1 supervisor and 9 employees at a subscription consideration of RMB1 to RMB3.0188 per then paid-in capital. The weighted average exercise price of the equity interests is RMB1.07. The equity interests vested over a four-year period with 1/4 of the equity interests granted vesting on each of the first, second, third and fourth anniversary of the grant date. If the grantees terminate the labor relationship with the Company before the date of the Company being successful listing at a stock exchange, the GP or anyone designated by the GP has the right to buy back the granted shares from the grantees at original consideration.

Effective on March 12, 2022, the Group adopted the employee incentive plan and RMB1,162,580 the then paid-in capital of the Company, the GP decided to grant option of relevant portion of employee stock ownership platform to 4 directors, 1 supervisor and 25 employees at a subscription consideration of RMB1 to RMB13.02 per then paid-in capital. The weighted average exercise price of the equity interests is RMB5.73. The equity interests vested over a four-year period with 1/4 of the equity interests granted vesting on each of the first, second, third and fourth anniversary of the grant date. If the grantees terminate the labor relationship with the Company before the date of the Company being successful listing at a stock exchange, the GP or anyone designated by the GP has the right to buy back the granted shares from the grantees at original consideration.

Effective on September 30, 2025, the Group adopted the employee incentive plan and RMB1,441,814 the then paid-in capital of the Company, the GP decided to grant option of relevant portion of employee stock ownership platform to 4 directors, 1 supervisor and 63 employees at a subscription consideration of RMB1 to RMB13.02 per then paid-in capital. If the grantees terminate the labor relationship with the Company before the date of the Company being successful listing at a stock exchange, the GP or anyone designated by the GP has the right to buy back the granted shares from the grantees at original consideration.

The Group used the binomial option pricing model to determine the fair value of the underlying shares of RMB37.9832 per the then paid-in capital granted in June 30, 2021, RMB65.6834 per the then paid-in capital granted in March 12, 2022 and RMB93.9862 per share granted in September 30, 2025. Best estimates of key assumptions, such as risk-free interest rate, volatility, option life and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of shares under the share-based payment arrangements are as follows:

	Equity interests granted at		
	June 30, 2021	**March 12, 2022**	**September 30, 2025**
Key assumptions			
Risk-free interest rate	2.86%	2.42%	1.17%
Volatility	57.43%	62.54%	40.79%
Option life	4	4	0.08

The fair value of the share options was valued by directors of the Company with reference to valuation reports prepared by 上海申威資產評估有限公司 SHANGHAI SHENWEI ASSETS APPRAISAL CO., LTD* ("SHENWEI"), an independent qualified valuer. The address of SHENWEI is Room 202, Building No. 2, No. 860 Dongtiyuhui Road, Hongkou District, Shanghai, PRC.

The directors of the Company are of the view that it is not probable that there will be successful listing at a stock exchange at December 31, 2024 and 2025 and March 31, 2025 (unaudited) and 2026. As a result, no share-based compensation expenses are recognized for each of the Track Record Period.

* *English name for identification purpose only.*

31. RESERVES OF THE COMPANY

	Capital reserves	Share premium	Translation reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)			*(Note b)*		
At January 1, 2024	901,919	–	158	(945,000)	(771,688)	(814,611)
Loss for the year	–	–	–	–	(312,260)	(312,260)
Other comprehensive expense for the year	–	–	(63)	–	–	(63)
Total comprehensive expense for the year	–	–	(63)	–	(312,260)	(312,323)
Issue of series C shares *(Note 28)*	4,957	–	–	–	–	4,957
Recognition of liabilities on series C shares *(Note 26)*	–	–	–	(5,011)	–	(5,011)
At December 31, 2024	906,876	–	95	(950,011)	(1,083,948)	(1,126,988)
Loss for the year	–	–	–	–	(203,481)	(203,481)
Other comprehensive income for the year	–	–	88	–	–	88
Total comprehensive income(expense) for the year	–	–	88	–	(203,481)	(203,393)
Recognition of liabilities on series junior tranche *(Note 26)*	–	–	–	(20,000)	–	(20,000)
Conversion of the redemption liabilities into equity *(Note 26)*	303,762	–	–	970,011	–	1,273,773
Conversion into a joint stock company *(Note 28)*	(1,210,638)	374,237	–	–	836,401	–
At December 31, 2025	–	374,237	183	–	(451,028)	(76,608)
Profit for the period	–	–	–	–	2,459	2,459
Other comprehensive income for the period	–	–	62	–	–	62
Total comprehensive income for the period	–	–	62	–	2,459	2,521
Issue of series C+ shares *(Note 28)*	–	54,423	–	–	–	54,423
At March 31, 2026	–	428,660	245	–	(448,569)	(19,664)
For the three months ended March 31, 2025 (unaudited)						
At January 1, 2025	906,876	–	95	(950,011)	(1,083,948)	(1,126,988)
Loss for the period	–	–	–	–	(42,222)	(42,222)
Other comprehensive income for the period	–	–	6	–	–	6
Total comprehensive income (expense) for the period	–	–	6	–	(42,222)	(42,216)
At March 31, 2025	906,876	–	101	(950,011)	(1,126,170)	(1,169,204)

Notes:

(a) The capital reserve of the Group represents the difference between per then paid-in capital and the consideration received.

(b) The other reserve of the Group represents recognition of redemption liabilities as stipulated in note 26 of Historical Financial Information.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts, which includes lease liabilities, bank borrowings and redemption liabilities, and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising paid-in capital, share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the new ordinary share, as well as the issue of new debts and redemption of existing debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortized cost	261,094	152,632	216,314
Financial assets at FVTPL	–	–	3,848
	261,094	152,632	220,162
Financial liabilities			
Amortized cost	1,236,113	68,538	79,150

The Company

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortized cost	203,548	119,008	210,592
Financial assets at FVTPL	–	–	3,848
	203,548	119,008	214,440
Financial liabilities			
Amortized cost	1,242,715	104,062	134,004

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include financial assets at FVTPL, other receivables and deposits, term deposits, cash and cash equivalents, amounts due from a subsidiary, amounts due to subsidiaries, trade and other payables, bank borrowings, amounts due to related parties and redemption liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks during the Track Record Period.

(i) Currency risk

The Group and the Company undertake certain operating transactions in USD, which exposes the Group and the Company to foreign currency risk. The Group and the Company currently do not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's and the Company's USD-denominated monetary assets and monetary liabilities, which mainly includes term deposits, cash and cash equivalents, and trade and other payables as at the end of each reporting period are as follows:

The Group and the Company

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	73,504	47,305	79,619
Liabilities			
USD	352,404	9,852	8,837

Sensitivity analysis

The Group and the Company

The following table details the Group and the Company's sensitivity to a 5% increase and decrease in USD against respective entities' functional currencies, with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding USD denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in USD exchange rates. A positive/negative number below indicates an increase/decrease in profit where USD strengthen 5% against functional currencies. For a 5% weakening of USD against functional currencies, there would be an equal and opposite impact on profit for the year/period.

	At December 31, 2024	2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss	(13,945)	1,873	3,539

(ii) Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to redemption liabilities and bank borrowings and cash flow interest rate risk in relation to cash and cash equivalents and term deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and term deposits is insignificant because the current market interest rates are relatively low and stable. Therefore, no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to bank balances and deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group and the Company performed impairment assessment for financial assets under ECL model. Information about the Group's and the Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

Other receivables and deposits, term deposits, cash and cash equivalents and amounts due from a subsidiary

The Group and the Company perform impairment assessment under ECL model on other receivables and deposits, term deposits and cash and cash equivalents based on 12m ECL as no significant increase in credit risk since initial recognition.

The credit risk on other receivables and deposits is limited because the counterparties have no historical default record and the directors of the Company expect that the general economic conditions will not significantly changed for the twelve months after the reporting date.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit-ratings assigned by credit rating agencies. The Group assessed the loss allowance to be insignificant and no loss allowance is provided.

During the Track Record Period, the Group assessed that the ECL for amounts due from a subsidiary was insignificant and thus no loss allowance was recognized.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company are of the opinion that, taking into account the above measures as mentioned in note 2, and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	**Within 1year or on demand**	**1 to 2 years**	**2 to 5 years**	**Total**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2024						
Trade and other payables	–	33,037	–	–	33,037	33,037
Amounts due to related parties	–	684	–	–	684	684
Redemption liabilities	8.00	1,273,772	–	–	1,273,772	1,196,542
Bank borrowings	3.35	5,900	–	–	5,900	5,850
Lease liabilities	3.85	1,103	779	364	2,246	2,154
		1,314,496	779	364	1,315,639	1,238,267
At December 31, 2025						
Trade and other payables	–	49,354	–	–	49,354	49,354
Bank borrowings	2.61	19,517	–	–	19,517	19,184
Lease liabilities	3.94	1,436	823	–	2,259	2,186
		70,307	823	–	71,130	70,724
At March 31, 2026						
Trade and other payables	–	45,650	–	–	45,650	45,650
Bank borrowings	2.61	27,976	6,275	–	34,251	33,500
Lease liabilities	3.85	1,436	708	–	2,144	2,090
		75,062	6,983	–	82,045	81,240

The Company

	Weighted average effective interest rate	Within 1year or on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2024						
Trade and other payables	–	29,187	–	–	29,187	29,187
Amounts due to related parties	–	684	–	–	684	684
Amounts due to subsidiaries	–	10,452	–	–	10,452	10,452
Redemption liabilities	8.00	1,273,772	–	–	1,273,772	1,196,542
Bank borrowings	3.35	5,900	–	–	5,900	5,850
Lease liabilities	3.85	1,103	779	364	2,246	2,154
		1,321,098	779	364	1,322,241	1,244,869
At December 31, 2025						
Trade and other payables	–	48,168	–	–	48,168	48,168
Amounts due to subsidiaries	–	36,710	–	–	36,710	36,710
Bank borrowings	2.61	19,517	–	–	19,517	19,184
Lease liabilities	3.94	1,436	823	–	2,259	2,186
		105,831	823	–	106,654	106,248
At March 31, 2026						
Trade and other payables	–	43,680	–	–	43,680	43,680
Amounts due to subsidiaries	–	56,824	–	–	56,824	56,824
Bank borrowings	2.65	27,976	6,275	–	34,251	33,500
Lease liabilities	3.85	1,436	708	–	2,144	2,090
		129,916	6,983	–	136,899	136,094

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Certain of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Fair values are categorized into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

The Group and the Company

Financial assets	Fair value			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	At December 31, 2024 RMB'000	2025 RMB'000	At March 31, 2026 RMB'000			
Financial assets at FVTPL	–	–	3,848	Level 3	Discounted cash flow method	Probability of success of the pipeline

There were no transfers between Level 1, Level 2 and Level 3 at the end of the reporting period.

(ii) Reconciliation of Level 3 fair value measurement

The following table presents the reconciliation of Level 3 measurements of financial assets at FVTPL during the years.

	RMB'000
At December 31, 2024 and 2025	–
Additions from out-licensing arrangement	3,848
At March 31, 2026	3,848

(iii) Fair value of financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	Bank Borrowings	Redemption liabilities	Accrued issue costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2024	3,990	–	1,115,362	–	1,119,352
Financing cash flows	(3,425)	5,792	5,011	–	7,378
Non-cash changes:					
New lease entered	1,467	–	–	–	1,467
Interest expenses	122	58	76,169	–	76,349
At December 31, 2024	2,154	5,850	1,196,542	–	1,204,546
Financing cash flows	(1,786)	12,946	–	(2,468)	8,692
Non-cash changes:					
New lease entered	1,723	–	–	–	1,723
Accrued issue costs	–	–	–	4,121	4,121
Recognition of financial instruments with preferred rights at amortized cost	–	–	20,000	–	20,000
Conversion of the redemption liabilities into equity	–	–	(1,273,773)	–	(1,273,773)
Interest expenses	95	388	57,231	–	57,714
At December 31, 2025	2,186	19,184	–	1,653	23,023
Financing cash flows	(118)	14,156	–	(197)	13,841
Non-cash changes:					
Accrued issue costs	–	–	–	428	428
Interest expenses	22	160	–	–	182
At March 31, 2026	2,090	33,500	–	1,884	37,474
At January 1, 2025	2,154	5,850	1,196,542	–	1,204,546
Financing cash flows	(114)	(49)	–	–	(163)
Non-cash changes:					
Interest expenses	20	49	18,740	–	18,809
At March 31, 2025 (unaudited)	2,060	5,850	1,215,282	–	1,223,192

36. RELATED PARTY DISCLOSURES

(a) Related party balances and transactions

Save for disclosed in Note 27 of the Historical Financial Information, which is the balances with the related parties of the Company, the Group has the following transactions with the related parties during the Track Record Period.

(b) Compensation of key management personnel

The remuneration of the directors and supervisors during the years ended December 31, 2024 and 2025 and the three months ended March 31, 2025 and 2026 as follows:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	9,606	9,017	2,250	1,775
Discretionary bonus *(Note)*	2,456	2,456	615	426
Retirement benefit scheme contributions	86	96	24	12
	12,148	11,569	2,889	2,213

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group's.

37. INVESTMENTS IN SUBSIDIARIES

	At December 31, 2024	At December 31, 2025	At March 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
Cost of investments in subsidiaries *(Note)*	115,171	140,171	140,171
Share of loss and other comprehensive expenses and other equity changes	(37,933)	(61,461)	(65,274)
	77,238	78,710	74,897

Note: In 2025, the Company made a capital contribution to its subsidiary Lynk Pharmaceuticals (Shaoxing) Co., Ltd. with amounting to RMB25,000,000.

Particulars of subsidiaries

As at December 31, 2024 and 2025, and March 31, 2026 and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place/country and date of establishment/ incorporation	Registered capital	Effective equity interest attributable to the Company: As at December 31, 2024 Direct %	As at December 31, 2024 Indirect %	As at December 31, 2025 Direct %	As at December 31, 2025 Indirect %	As at March 31, 2026 Direct %	As at March 31, 2026 Indirect %	As at the date of this report Direct %	As at the date of this report Indirect %	Principal activities
Lynk Pharmaceuticals Holding Co., Limited *(Note i)*	Hong Kong/ October 6, 2020	HK$1	100	–	100	–	100	–	100	–	Investment holding
Lynk Pharmaceuticals (Shaoxing) Co., Ltd. 浚科藥業(紹興)有限公司* *(Note ii)*	The PRC/ February 6, 2023	RMB 133,600,000	100	–	100	–	100	–	100	–	Discovering and Developing novel medicines to treat immunology and inflammatory diseases
Lynk Therapeutics Inc. *(Note iii)*	The USA/ April 1, 2021	USD1	–	100	–	100	–	100	–	100	Discovering and developing novel medicines to treat immunology and inflammatory diseases

Notes:

i. The statutory financial statements of Lynk Pharmaceuticals Holding Co., Limited for the year ended December 31, 2024 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by Union Hints International CPA Limited. The statutory financial statements of Lynk Pharmaceuticals Holding Co., Limited for the year ended December 31, 2025 have not been prepared as they are not due for issuance.

ii. The statutory financial statements of Lynk Pharmaceuticals (Shaoxing) Co., Ltd. for the year ended December 31, 2024 were prepared in accordance with Chinese Accounting Standards for Small Enterprises and were audited by Hangzhou Junzheng Certified Public Accountants (General Partnership), certified public accountants registered in the PRC. The statutory financial statements of Lynk Pharmaceuticals (Shaoxing) Co., Ltd. for the year ended December 31, 2025 were prepared in accordance with the Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a certified public accountants registered in PRC.

iii. No audited financial statements of Lynk Therapeutics Inc. have been prepared since its date of incorporation, as it is incorporated in the justification where there is no statutory audit requirement.

38. SUBSEQUENT EVENTS

As at the date of this report, there was no material subsequent event undertaken by the Group after March 31, 2026.

[39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to March 31, 2026.]