

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-[1] to I-[63], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 江蘇知原藥業股份有限公司 ZIYOND PHARMACEUTICAL CO., LTD.* AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 江蘇知原藥業股份有限公司 Ziyond Pharmaceutical Co., Ltd.* (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[63], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 31 March 2026, the consolidated statements of profit or loss, 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, for each of the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 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-[63] 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 shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (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.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the

* For identification purpose only

APPENDIX I

ACCOUNTANTS’ REPORT

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2023, 2024 and 2025 and 31 March 2026, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of the stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, 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 31 March 2025 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, 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 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 Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Dividends

We refer to Note 30(c) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

[*date*]

APPENDIX I

ACCOUNTANTS’ REPORT

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, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi (“RMB”))

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	1,030,560	1,125,700	1,323,670	293,195	336,778
Cost of sales		(290,586)	(349,430)	(439,541)	(93,816)	(114,038)
Gross profit		739,974	776,270	884,129	199,379	222,740
Other income	5	14,811	14,105	24,921	3,842	4,921
Selling expenses		(407,258)	(456,186)	(475,300)	(110,492)	(147,317)
Administrative expenses . .		(112,215)	(159,144)	(221,788)	(32,161)	(40,796)
Research and development costs		(48,784)	(59,512)	(70,971)	(11,537)	(10,781)
Reversal/(recognition) of impairment loss on trade and other receivables . . .		510	(558)	1,579	109	(1,478)
Impairment losses on goodwill, intangible assets and assets held-for-sale	6(c)	(220)	(39,990)	–	–	–
Profit from operations . . .		186,818	74,985	142,570	49,140	27,289
Finance costs	6(a)	(6,045)	(6,910)	(11,151)	(2,993)	(1,541)
Changes in the carrying amount of financial instruments issued to investors	26	–	–	(3,625)	–	(7,582)
Share of losses of associates	16	(3,127)	(2,506)	(2,315)	(2,358)	(754)
Profit before taxation . . .	6	177,646	65,569	125,479	43,789	17,412
Income tax	7(a)	(31,406)	(19,970)	(30,963)	(6,031)	(4,783)
Profit for the year/period		146,240	45,599	94,516	37,758	12,629
Attributable to:						
Equity shareholders of the Company		146,951	48,042	95,854	38,239	12,544
Non-controlling interests . .		(711)	(2,443)	(1,338)	(481)	85
Profit for the year/period		146,240	45,599	94,516	37,758	12,629
Earnings per share	10	1.13	0.37	0.79	0.31	0.09
Basic and diluted (RMB) . .						

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Expressed in RMB)

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period . .	<u>146,240</u>	<u>45,599</u>	<u>94,516</u>	<u>37,758</u>	<u>12,629</u>
Other comprehensive income for the year/period (after tax)					
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(19)</u>	<u>(31)</u>	<u>(187)</u>	<u>(132)</u>	<u>(246)</u>
Other comprehensive income for the year/period	<u>(19)</u>	<u>(31)</u>	<u>(187)</u>	<u>(132)</u>	<u>(246)</u>
Total comprehensive income for the year/period	<u>146,221</u>	<u>45,568</u>	<u>94,329</u>	<u>37,626</u>	<u>12,383</u>
Attributable to:					
Equity shareholders of the Company	146,932	48,011	95,667	38,107	12,298
Non-controlling interests . . .	<u>(711)</u>	<u>(2,443)</u>	<u>(1,338)</u>	<u>(481)</u>	<u>85</u>
Total comprehensive income for the year/period	<u>146,221</u>	<u>45,568</u>	<u>94,329</u>	<u>37,626</u>	<u>12,383</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB’000	RMB’000	RMB’000	RMB’000
Non-current assets					
Property, plant and equipment	11	300,756	342,205	445,521	485,962
Right-of-use assets	12	33,366	82,859	78,025	85,316
Intangible assets	13	79,400	74,555	81,966	81,970
Goodwill	14	28,244	1,284	1,284	1,284
Investments in associates	16	56,343	53,837	51,522	50,768
Deferred tax assets	29	6,686	5,021	6,500	8,976
Other non-current assets	17	9,067	13,112	46,116	50,305
		<u>513,862</u>	<u>572,873</u>	<u>710,934</u>	<u>764,581</u>
Current assets					
Inventories	18	98,053	105,093	129,560	137,406
Trade and other receivables	19	143,161	151,786	161,903	208,037
Cash and cash equivalents	20	245,026	367,508	433,450	343,254
Assets held-for-sale	21	7,099	4,717	4,717	4,717
		<u>493,339</u>	<u>629,104</u>	<u>729,630</u>	<u>693,414</u>
Current liabilities					
Trade and other payables	22	99,962	180,721	214,264	199,156
Contract liabilities	23	17,139	7,801	6,472	12,595
Bank loans	24	29,441	90,465	109,124	160,243
Lease liabilities	25	3,504	2,809	1,311	2,905
Financial instruments issued to investors	26	—	—	292,244	396,524
Deferred income	27	—	3,311	3,182	3,648
Income tax payable	29	9,095	4,824	10,971	7,828
		<u>159,141</u>	<u>289,931</u>	<u>637,568</u>	<u>782,899</u>
Net current assets/(liabilities)		<u>334,198</u>	<u>339,173</u>	<u>92,062</u>	<u>(89,485)</u>
Total assets less current liabilities		<u>848,060</u>	<u>912,046</u>	<u>802,996</u>	<u>675,096</u>
Non-current liabilities					
Bank loans	24	149,336	187,206	166,620	106,470
Lease liabilities	25	1,999	2,887	2,100	8,460
Deferred income	27	38,166	41,892	43,359	46,956
Deferred tax liabilities	29	6,934	2,617	2,161	2,050
		<u>196,435</u>	<u>234,602</u>	<u>214,240</u>	<u>163,936</u>
Net assets		<u>651,625</u>	<u>677,444</u>	<u>588,756</u>	<u>511,160</u>
Capital and reserves					
Share capital	30(b)	129,900	129,900	138,168	138,168
Reserves	30(d)	502,019	529,231	432,738	355,057
Total equity attributable to equity shareholders of the Company		<u>631,919</u>	<u>659,131</u>	<u>570,906</u>	<u>493,225</u>
Non-controlling interests		<u>19,706</u>	<u>18,313</u>	<u>17,850</u>	<u>17,935</u>
Total equity		<u>651,625</u>	<u>677,444</u>	<u>588,756</u>	<u>511,160</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	212,861	222,797	332,253	370,969
Right-of-use assets	12	17,267	70,615	68,445	67,903
Intangible assets	13	53,757	48,368	52,596	53,574
Investments in subsidiaries	15	238,970	239,394	223,729	231,685
Investments in associates	16	56,343	53,837	51,522	50,768
Deferred tax assets		5,838	6,042	4,725	5,568
Other non-current assets	17	6,882	5,726	43,065	46,172
		<u>591,918</u>	<u>646,779</u>	<u>776,335</u>	<u>826,639</u>
Current assets					
Inventories	18	45,790	66,636	84,801	84,215
Trade and other receivables	19	105,263	98,213	150,306	188,753
Cash and cash equivalents	20	64,742	269,516	319,419	265,080
Assets held-for-sale	21	7,099	4,717	4,717	4,717
		<u>222,894</u>	<u>439,082</u>	<u>559,243</u>	<u>542,765</u>
Current liabilities					
Trade and other payables	22	76,437	143,092	204,731	193,787
Contract liabilities	23	7,063	6,803	5,876	11,419
Bank loans	24	17,013	71,562	84,845	128,908
Lease liabilities	25	95	755	704	713
Financial instruments issued to investors	26	–	–	292,244	396,524
Deferred income	27	–	2,544	2,424	2,822
Income tax payable		5,067	1,783	4,564	3,316
		<u>105,675</u>	<u>226,539</u>	<u>595,388</u>	<u>737,489</u>
Net current assets/(liabilities)		<u>117,219</u>	<u>212,543</u>	<u>(36,145)</u>	<u>(194,724)</u>
Total assets less current liabilities		<u>709,137</u>	<u>859,322</u>	<u>740,190</u>	<u>631,915</u>
Non-current liabilities					
Bank loans	24	101,801	121,819	141,620	106,470
Lease liabilities	25	–	2,599	2,015	2,038
Deferred income	27	24,648	22,401	20,621	24,512
Deferred tax liabilities		2,597	–	–	–
Total non-current liabilities		<u>129,046</u>	<u>146,819</u>	<u>164,256</u>	<u>133,020</u>
Net assets		<u>580,091</u>	<u>712,503</u>	<u>575,934</u>	<u>498,895</u>
Capital and reserves					
Share capital	30(b)	129,900	129,900	138,168	138,168
Reserves	30(d)	450,191	582,603	437,766	360,727
Total equity		<u>580,091</u>	<u>712,503</u>	<u>575,934</u>	<u>498,895</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Expressed in RMB)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		129,900	200,207	9,193	19,131	127	168,812	527,370	32,701	560,071
Changes in equity for 2023:										
Profit for the year		–	–	–	–	–	146,951	146,951	(711)	146,240
Other comprehensive income		–	–	–	–	(19)	–	(19)	–	(19)
Total comprehensive income for the year		–	–	–	–	(19)	146,951	146,932	(711)	146,221
Capital injection from non-controlling interests		–	–	–	–	–	–	–	1,960	1,960
Acquisition of non-controlling interests in a subsidiary	30(e)	–	(3,756)	–	–	–	–	(3,756)	(14,244)	(18,000)
Dividend declared and approved in respect of previous year	30(c)	–	–	–	–	–	(38,970)	(38,970)	–	(38,970)
Equity-settled share-based payment	28	–	–	343	–	–	–	343	–	343
Appropriation for statutory reserves	30(d)(iv)	–	–	–	10,571	–	(10,571)	–	–	–
Balance at 31 December 2023		129,900	196,451	9,536	29,702	108	266,222	631,919	19,706	651,625

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company										
Note	Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	129,900	196,451	—	9,536	29,702	108	266,222	631,919	19,706	651,625
Changes in equity for 2024:										
Profit for the year	—	—	—	—	—	—	48,042	48,042	(2,443)	45,599
Other comprehensive income	—	—	—	—	—	(31)	—	(31)	—	(31)
Total comprehensive income for the year	—	—	—	—	—	(31)	48,042	48,011	(2,443)	45,568
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	1,540	1,540
Shares repurchased for share award scheme	—	—	(9,180)	—	—	—	—	(9,180)	—	(9,180)
Shares granted under the share award scheme	—	—	9,180	(8,100)	—	—	—	1,080	—	1,080
Dividend declared and approved in respect of previous year	—	—	—	—	—	—	(38,622)	(38,622)	(490)	(39,112)
Equity-settled share-based payment	—	—	—	25,923	—	—	—	25,923	—	25,923
Appropriation for statutory reserves	—	—	—	—	15,321	—	(15,321)	—	—	—
Balance at 31 December 2024	129,900	196,451	—	27,359	45,023	77	260,321	659,131	18,313	677,444

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company											
Note	Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2025	129,900	196,451	—	27,359	45,023	77	—	260,321	659,131	18,313	677,444
Changes in equity for 2025:											
Profit for the year	—	—	—	—	—	—	—	95,854	95,854	(1,338)	94,516
Other comprehensive income	—	—	—	—	—	(187)	—	—	(187)	—	(187)
Total comprehensive income for the year	—	—	—	—	—	(187)	—	95,854	95,667	(1,338)	94,329
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	875	875
Repurchase and cancellation of ordinary shares	(10,985)	(156,523)	—	—	—	—	—	—	(167,508)	—	(167,508)
Issuance of ordinary shares with preferred rights, net of transaction cost	12,346	244,510	—	—	—	—	—	—	256,856	—	256,856
Recognition of financial instruments issued to investors	26	—	—	—	—	—	(288,619)	—	(288,619)	—	(288,619)
Subscription of shares under share award scheme	30(b)	6,907	—	(4,800)	—	—	—	—	2,107	—	2,107
Shares repurchased for share award scheme	30(d)(ii)	—	—	(43,091)	—	—	—	—	(43,091)	—	(43,091)
Shares granted under the share award scheme	30(d)(ii)	—	—	43,091	(40,398)	—	—	—	2,693	—	2,693
Dividend declared and approved in respect of previous year	30(c)	—	—	—	—	—	—	(25,714)	(25,714)	—	(25,714)
Equity-settled share-based payment	28	—	—	79,384	—	—	—	—	79,384	—	79,384
Appropriation for statutory reserves	30(d)(iv)	—	—	—	4,732	—	—	(4,732)	—	—	—
Balance at 31 December 2025	138,168	284,438	(4,800)	66,345	49,755	(110)	(288,619)	325,729	570,906	17,850	588,756

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company												
Note	Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	
Balance at 1 January 2026	138,168	284,438	(4,800)	66,345	49,755	(110)	(288,619)	325,729	570,906	17,850	588,756	
Changes in equity for the three months ended 31 March 2026:												
Profit for the period	—	—	—	—	—	—	—	12,544	12,544	85	12,629	
Other comprehensive income	—	—	—	—	—	(246)	—	—	(246)	—	(246)	
Total comprehensive income for the period	—	—	—	—	—	(246)	—	12,544	12,298	85	12,383	
Recognition of financial instruments issued to investors	26	—	—	—	—	—	(96,698)	—	(96,698)	—	(96,698)	
Equity-settled share-based payment	28	—	—	6,719	—	—	—	—	6,719	—	6,719	
Balance at 31 March 2026	138,168	284,438	(4,800)	73,064	49,755	(356)	(385,317)	338,273	493,225	17,935	511,160	

The accompanying notes form part of the Historical Financial Information.

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

		Year ended 31 December			Three months ended 31 March	
	Note	2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities:						
Cash generated from operations	20(b)	212,097	188,037	233,686	45,482	23,264
Income tax paid		(28,927)	(26,893)	(26,751)	(6,216)	(10,513)
Net cash generated from operating activities		183,170	161,144	206,935	39,266	12,751
Investing activities:						
Payments for purchase of property, plant and equipment, land-use rights and intangible assets		(115,692)	(120,196)	(121,997)	(24,510)	(88,590)
Proceeds from disposal of property, plant and equipment		2,971	1,877	3,685	3,233	2
Payment for purchase of wealth management products measured at fair value through profit or loss		(18,000)	(17,500)	(90,000)	(40,000)	—
Proceeds from sale of wealth management products measured at fair value through profit or loss		18,013	17,532	90,119	40,084	—
Payment for investments in associates		(35,000)	—	—	—	—
Others		—	(300)	620	—	—
Net cash used in investing activities		(147,708)	(118,587)	(117,573)	(21,193)	(88,588)
Financing activities:						
Proceeds from bank loans	20(c)	149,700	163,000	229,619	129,600	126,966
Repayment of bank loans	20(c)	(108,795)	(64,183)	(231,480)	(8,000)	(135,990)
Interest paid for bank loans	20(c)	(6,697)	(7,816)	(11,204)	(2,931)	(1,738)
Payment of dividends		(42,359)	(490)	(63,810)	(38,622)	(526)
Proceeds from employees for subscription of shares under share award scheme		—	1,080	9,600	—	—
Shares repurchased for share award scheme		—	(9,180)	(43,091)	—	—
Shares repurchased for cancellation		—	—	(167,508)	(167,508)	—

APPENDIX I

ACCOUNTANTS’ REPORT

	<i>Note</i>	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Proceeds from the issuance of ordinary shares with preferred rights, net of transaction costs		–	–	256,856	–	–
Payments for acquisition of non-controlling interests in a subsidiary		(18,000)	–	–	–	–
Payment of [REDACTED] . . .		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital injection received from holders of non-controlling interests		1,960	1,540	875	700	–
Capital element of lease rentals paid	20(c)	(4,613)	(3,586)	(2,290)	(945)	(663)
Interest element of lease rentals paid	20(c)	(471)	(250)	(230)	(67)	(103)
Net cash (used in)/ generated from financing activities		<u>(29,275)</u>	<u>80,115</u>	<u>(23,832)</u>	<u>(87,773)</u>	<u>(14,104)</u>
Net increase/(decrease) in cash and cash equivalents		6,187	122,672	65,530	(69,700)	(89,941)
Cash and cash equivalents at the beginning of the year/period		238,869	245,026	367,508	367,508	433,450
Effect of foreign exchange rate changes		<u>(30)</u>	<u>(190)</u>	<u>412</u>	<u>(120)</u>	<u>(255)</u>
Cash and cash equivalents at the end of the year/period	20(a)	<u>245,026</u>	<u>367,508</u>	<u>433,450</u>	<u>297,688</u>	<u>343,254</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司) (the “Company”) was established in Wuxi, Jiangsu Province, People’s Republic of China (the “PRC”) on 11 March 1999 as a company with limited liability under the Company Law of the PRC. On 27 November 2020, the Company was converted into a joint stock company with limited liability.

The Company and its subsidiaries (the “Group”) are principally engaged in the research and development, manufacturing and sales of dermatological pharmaceuticals and medical-grade skincare products in the PRC.

The statutory financial statements of the Company for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)).

As at the date of the report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies.

Company name	Place of incorporation/ establishment and business and date of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Wuxi Langrun Pharmaceutical Co., Ltd. (無錫朗潤醫藥有限公司)*/**	Chinese Mainland, 29 March 2019	RMB25 million/ RMB25 million	100%	–	Sale of products
Wuxi Zhiyan E-commerce Co., Ltd. (無錫知妍電子商務有限公司), formerly known as Wuxi Langrun E-commerce Co., Ltd. (無錫朗潤電子商務有限公司)*/**	Chinese Mainland, 30 May 2019	RMB5 million/ RMB5 million	–	80%	Sale of products
Wuxi Zhiyan Biotechnology Co., Ltd. (無錫知妍生物科技股份有限公司)*/**	Chinese Mainland, 5 July 2021	RMB20 million/ RMB20 million	80%	–	Research and development and sale of products
Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. (重慶市藥研院製藥有限公司)*/**	Chinese Mainland, 13 November 1986	RMB28 million/ RMB28 million	–	84%	Research and development, production and sale of products
Chongqing Zhiyuan Pharmacy Co., Ltd. (重慶知原大藥房有限公司)*/**	Chinese Mainland, 29 November 2022	RMB10 million/ RMB10 million	100%	–	Sale of products

* The official names of the above entities are in Chinese. The English names are for identification purpose only.

** The statutory financial statements for Wuxi Zhiyan E-commerce Co., Ltd. for the year ended 31 December 2024 were audited by Wuxi Donglin Certified Public Accountants Co., Ltd. (無錫東林會計師事務所有限公司). No statutory financial statements were prepared for the year ended 31 December 2023. The statutory financial statements for the year ended 31 December 2025 have not been issued as at the date of the report.

The statutory financial statements for Wuxi Zhiyan Biotechnology Co., Ltd. for the years ended 31 December 2023 and 2025 were audited by Jiangsu Gong Qin CPAs Co., Ltd. (江蘇公勤會計師事務所有限公司), and the statutory financial statements for the year ended 31 December 2024 were audited by Wuxi Donglin Certified Public Accountants Co., Ltd. (無錫東林會計師事務所有限公司).

The statutory financial statements for Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. for the year ended 31 December 2023 were audited by Chongqing Yonghe Certified Public Accountants (重慶永和會計師事務所), and the statutory financial statements for the years ended 31 December 2024 and 2025 were audited by Chongqing Zhonglongxin Certified Public Accountants (重慶中隆信會計師事務所).

*** No statutory financial statements have been prepared for these entities during the Track Record Period.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB89,485,000 as at 31 March 2026, which is primarily due to the recognition of financial instruments issued to investors of RMB396,524,000 as current liabilities (see Note 26). All of the special rights granted to the investors would be terminated upon the Company’s [REDACTED], and the financial instruments issued to investors would be reclassified from liability to equity. The directors of the Company are satisfied that the Group have sufficient financial resources to meet its financial obligations as they fall due and to sustain its operations for the foreseeable future after reviewing the Group’s

APPENDIX I

ACCOUNTANTS’ REPORT

cash flow projection prepared by the management, taking into account the expected working capital requirements covering the next twelve months from 31 March 2026. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any amendments, new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for the assets and liabilities as set out in Notes 2(f) and 2(q).

Assets held-for-sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(x)).

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

APPENDIX I

ACCOUNTANTS’ REPORT

In the Company’s statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held-for-sale (or included in a disposal group classified as held-for-sale) (see Note 2(x)). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (“OCI”) of those investees, until the date on which significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group’s net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i))).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company’s statements of financial position, an investment in associate is accounted for using the equity method, unless it is classified as held-for-sale.

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(j)(ii)).

(f) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries and associates, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value, plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (“FVPL”) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)).

APPENDIX I

ACCOUNTANTS' REPORT

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost. Cost comprises cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss, as follows:

Buildings	20 – 50 years
Machineries	5 – 15 years
Office and other equipment	3 – 5 years
Leasehold improvement	shorter of useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Other intangible assets, including patent and license, software and trademark, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Capitalised development costs ready for use	10 years
Software	3 – 10 years
Patent and license	5 – 10 years
Trademark	5 – 10 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(f)(i) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

APPENDIX I

ACCOUNTANTS' REPORT

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income (OCI) and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulties of the debtor;
- A breach of contract, such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

APPENDIX I

ACCOUNTANTS' REPORT

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(ii)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration, and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(w).

(q) Financial instruments issued to investors

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising a right to redeem. The financial instruments issued to investors are recognised as financial liabilities initially at the present value of the redemption amount, and are reclassified from equity. Subsequently, changes in the carrying amount of the financial liabilities are recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The carrying amount of the financial instruments derecognised is credited into the equity.

(r) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

APPENDIX I

ACCOUNTANTS' REPORT

(ii) *Share-based payments*

The fair value of equity-settled share-based payment granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The grant-date fair value is measured using the valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The subscription price received from the grantees, which is refundable when the awards are forfeited, is recognised as a deposit liability until the award vests.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) **Income tax**

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) **Provision and contingent liabilities**

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

APPENDIX I

ACCOUNTANTS’ REPORT

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax and is after deduction of any trade rebates.

For the sale of dermatological pharmaceuticals and medical-grade skincare products, revenue is recognised at the point in time when control of the goods has been transferred, being when the goods have been delivered to the customer’s specific location and the customer accepts the products. Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(v) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

APPENDIX I

ACCOUNTANTS' REPORT

(x) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets and financial assets (other than investments in subsidiaries, associates and joint ventures), which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Development expenditures

Development expenditures incurred on the Group's pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's 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 expenditures which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine the criteria met for capitalization.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Sources of estimation uncertainty

Notes 14 and 28 contains information about the assumptions and their risk factors relating to goodwill and equity-settled share-based transactions. Other significant sources of estimation uncertainty in the process of applying the Group’s accounting policies are as follows:

(i) Depreciation and amortisation

Right-of-use assets, property, plant and equipment and intangible assets, are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets. The depreciation and amortisation expenses for future periods are adjusted if there are material changes from previous estimates.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iii) Impairment of trade and other receivables

The Group’s management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group’s management reassesses the loss allowance at each reporting period end.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group’s profit or loss and net asset value.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from contracts with customers within the scope of IFRS 15					
Sales of products	1,019,698	1,109,755	1,308,220	290,969	331,504
Others	10,862	15,945	15,450	2,226	5,274
	<u>1,030,560</u>	<u>1,125,700</u>	<u>1,323,670</u>	<u>293,195</u>	<u>336,778</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Disaggregation by timing of revenue recognition					
– Point in time	1,023,654	1,113,450	1,314,094	292,026	332,943
– Over time	6,906	12,250	9,576	1,169	3,835
	<u>1,030,560</u>	<u>1,125,700</u>	<u>1,323,670</u>	<u>293,195</u>	<u>336,778</u>

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company’s chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Company has determined that it only has one operating segment which is the research and development, manufacturing and sales of dermatological pharmaceuticals and medical-grade skincare products.

(i) Geographic information

No geographical information is shown as the revenue and profit from operations of the Group is substantially all derived from activities in the PRC, and substantially all of the Group’s non-current assets are located physically or operationally in the PRC.

(ii) Information about major customers

During the Track Record Period, the Group’s customers with whom transactions have exceeded 10% of the Group’s revenue are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A	236,807	253,838	264,195	57,456	45,439
Customer B	170,674	N/A*	N/A*	N/A*	N/A*
Customer C	117,614	N/A*	134,098	N/A*	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	35,978
Customer E	N/A*	N/A*	N/A*	N/A*	35,760

* Less than 10% of the Group’s revenue in the respective periods.

5 OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest income	1,919	3,000	1,601	721	139
Government grants (i)	13,730	14,356	24,928	3,376	5,075
Gain on wealth management products	13	32	119	84	–
Others	(851)	(3,283)	(1,727)	(339)	(293)
	<u>14,811</u>	<u>14,105</u>	<u>24,921</u>	<u>3,842</u>	<u>4,921</u>

(i) Government grants mainly represent the reward and subsidies provided to the Group for its contribution to the local economic growth.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Finance costs					
Interest expenses on bank loans	6,709	7,893	11,138	2,926	1,731
Interest expenses on lease liabilities	471	250	230	67	103
	<u>7,180</u>	<u>8,143</u>	<u>11,368</u>	<u>2,993</u>	<u>1,834</u>
Less: interest expenses capitalised into property, plant and equipment	(1,135)	(1,233)	(217)	–	(293)
Finance costs	<u>6,045</u>	<u>6,910</u>	<u>11,151</u>	<u>2,993</u>	<u>1,541</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Staff costs:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and other benefits	140,341	153,686	158,942	36,887	42,502
Contributions to retirement schemes (i)	13,009	15,457	15,581	3,714	4,844
Equity-settled share-based payment expenses (Note 28)	343	25,923	79,384	390	6,719
	<u>153,693</u>	<u>195,066</u>	<u>253,907</u>	<u>40,991</u>	<u>54,065</u>

- (i) Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation and amortisation					
– Owned property, plant and equipment	16,573	20,687	26,477	6,357	6,942
– Right-of-use assets	5,001	4,534	4,853	1,156	1,326
– Intangible assets	6,441	7,361	8,466	2,249	2,288
Less: amount capitalised as development costs	(722)	(403)	(319)	(134)	(6)
	<u>27,293</u>	<u>32,179</u>	<u>39,477</u>	<u>9,628</u>	<u>10,550</u>
Impairment losses recognized					
– Intangible assets	–	10,648	–	–	–
– Goodwill	220	26,960	–	–	–
– Assets held-for-sale	–	2,382	–	–	–
	<u>220</u>	<u>39,990</u>	<u>–</u>	<u>–</u>	<u>–</u>
Research and development expenses (i)	48,784	59,512	70,971	11,537	10,781
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Cost of inventories sold (ii)	276,214	320,421	408,789	87,469	105,259

- (i) Research and development expenses include RMB16,543,000, RMB19,641,000, RMB23,914,000, RMB4,754,000 (unaudited) and RMB7,632,000 for the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 respectively relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

- (ii) Cost of inventories sold include RMB24,980,000, RMB27,754,000, RMB40,016,000, RMB8,775,000 (unaudited) and RMB10,417,000 for the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 respectively relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

APPENDIX I

ACCOUNTANTS’ REPORT

7 INCOME TAX

(a) Taxation in the consolidated statements of profit and loss and other comprehensive represents:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Provision of income tax for the year/period	32,648	22,622	32,898	7,968	7,370
Deferred tax	(1,242)	(2,652)	(1,935)	(1,937)	(2,587)
	<u>31,406</u>	<u>19,970</u>	<u>30,963</u>	<u>6,031</u>	<u>4,783</u>

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	<u>177,646</u>	<u>65,569</u>	<u>125,479</u>	<u>43,789</u>	<u>17,412</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned (i)	44,412	16,392	31,370	10,947	4,353
Effect of preferential tax rate (ii)	(11,334)	(6,398)	(7,517)	(3,593)	(3,143)
Tax effect of non-deductible expenses	2,215	14,958	14,322	284	1,810
Tax effect of deductible temporary differences and unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	1,961	994	(389)	(875)	2,763
Tax effect of super deduction for research and development expenses (iii)	(6,530)	(7,222)	(7,170)	(1,086)	(1,113)
Others	682	1,246	347	354	113
Actual income tax expense	<u>31,406</u>	<u>19,970</u>	<u>30,963</u>	<u>6,031</u>	<u>4,783</u>

(i) Pursuant to the PRC Enterprise Income Tax (the “EIT”), the Company and its subsidiaries in the Chinese Mainland are subject to EIT at a rate of 25%.

No provision for Hong Kong Profits Tax and Korea Corporate Income Tax were made for the subsidiaries located in Hong Kong and South Korea as the subsidiaries did not have assessable profits during the Track Record Period.

(ii) During the Track Record Period, certain subsidiaries were qualified as High and New Technology Enterprises (“HNTe”) and enjoyed a preferential EIT at a rate of 15%, and certain subsidiaries were entitled to a preferential EIT at a rate of 5% as they were accredited as small and micro business.

(iii) According to the new tax incentive policies promulgated by the State Tax Bureau of the PRC, effective for the period from 1 January 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

APPENDIX I

ACCOUNTANTS’ REPORT

8 DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Year ended 31 December 2023

	Directors’ fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment (i)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors:						
Mr. Xu Jun (徐軍) . . .	–	1,221	–	19	–	1,240
Mr. Xie Hongwei (謝宏偉)	–	1,116	–	13	–	1,129
Mr. You Bin (尤斌) . . .	–	970	100	12	–	1,082
Dr. Cai Beilei (蔡蓓蕾)	–	1,288	200	15	–	1,503
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	120	–	–	–	–	120
Mr. Li Yuanchao (李援朝)	120	–	–	–	–	120
Mr. Jiang Dequan (蔣德權)	120	–	–	–	–	120
Supervisors:						
Mr. Deng Wei (鄧偉)	–	498	–	16	–	514
Mr. Wang Xuezheng (王學政)	–	537	80	19	–	636
Mrs. Wang Jing (王晶)	–	404	210	13	–	627
	<u>360</u>	<u>6,034</u>	<u>590</u>	<u>107</u>	<u>–</u>	<u>7,091</u>

Year ended 31 December 2024

	Directors’ fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment (i)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors:						
Mr. Xu Jun (徐軍) . . .	–	1,221	–	21	2,868	4,110
Mr. Xie Hongwei (謝宏偉)	–	1,117	–	13	1,215	2,345
Mr. You Bin (尤斌) . . .	–	968	–	12	352	1,332
Dr. Cai Beilei (蔡蓓蕾)	–	1,257	250	14	856	2,377
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	180	–	–	–	–	180
Mr. Li Yuanchao (李援朝)	180	–	–	–	–	180
Mr. Jiang Dequan (蔣德權)	180	–	–	–	–	180
Supervisors:						
Mr. Deng Wei (鄧偉)	–	466	–	17	1,278	1,761
Mr. Wang Xuezheng (王學政)	–	413	–	19	133	565
Mrs. Wang Jing (王晶)	–	395	160	13	221	789
	<u>540</u>	<u>5,837</u>	<u>410</u>	<u>109</u>	<u>6,923</u>	<u>13,819</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Directors’ fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment (i)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors:						
Mr. Xu Jun (徐軍) . .	–	1,219	–	21	75,941	77,181
Mr. Xie Hongwei (謝宏偉)	–	1,117	–	13	520	1,650
Mr. You Bin (尤斌) . .	–	971	–	12	234	1,217
Dr. Cai Beilei (蔡蓓蕾)	–	1,384	–	14	260	1,658
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋) (ii)	–	–	–	–	–	–
Mr. Yang Xiaolong (楊小龍) (iii)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	180	–	–	–	–	180
Mr. Li Yuanchao (李援朝) (v)	180	–	–	–	–	180
Mr. Jiang Dequan (蔣德權) (v)	180	–	–	–	–	180
Supervisors:						
Mr. Deng Wei (鄧偉) (iv)	–	215	–	8	–	223
Mr. Wang Xuezheng (王學政) (iv)	–	187	–	6	–	193
Mrs. Wang Jing (王晶) (iv)	–	179	75	6	–	260
	<u>540</u>	<u>5,272</u>	<u>75</u>	<u>80</u>	<u>76,955</u>	<u>82,922</u>

Three months ended 31 March 2026

	Directors’ fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment (i)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors:						
Mr. Xu Jun (徐軍) . .	–	305	200	5	–	510
Mr. Xie Hongwei (謝宏偉)	–	280	200	3	1,582	2,065
Mr. You Bin (尤斌) . .	–	243	100	3	791	1,137
Dr. Cai Beilei (蔡蓓蕾)	–	353	150	4	791	1,298
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mr. Yang Xiaolong (楊小龍)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	45	–	–	–	–	45
Mr. Li Yuanchao (李援朝)	45	–	–	–	–	45
Mr. Jiang Dequan (蔣德權)	45	–	–	–	–	45
	<u>135</u>	<u>1,181</u>	<u>650</u>	<u>15</u>	<u>3,164</u>	<u>5,145</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Three months ended 31 March 2025 (unaudited)

	Directors’ fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment (i)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors:						
Mr. Xu Jun (徐軍) . . .	–	305	–	5	–	310
Mr. Xie Hongwei (謝宏偉)	–	280	–	3	–	283
Mr. You Bin (尤斌) . . .	–	243	–	3	–	246
Dr. Cai Beilei (蔡蓓蕾)	–	352	–	4	–	356
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	45	–	–	–	–	45
Mr. Li Yuanchao (李援朝)	45	–	–	–	–	45
Mr. Jiang Dequan (蔣德權)	45	–	–	–	–	45
Supervisors:						
Mr. Deng Wei (鄧偉)	–	112	–	4	–	116
Mr. Wang Xuezheng (王學政)	–	93	–	3	–	96
Mrs. Wang Jing (王晶)	–	97	19	3	–	119
	<u>135</u>	<u>1,482</u>	<u>19</u>	<u>25</u>	<u>–</u>	<u>1,661</u>

- (i) These amounts represent the estimated value of restricted shares granted to the directors and supervisors of the Company under the Company’s share award scheme. The value of these restricted shares is measured according to the Group’s accounting policies for share-based payment transactions as set out in Note 2(r)(ii). The details of share-based payment transactions are disclosed in Note 28.
- (ii) Mrs. Ren Zhiping (任芷蘋) ceased to act as a non-executive director of the Company in September 2025.
- (iii) Mr. Yang Xiaolong (楊小龍) was appointed as a non-executive director of the Company in September 2025.
- (iv) Mr. Deng Wei (鄧偉), Mr. Wang Xuezheng (王學政) and Mrs. Wang Jing (王晶) ceased to act as supervisors of the Company, and the Company abolished the supervisor committee in June 2025.
- (v) Mr. Li Yuanchao (李援朝) and Mr. Jiang Dequan (蔣德權) ceased to act as independent non-executive directors of the Company in June 2026.
- (vi) Dr. Ng Lai Ping Angela (吳麗萍) and Dr. Xia Lijun (夏立軍) were appointed as independent non-executive directors of the Company in June 2026.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or supervisors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, two, two, three, one (unaudited) and three are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining three, three, two, four (unaudited) and two individuals during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries, allowances and benefits in kind	8,771	5,020	3,973	1,636	741
Discretionary bonuses	1,575	2,059	4,500	1,030	520
Contributions to retirement benefit schemes	34	36	26	13	7
Equity-settled share-based payment	67	14,309	403	–	1,582
	<u>10,447</u>	<u>21,424</u>	<u>8,902</u>	<u>2,679</u>	<u>2,850</u>

The emoluments of the individuals who are not directors or supervisors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil – HKD1,000,000	–	–	–	2	–
HKD1,000,001 – HKD1,500,000	–	–	–	2	1
HKD1,500,001 – HKD2,000,000	1	–	–	–	1
HKD2,500,001 – HKD3,000,000	–	1	–	–	–
HKD4,500,001 – HKD5,000,000	1	–	1	–	–
HKD5,000,001 – HKD5,500,000	1	–	1	–	–
HKD7,000,001 – HKD7,500,000	–	1	–	–	–
HKD13,000,001 – HKD13,500,000	–	1	–	–	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Track Record Period, which are calculated as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Profit for the year/period attributable to ordinary equity shareholders of the Company (RMB’000)	146,951	48,042	93,997	38,239	11,085
Weighted average number of ordinary shares (in thousands)	129,900	129,900	119,225	125,228	117,300
Basic earnings per share (RMB)	<u>1.13</u>	<u>0.37</u>	<u>0.79</u>	<u>0.31</u>	<u>0.09</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Profit for the year/period attributable to equity shareholders of the Company:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to equity shareholders of the Company . . .	146,951	48,042	95,854	38,239	12,544
Allocation of profit for the year/period attributable to ordinary shares with preferred rights issued to investors (Note 26)	—	—	(1,857)	—	(1,459)
Profit attributable to ordinary equity shareholders of the Company . . .	<u>146,951</u>	<u>48,042</u>	<u>93,997</u>	<u>38,239</u>	<u>11,085</u>

Weighted average number of ordinary shares:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	'000	'000	'000	'000 (unaudited)	'000
Ordinary shares at 1 January in issue	129,900	129,900	129,900	129,900	138,168
Effect of issuance of new shares, net of shares repurchase and cancellation	—	—	(7,837)	(4,672)	—
Effect of the ordinary shares with preferred rights issued to investors	—	—	(2,365)	—	(16,068)
Effect of shares under share award scheme	—	—	(473)	—	(4,800)
Weighted average number of ordinary shares at the end of the year/period in issue	<u>129,900</u>	<u>129,900</u>	<u>119,225</u>	<u>125,228</u>	<u>117,300</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the above profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares (diluted), calculated as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares at the end of the year/period in issue	129,900	129,900	119,225	125,228	117,300
Effect of shares under share award scheme	—	—	—	—	519
Weighted average number of ordinary shares (diluted) at the end of the year/period in issue	<u>129,900</u>	<u>129,900</u>	<u>119,225</u>	<u>125,228</u>	<u>117,819</u>

The ordinary shares with preferred rights issued to investors (Note 26) and restricted shares granted under the Company’s Share Award Scheme (Note 28) (except for the three months ended 31 March 2026 as disclosed above) were not included in the calculation of diluted profit per share because their effect would have been anti-dilutive. Accordingly, diluted profit per share were the same as basic profit per share in the relevant periods.

APPENDIX I

ACCOUNTANTS’ REPORT

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machineries	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2023	122,882	88,727	7,374	5,983	30,789	255,755
Additions	126	4,406	3,551	606	101,805	110,494
Transfer	52,519	2,679	887	–	(56,085)	–
Disposals	–	(1,300)	(78)	–	–	(1,378)
At 31 December 2023 and 1 January 2024 . .	175,527	94,512	11,734	6,589	76,509	364,871
Additions	–	17,813	807	1,052	44,513	64,185
Transfer	96,252	18,545	627	–	(115,424)	–
Disposals	(1,630)	(784)	(354)	–	–	(2,768)
At 31 December 2024 and 1 January 2025 . .	270,149	130,086	12,814	7,641	5,598	426,288
Additions	1,027	20,840	1,112	1,759	109,003	133,741
Transfer	1,370	457	–	–	(1,827)	–
Disposals	(2,838)	(2,148)	(382)	–	–	(5,368)
At 31 December 2025 and 1 January 2026 . .	269,708	149,235	13,544	9,400	112,774	554,661
Additions	–	3,189	237	10	43,949	47,385
Disposals	–	(5)	(51)	–	–	(56)
At 31 March 2026	269,708	152,419	13,730	9,410	156,723	601,990
	-----	-----	-----	-----	-----	-----
Accumulated depreciation:						
At 1 January 2023	(18,098)	(20,764)	(3,916)	(5,795)	–	(48,573)
Charge for the year . . .	(4,955)	(10,040)	(1,329)	(249)	–	(16,573)
Written back on disposals	–	964	67	–	–	1,031
At 31 December 2023 and 1 January 2024 . .	(23,053)	(29,840)	(5,178)	(6,044)	–	(64,115)
Charge for the year . . .	(6,693)	(12,215)	(1,656)	(123)	–	(20,687)
Written back on disposals	–	398	321	–	–	719
At 31 December 2024 and 1 January 2025 . .	(29,746)	(41,657)	(6,513)	(6,167)	–	(84,083)
Charge for the year . . .	(8,992)	(15,676)	(1,599)	(210)	–	(26,477)
Written back on disposals	–	1,089	331	–	–	1,420
At 31 December 2025 and 1 January 2026 . .	(38,738)	(56,244)	(7,781)	(6,377)	–	(109,140)
Charge for the period . .	(2,250)	(4,273)	(398)	(21)	–	(6,942)
Written back on disposals	–	5	49	–	–	54
At 31 March 2026	(40,988)	(60,512)	(8,130)	(6,398)	–	(116,028)
	-----	-----	-----	-----	-----	-----
Net book value:						
At 31 December 2023 . .	152,474	64,672	6,556	545	76,509	300,756
At 31 December 2024 . .	240,403	88,429	6,301	1,474	5,598	342,205
At 31 December 2025 . .	230,970	92,991	5,763	3,023	112,774	445,521
At 31 March 2026	228,720	91,907	5,600	3,012	156,723	485,962
	=====	=====	=====	=====	=====	=====

Property, plant and equipment with net book value of RMB211,872,000, RMB110,853,000, nil and nil are pledged as security for bank loans as at 31 December 2023, 2024 and 2025 and 31 March 2026.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Buildings	Machineries	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2023	122,871	80,945	5,648	–	22,252	231,716
Additions	–	4,368	3,142	–	27,684	35,194
Transfer	30,486	1,380	–	–	(31,728)	138
Disposals	–	(333)	(23)	–	–	(356)
At 31 December 2023 and 1 January 2024 . .	153,357	86,360	8,767	–	18,208	266,692
Additions	–	16,041	681	1,047	9,909	27,678
Transfer	19,169	3,041	309	–	(22,519)	–
Disposals	(503)	(334)	(283)	–	–	(1,120)
At 31 December 2024 and 1 January 2025 . .	172,023	105,108	9,474	1,047	5,598	293,250
Additions	–	19,140	1,011	1,708	107,964	129,823
Transfer	1,240	–	–	–	(1,240)	–
Disposals	–	(1,740)	(102)	–	–	(1,842)
At 31 December 2025 and 1 January 2026 . .	173,263	122,508	10,383	2,755	112,322	421,231
Additions	–	3,026	219	10	40,814	44,069
Disposals	–	(5)	(48)	–	–	(53)
At 31 March 2026	173,263	125,529	10,554	2,765	153,136	465,247
	-----	-----	-----	-----	-----	-----
Accumulated depreciation:						
At 1 January 2023	(18,098)	(17,733)	(3,077)	–	–	(38,908)
Charge for the year . . .	(4,955)	(9,229)	(1,050)	–	–	(15,234)
Written back on disposals	–	293	18	–	–	311
At 31 December 2023 and 1 January 2024 . .	(23,053)	(26,669)	(4,109)	–	–	(53,831)
Charge for the year . . .	(5,380)	(10,595)	(1,202)	–	–	(17,177)
Written back on disposals	–	296	259	–	–	555
At 31 December 2024 and 1 January 2025 . .	(28,433)	(36,968)	(5,052)	–	–	(70,453)
Charge for the year . . .	(5,907)	(12,611)	(1,171)	–	–	(19,689)
Written back on disposals	–	1,077	87	–	–	1,164
At 31 December 2025 and 1 January 2026 . .	(34,340)	(48,502)	(6,136)	–	–	(88,978)
Charge for the period . .	(1,487)	(3,563)	(301)	–	–	(5,351)
Written back on disposals	–	5	46	–	–	51
At 31 March 2026	(35,827)	(52,060)	(6,391)	–	–	(94,278)
	-----	-----	-----	-----	-----	-----
Net book value:						
At 31 December 2023 . .	130,304	59,691	4,658	–	18,208	212,861
At 31 December 2024 . .	143,590	68,140	4,422	1,047	5,598	222,797
At 31 December 2025 . .	138,923	74,006	4,247	2,755	112,322	332,253
At 31 March 2026	137,436	73,469	4,163	2,765	153,136	370,969
	=====	=====	=====	=====	=====	=====

APPENDIX I

ACCOUNTANTS’ REPORT

12 RIGHT-OF-USE ASSETS

The Group

	Land use-rights	Properties leased for own use	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2023	29,780	13,874	1,913	45,567
Additions	—	2,769	—	2,769
Effects of lease termination	—	(6,779)	—	(6,779)
At 31 December 2023 and 1 January 2024 . . .	29,780	9,864	1,913	41,557
Additions	50,664	4,827	—	55,491
Effects of lease termination	—	(4,995)	(966)	(5,961)
At 31 December 2024 and 1 January 2025 . . .	80,444	9,696	947	91,087
Additions	—	635	—	635
Effects of lease termination	—	(663)	(947)	(1,610)
At 31 December 2025 and 1 January 2026 . . .	80,444	9,668	—	90,112
Additions	—	8,617	—	8,617
Effects of lease termination	—	(4,207)	—	(4,207)
At 31 March 2026	80,444	14,078	—	94,522
	-----	-----	-----	-----
Accumulated depreciation:				
At 1 January 2023	(3,060)	(4,533)	(104)	(7,697)
Charge for the year	(596)	(4,178)	(227)	(5,001)
Effects of lease termination	—	4,507	—	4,507
At 31 December 2023 and 1 January 2024 . . .	(3,656)	(4,204)	(331)	(8,191)
Charge for the year	(1,018)	(3,327)	(189)	(4,534)
Effects of lease termination	—	4,261	236	4,497
At 31 December 2024 and 1 January 2025 . . .	(4,674)	(3,270)	(284)	(8,228)
Charge for the year	(1,609)	(3,197)	(47)	(4,853)
Effects of lease termination	—	663	331	994
At 31 December 2025 and 1 January 2026 . . .	(6,283)	(5,804)	—	(12,087)
Charge for the period	(402)	(924)	—	(1,326)
Effects of lease termination	—	4,207	—	4,207
At 31 March 2026	(6,685)	(2,521)	—	(9,206)
	-----	-----	-----	-----
Net book value:				
At 31 December 2023	26,124	5,660	1,582	33,366
At 31 December 2024	75,770	6,426	663	82,859
At 31 December 2025	74,161	3,864	—	78,025
At 31 March 2026	73,759	11,557	—	85,316
	=====	=====	=====	=====

Land use-rights with net book value of RMB26,124,000, RMB8,825,000, RMB49,229,000 and RMB48,976,000 are pledged as security for bank loans as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

The Company

	Land use-rights	Properties leased for own use	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2023	20,506	2,098	22,604
Additions	—	410	410
Effects of lease termination	—	(2,098)	(2,098)
At 31 December 2023 and 1 January 2024	20,506	410	20,916
Additions	50,664	3,732	54,396
Effects of lease termination	—	(410)	(410)
At 31 December 2024, 31 December 2025 and 31 March 2026	71,170	3,732	74,902
	-----	-----	-----

APPENDIX I

ACCOUNTANTS’ REPORT

	Land use-rights	Properties leased for own use	Total
	RMB'000	RMB'000	RMB'000
Accumulated depreciation:			
At 1 January 2023	(2,983)	(985)	(3,968)
Charge for the year	(410)	(305)	(715)
Effects of lease termination	–	1,034	1,034
At 31 December 2023 and 1 January 2024	(3,393)	(256)	(3,649)
Charge for the year	(832)	(216)	(1,048)
Effects of lease termination	–	410	410
At 31 December 2024 and 1 January 2025	(4,225)	(62)	(4,287)
Charge for the year	(1,423)	(747)	(2,170)
At 31 December 2025 and 1 January 2026	(5,648)	(809)	(6,457)
Charge for the period	(356)	(186)	(542)
At 31 March 2026	(6,004)	(995)	(6,999)
Net book value:			
At 31 December 2023	17,113	154	17,267
At 31 December 2024	66,945	3,670	70,615
At 31 December 2025	65,522	2,923	68,445
At 31 March 2026	65,166	2,737	67,903

Upfront lump sum payments were made to acquire the land use-rights in the PRC with a lease period of 50 years when granted, and there are no ongoing payments to be made under the terms of the land lease.

The Group obtains the right to use properties and vehicles through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

The analysis of expense items in relation to lease recognised in the Group’s profit or loss is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:					
– Properties leased for own use . . .	4,178	3,327	3,197	726	924
– Land use-rights	596	1,018	1,609	402	402
– Motor vehicles	227	189	47	28	–
	5,001	4,534	4,853	1,156	1,326
Interest on lease liabilities	471	250	230	67	103
Short-term lease expenses	3,942	3,862	6,431	1,320	967

APPENDIX I

ACCOUNTANTS’ REPORT

13 INTANGIBLE ASSETS

The Group

	Capitalised development costs not ready for use	Capitalised development costs ready for use	Patent and license	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2023	24,110	8,113	44,360	6,353	5,487	88,423
Additions	7,308	—	9,898	2,367	—	19,573
Transfer to assets held- for-sale (<i>Note 21</i>)	—	(8,113)	—	—	—	(8,113)
At 31 December 2023 and 1 January 2024	31,418	—	54,258	8,720	5,487	99,883
Additions	5,982	—	6,472	710	—	13,164
At 31 December 2024 and 1 January 2025	37,400	—	60,730	9,430	5,487	113,047
Additions	3,541	—	12,103	409	—	16,053
Disposals	—	—	(201)	—	—	(201)
At 31 December 2025 and 1 January 2026	40,941	—	72,632	9,839	5,487	128,899
Additions	877	—	1,415	—	—	2,292
At 31 March 2026	41,818	—	74,047	9,839	5,487	131,191
	-----	-----	-----	-----	-----	-----
Amortisation and impairment:						
At 1 January 2023	—	(879)	(11,107)	(1,936)	(1,134)	(15,056)
Charge for the year	—	(135)	(4,480)	(1,277)	(549)	(6,441)
Transfer to assets held- for-sale (<i>Note 21</i>)	—	1,014	—	—	—	1,014
At 31 December 2023 and 1 January 2024	—	—	(15,587)	(3,213)	(1,683)	(20,483)
Charge for the year	—	—	(5,083)	(1,731)	(547)	(7,361)
Impairment loss recognised	(10,648)	—	—	—	—	(10,648)
At 31 December 2024 and 1 January 2025	(10,648)	—	(20,670)	(4,944)	(2,230)	(38,492)
Charge for the year	—	—	(6,076)	(1,711)	(679)	(8,466)
Written back on disposals	—	—	25	—	—	25
At 31 December 2025 and 1 January 2026	(10,648)	—	(26,721)	(6,655)	(2,909)	(46,933)
Charge for the period	—	—	(1,693)	(424)	(171)	(2,288)
At 31 March 2026	(10,648)	—	(28,414)	(7,079)	(3,080)	(49,221)
	-----	-----	-----	-----	-----	-----
Net book value:						
At 31 December 2023	31,418	—	38,671	5,507	3,804	79,400
At 31 December 2024	26,752	—	40,060	4,486	3,257	74,555
At 31 December 2025	30,293	—	45,911	3,184	2,578	81,966
At 31 March 2026	31,170	—	45,633	2,760	2,407	81,970
	=====	=====	=====	=====	=====	=====

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Capitalised development costs not ready for use	Capitalised development costs ready for use	Patent and license	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2023	23,160	8,113	15,636	5,894	180	52,983
Additions	4,656	—	8,298	2,367	—	15,321
Transfer to assets held- for-sale (<i>Note 21</i>) . . .	—	(8,113)	—	—	—	(8,113)
At 31 December 2023 and 1 January 2024 . .	27,816	—	23,934	8,261	180	60,191
Additions	2,484	—	6,271	710	—	9,465
At 31 December 2024 and 1 January 2025 . .	30,300	—	30,205	8,971	180	69,656
Additions	3,528	—	5,137	409	—	9,074
At 31 December 2025 and 1 January 2026 . .	33,828	—	35,342	9,380	180	78,730
Additions	890	—	1,415	—	—	2,305
At 31 March 2026	34,718	—	36,757	9,380	180	81,035
Accumulated amortisation:						
At 1 January 2023	—	(879)	(1,366)	(1,802)	(22)	(4,069)
Charge for the year . . .	—	(135)	(2,013)	(1,213)	(18)	(3,379)
Transfer to assets held- for-sale (<i>Note 21</i>) . . .	—	1,014	—	—	—	1,014
At 31 December 2023 and 1 January 2024 . .	—	—	(3,379)	(3,015)	(40)	(6,434)
Charge for the year . . .	—	—	(2,521)	(1,667)	(18)	(4,206)
Impairment loss recognised	(10,648)	—	—	—	—	(10,648)
At 31 December 2024 and 1 January 2025 . .	(10,648)	—	(5,900)	(4,682)	(58)	(21,288)
Charge for the year . . .	—	—	(3,181)	(1,647)	(18)	(4,846)
At 31 December 2025 and 1 January 2026 . .	(10,648)	—	(9,081)	(6,329)	(76)	(26,134)
Charge for the period . .	—	—	(913)	(409)	(5)	(1,327)
At 31 March 2026	(10,648)	—	(9,994)	(6,738)	(81)	(27,461)
Net book value:						
At 31 December 2023 . .	27,816	—	20,555	5,246	140	53,757
At 31 December 2024 . .	19,652	—	24,305	4,289	122	48,368
At 31 December 2025 . .	23,180	—	26,261	3,051	104	52,596
At 31 March 2026	24,070	—	26,763	2,642	99	53,574

This capitalised development costs not ready for use is not subject to amortisation and is tested annually for impairment based on the recoverable amount of the cash-generating unit (“CGU”), or more frequently if events or changes in circumstances indicate that it might be impaired. The appropriate CGU is at the product level. The impairment assessment was performed by engaging an independent appraiser to estimate fair value less costs of disposal as the recoverable amount. The fair value is based on the multi-period excessive earning method, and the Group estimated the forecast period of each product based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for product. The estimated revenue is based on management’s expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels with adjustments made to reflect the expected future price changes. The discount rates used are pre-tax and reflect the general business and market risk of the Group. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk-free rate, market premium, beta, company specific risk and size premium, etc.

Based on the result of assessments, an impairment loss of RMB10,648,000 was recognised for the year ended 31 December 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

14 GOODWILL

	Amount
	RMB’000
Cost:	
At 1 January 2023, 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026	28,627
Accumulated impairment losses:	
At 1 January 2023	(163)
Impairment loss	(220)
At 31 December 2023 and 1 January 2024	(383)
Impairment loss	(26,960)
At 31 December 2024, 31 December 2025 and 31 March 2026	(27,343)
Carrying amount:	
At 31 December 2023	28,244
At 31 December 2024	1,284
At 31 December 2025	1,284
At 31 March 2026	1,284

Goodwill arose from the acquisition of equity interest from an independent third party in November 2020.

As of the end of each reporting period, the Group engaged an independent appraiser to assist the impairment test for goodwill, and the recoverable amount of the CGU has been determined based on the value-in-use calculations.

The following table sets out the key assumptions for the value-in-use calculation of the CGU.

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
Annual revenue growth rate during the forecast period	5.76%~28.07%	2.17%~48.15%	1.00%~48.00%	0.73%~48.15%
Gross profit margin	83.20%~84.90%	63.86%~73.17%	62.68%~71.97%	62.59%~71.92%
Pre-tax discount rate	14.21%	13.84%	14.30%	14.80%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%	0.00%

15 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company are listed as below:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	248,009	248,433	228,410	236,366
Less: provision for impairment losses (i)	(9,039)	(9,039)	(4,681)	(4,681)
	<u>238,970</u>	<u>239,394</u>	<u>223,729</u>	<u>231,685</u>

- (i) The provision for impairment losses were mainly for the investments in those subsidiaries which had ceased their operation. The Group performed the assessment of recoverable amount of the investments in subsidiaries where indication of impairment existed and recognised relevant impairment losses in the Company’s statements of profit or loss.

Further details of the principal subsidiaries are set out in Note 1.

APPENDIX I

ACCOUNTANTS’ REPORT

16 INVESTMENTS IN ASSOCIATES

- (a) The balances recognised in the balance sheets are as follows:

The Group and the Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	56,343	53,837	51,522	50,768
Aggregate amounts of the Group’s share of those associates’ results for the year/period .	(3,127)	(2,506)	(2,315)	(754)
Other comprehensive income	—	—	—	—
Total comprehensive income	(3,127)	(2,506)	(2,315)	(754)

Associates are accounted for using the equity method in the financial statements.

- (b) As of the end of each reporting period, the Group had interests in the following associates:

Name of associates	Place of incorporation/ establishment and date of incorporation/ establishment	Particulars of registered and paid-up capital	Effective interest held by the Group				Principal activities
			As at 31 December			As at 31 March	
			2023	2024	2025	2026	
Shandong Aigelin Pharmaceutical Co., Ltd. (山東艾格林製藥有限公司)	Chinese Mainland, 9 December 2020	RMB120 million/ RMB120 million	25%	25%	25%	25%	Production of medicines
Chongqing Jiubing Pharmaceutical Co., Ltd. (重慶九秉醫藥有限公司)	Chinese Mainland, 30 July 2021	RMB10 million/ RMB10 million	30%	30%	30%	30%	Sale of medicines

17 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for property, plant and equipment	9,067	13,112	18,890	23,079
Upfront payments for exclusive commercialization rights (i)	—	—	27,226	27,226
	9,067	13,112	46,116	50,305

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for property, plant and equipment	6,882	5,726	15,839	18,946
Upfront payments for exclusive commercialization rights (i)	—	—	27,226	27,226
	6,882	5,726	43,065	46,172

- (i) In December 2025, the Company entered into an exclusive licence agreement with a third party, pursuant to which the Company was granted the licence to commercialize certain drug in Chinese Mainland, Hong Kong and Macau. The Company recognized upfront payments of RMB27,226,000 as other non-current assets and will amortize upon the first commercial launch of the drug in the above territories.

APPENDIX I

ACCOUNTANTS’ REPORT

18 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	32,242	43,271	55,471	58,452
Work in progress	–	792	382	522
Finished goods	65,811	61,030	73,707	78,432
	<u>98,053</u>	<u>105,093</u>	<u>129,560</u>	<u>137,406</u>

Inventories in the statements of financial position of the Company comprise:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	22,090	33,848	45,805	49,314
Work in progress	–	357	–	522
Finished goods	23,700	32,431	38,996	34,379
	<u>45,790</u>	<u>66,636</u>	<u>84,801</u>	<u>84,215</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	276,214	320,421	408,789	105,259
Write-down of inventories	<u>2,647</u>	<u>6,211</u>	<u>1,908</u>	<u>187</u>

19 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– due from third parties	60,295	73,040	40,464	63,205
– due from related parties	131	12	–	–
Less: loss allowance on trade receivables . . .	<u>(3,315)</u>	<u>(3,795)</u>	<u>(1,834)</u>	<u>(3,157)</u>
	<u>57,111</u>	<u>69,257</u>	<u>38,630</u>	<u>60,048</u>
Bills receivable	<u>41,032</u>	<u>33,281</u>	<u>75,893</u>	<u>64,358</u>
Other receivables	26	356	1,223	3,581
Less: loss allowance on other receivables . . .	<u>(2)</u>	<u>(18)</u>	<u>(45)</u>	<u>(153)</u>
	<u>24</u>	<u>338</u>	<u>1,178</u>	<u>3,428</u>
Deposits	17,887	18,214	16,471	16,906
Prepayments to suppliers	25,631	28,797	28,020	59,760
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VAT recoverable	<u>1,476</u>	<u>1,899</u>	<u>279</u>	<u>160</u>
	<u>143,161</u>	<u>151,786</u>	<u>161,903</u>	<u>208,037</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– due from third parties	46,024	53,275	22,839	32,050
– due from subsidiaries	6,407	11,296	175	12,835
– due from related parties	19	12	–	–
Less: loss allowance on trade receivables . . .	(2,573)	(2,960)	(1,206)	(1,661)
	<u>49,877</u>	<u>61,623</u>	<u>21,808</u>	<u>43,224</u>
	-----	-----	-----	-----
Bills receivable	15,965	1,899	59,892	47,848
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Other receivables				
– due from third parties	25	323	310	995
– due from subsidiaries	12,856	10,106	53,221	63,993
Less: loss allowance on other receivables . . .	(2)	(16)	(17)	(21)
	<u>12,879</u>	<u>10,413</u>	<u>53,514</u>	<u>64,967</u>
	-----	-----	-----	-----
Deposits	5,628	7,328	4,396	4,385
Prepayments to suppliers	20,914	16,950	9,264	24,952
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
	<u>105,263</u>	<u>98,213</u>	<u>150,306</u>	<u>188,753</u>
	=====	=====	=====	=====

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	56,981	69,005	38,408	59,831
1-2 years	64	233	179	170
2-3 years	66	19	43	47
	<u>57,111</u>	<u>69,257</u>	<u>38,630</u>	<u>60,048</u>
	=====	=====	=====	=====

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	49,769	61,371	21,586	43,019
1-2 years	64	233	179	170
2-3 years	44	19	43	35
	<u>49,877</u>	<u>61,623</u>	<u>21,808</u>	<u>43,224</u>
	=====	=====	=====	=====

Details of the Group’s credit policy and credit risk arising from trade receivables are set out in Note 31(a).

APPENDIX I

ACCOUNTANTS’ REPORT

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and cash on hand	245,026	367,508	433,450	343,254

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and cash on hand	64,742	269,516	319,419	265,080

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation . . .		177,646	65,569	125,479	43,789	17,412
Adjustments for:						
Depreciation and amortisation						
– Owned property, plant and equipment		16,071	20,290	26,171	6,229	6,936
– Right-of-use assets		5,001	4,534	4,853	1,156	1,326
– Intangible assets		6,221	7,355	8,453	2,243	2,288
Impairment losses	6(c)	–	10,648	–	–	–
– Intangible assets		–	10,648	–	–	–
– Goodwill		220	26,960	–	–	–
– Assets held-for-sale		–	2,382	–	–	–
Finance costs	6(a)	6,045	6,910	11,151	2,993	1,541
Changes in the carrying amount of financial instruments issued to investors	26	–	–	3,625	–	7,582
Gain on wealth management products	5	(13)	(32)	(119)	(84)	–
Shares of results of associates	16(a)	3,127	2,506	2,315	2,358	754
Net loss/(gain) on disposal of property, plant and equipment		164	(55)	248	(3)	–
Equity-settled share-based payment expenses	28(c)	343	25,923	79,384	390	6,719
Foreign exchange loss/(gain)		12	159	(599)	(11)	9
Other gains		–	–	(412)	–	–
Changes in working capital						
Increase in inventories		(9,239)	(7,040)	(24,467)	(15,569)	(7,846)
Increase in operating receivables		(18,656)	(14,829)	(9,283)	(9,720)	(44,075)
Increase in operating payables		25,155	36,757	6,887	11,711	30,618
Cash generated from operations		<u>212,097</u>	<u>188,037</u>	<u>233,686</u>	<u>45,482</u>	<u>23,264</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000
At 1 January 2023	137,860	9,483	–	147,343
Changes from financing cash flows:				
Proceeds from bank loans	149,700	–	–	149,700
Repayments of bank loans	(108,795)	–	–	(108,795)
Interest paid for bank loans	(6,697)	–	–	(6,697)
Capital element of lease rentals paid	–	(4,613)	–	(4,613)
Interest element of lease rentals paid	–	(471)	–	(471)
Total changes from financing cash flows	34,208	(5,084)	–	29,124
Other changes:				
Interest expenses	6,709	471	–	7,180
Increase in lease liabilities from entering into new leases during the year	–	2,769	–	2,769
Termination of leases during the year	–	(2,136)	–	(2,136)
Total other changes	6,709	1,104	–	7,813
At 31 December 2023 and 1 January 2024	178,777	5,503	–	184,280
Changes from financing cash flows:				
Proceeds from bank loans	163,000	–	–	163,000
Repayments of bank loans	(64,183)	–	–	(64,183)
Interest paid for bank loans	(7,816)	–	–	(7,816)
Capital element of lease rentals paid	–	(3,586)	–	(3,586)
Interest element of lease rentals paid	–	(250)	–	(250)
Total changes from financing cash flows	91,001	(3,836)	–	87,165
Other changes:				
Interest expenses	7,893	250	–	8,143
Increase in lease liabilities from entering into new leases during the year	–	4,827	–	4,827
Termination of leases during the year	–	(1,048)	–	(1,048)
Total other changes	7,893	4,029	–	11,922
At 31 December 2024 and 1 January 2025	277,671	5,696	–	283,367
Changes from financing cash flows:				
Proceeds from bank loans	229,619	–	–	229,619
Repayments of bank loans	(231,480)	–	–	(231,480)
Interest paid for bank loans	(11,204)	–	–	(11,204)
Capital element of lease rentals paid	–	(2,290)	–	(2,290)
Interest element of lease rentals paid	–	(230)	–	(230)
Recognition of financial instruments to investors	–	–	288,619	288,619
Total changes from financing cash flows	(13,065)	(2,520)	288,619	273,034
Other changes:				
Interest expenses	11,138	230	–	11,368
Changes in the carrying amount of financial instruments issued to investors	–	–	3,625	3,625
Increase in lease liabilities from entering into new leases during the year	–	635	–	635
Termination of leases during the year	–	(630)	–	(630)
Total other changes	11,138	235	3,625	14,998
At 31 December 2025 and 1 January 2026	275,744	3,411	292,244	571,399

APPENDIX I

ACCOUNTANTS’ REPORT

	Bank loans	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000
Changes from financing cash flows:				
Proceeds from bank loans	126,966	–	–	126,966
Repayments of bank loans	(135,990)	–	–	(135,990)
Interest paid for bank loans	(1,738)	–	–	(1,738)
Capital element of lease rentals paid	–	(663)	–	(663)
Interest element of lease rentals paid	–	(103)	–	(103)
Recognition of financial instruments to investors	–	–	96,698	96,698
Total changes from financing cash flows	(10,762)	(766)	96,698	85,170
Other changes:				
Interest expenses	1,731	103	–	1,834
Changes in the carrying amount of financial instruments issued to investors	–	–	7,582	7,582
Increase in lease liabilities from entering into new leases during the period	–	8,617	–	8,617
Total other changes	1,731	8,720	7,582	18,033
At 31 March 2026	<u>266,713</u>	<u>11,365</u>	<u>396,524</u>	<u>674,602</u>

	Bank loans	Lease liabilities	Total
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000
<i>(unaudited)</i>			
At 1 January 2025	277,671	5,696	283,367
Changes from financing cash flows:			
Proceeds from bank loans	129,600	–	129,600
Repayments of bank loans	(8,000)	–	(8,000)
Interest paid for bank loans	(2,931)	–	(2,931)
Capital element of lease rentals paid	–	(945)	(945)
Interest element of lease rentals paid	–	(67)	(67)
Total changes from financing cash flows	118,669	(1,012)	117,657
Other changes:			
Interest expenses	2,926	67	2,993
Termination of leases during the period	–	(3)	(3)
Total other changes	2,926	64	2,990
At 31 March 2025	<u>399,266</u>	<u>4,748</u>	<u>404,014</u>

(d) **Total cash outflow for leases**

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December			As at 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating cash flows	(3,942)	(3,862)	(6,431)	(1,320)	(967)
Within investing cash flows	–	(50,664)	–	–	–
Within financing cash flows	(5,084)	(3,836)	(2,520)	(1,012)	(766)
	<u>(9,026)</u>	<u>(58,362)</u>	<u>(8,951)</u>	<u>(2,332)</u>	<u>(1,733)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

21 ASSETS HELD-FOR-SALE

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Intangible assets (<i>Note 13</i>)	7,099	7,099	7,099	7,099
Less: provision for impairment loss	—	(2,382)	(2,382)	(2,382)
	<u>7,099</u>	<u>4,717</u>	<u>4,717</u>	<u>4,717</u>

During the Track Record Period, the Group entered into agreements with third parties to transfer certain intangible asset, therefore the intangible asset was classified as assets held-for-sale and subsequently measured in accordance with the accounting policy set out in Note 2(x). The transfer was completed in May 2026.

22 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	30,715	47,619	95,396	103,935
Payroll payables	29,520	34,012	31,580	18,877
Dividends payable	—	38,622	526	—
Other payables and accruals	39,727	60,468	86,762	76,344
	<u>99,962</u>	<u>180,721</u>	<u>214,264</u>	<u>199,156</u>

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,739	32,283	82,671	96,285
Amount due to subsidiaries	17,799	13,800	34,500	34,500
Payroll payables	18,152	21,552	20,005	11,328
Dividends payable	—	38,622	526	—
Other payables and accruals	21,747	36,835	67,029	51,674
	<u>76,437</u>	<u>143,092</u>	<u>204,731</u>	<u>193,787</u>

As of the end of each reporting Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	26,082	43,501	83,958	98,368
1 year to 2 years	2,211	915	8,175	2,410
Over 2 years	2,422	3,203	3,263	3,157
	<u>30,715</u>	<u>47,619</u>	<u>95,396</u>	<u>103,935</u>

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	15,705	30,526	77,884	92,296
1 year to 2 years	623	65	3,035	2,343
Over 2 years	2,411	1,692	1,752	1,646
	<u>18,739</u>	<u>32,283</u>	<u>82,671</u>	<u>96,285</u>

APPENDIX I

ACCOUNTANTS’ REPORT

23 CONTRACT LIABILITIES

The Group

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
Receipts in advance from customers	17,139	7,801	6,472	12,595
Movements in contract liabilities				
Balance at 1 January	7,219	17,139	7,801	6,472
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(6,511)	(15,028)	(5,578)	(2,111)
Increase in contract liabilities as a result of cash received	16,431	5,690	4,249	8,234
Balance at 31 December/31 March	17,139	7,801	6,472	12,595

The Company

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
Receipts in advance from customers	7,063	6,803	5,876	11,419
Movements in contract liabilities				
Balance at 1 January	7,213	7,063	6,803	5,876
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(6,505)	(5,004)	(4,617)	(1,874)
Increase in contract liabilities as a result of cash received	6,355	4,744	3,690	7,417
Balance at 31 December/31 March	7,063	6,803	5,876	11,419

24 BANK LOANS

- (a) The analysis of the carrying amount of bank loans in the consolidated statements of financial position is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Short-term bank loans	18,066	58,447	41,073	91,270
Current portion of long-term bank loans	11,375	32,018	68,051	68,973
	29,441	90,465	109,124	160,243
Non-current				
Long-term bank loans	149,336	187,206	166,620	106,470
	178,777	277,671	275,744	266,713

The analysis of the carrying amount of bank loans in the statements of financial position of the Company is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Short-term bank loans	11,059	55,444	19,814	59,935
Current portion of long-term bank loans	5,954	16,118	65,031	68,973
	17,013	71,562	84,845	128,908
Non-current				
Long-term bank loans	101,801	121,819	141,620	106,470
	118,814	193,381	226,465	235,378

APPENDIX I

ACCOUNTANTS’ REPORT

(b) As of the end of each reporting period, the bank loans were repayable as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	29,441	90,465	109,124	160,243
After 1 year but within 2 years	38,347	85,880	90,280	15,340
After 2 years but within 5 years	89,137	77,521	50,240	45,455
After 5 years	21,852	23,805	26,100	45,675
	<u>178,777</u>	<u>277,671</u>	<u>275,744</u>	<u>266,713</u>

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	17,013	71,562	84,845	128,908
After 1 year but within 2 years	25,920	77,976	73,280	15,340
After 2 years but within 5 years	75,881	43,843	42,240	45,455
After 5 years	—	—	26,100	45,675
	<u>118,814</u>	<u>193,381</u>	<u>226,465</u>	<u>235,378</u>

(c) As of the end of each reporting period, the bank loans of the Group were secured as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
– Secured and guaranteed (i)(ii)	43,946	53,260	—	—
– Secured and unguaranteed (i)	—	—	36,020	63,048
– Unsecured and guaranteed (ii)	69,211	105,794	95,771	—
– Unsecured and unguaranteed	<u>65,620</u>	<u>118,617</u>	<u>143,953</u>	<u>203,665</u>
	<u>178,777</u>	<u>277,671</u>	<u>275,744</u>	<u>266,713</u>

(i) Certain bank loans were secured by certain assets of the Group, with the net book value as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	211,872	110,853	—	—
Right-of-use assets	<u>26,124</u>	<u>8,825</u>	<u>49,229</u>	<u>48,976</u>
	<u>237,996</u>	<u>119,678</u>	<u>49,229</u>	<u>48,976</u>

(ii) Certain bank loans were guaranteed by Mr. Xu Jun and Mr. Xie Hongwei, the directors of the Group and Mr. Wang Xuezheng, the supervisor of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

25 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,504	2,809	1,311	2,905
After 1 year but within 2 years	1,999	992	860	2,589
After 2 years but within 5 years	—	1,895	1,240	5,871
	1,999	2,887	2,100	8,460
	5,503	5,696	3,411	11,365

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	95	755	704	713
After 1 year but within 2 years	—	704	778	787
After 2 years but within 5 years	—	1,895	1,237	1,251
	—	2,599	2,015	2,038
	95	3,354	2,719	2,751

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group and the Company

	Amount
	RMB'000
At 1 January 2023, 31 December 2023, 31 December 2024 and 1 January 2025	—
Recognition of financial instruments issued to investors	288,619
Changes in the carrying amount	3,625
At 31 December 2025	292,244
Recognition of financial instruments issued to investors	96,698
Changes in the carrying amount	7,582
At 31 March 2026	396,524

Pursuant to the agreements between the Company and its investors in 2025, certain investors were granted preferred rights, and the key terms are outlined below:

Redemption rights

Certain investors had the right to require the Company to redeem their share capital for cash upon certain events, including but not limited to: (i) a qualified [REDACTED] does not occur before specified dates; (ii) a change in the actual controllers of the Company.

The redemption price is the investment amount paid by the investors, plus an annual simple rate of 8% on the investment amount for the period commencing from the investment amount payment date to the redemption settlement date, deducting all accumulated distributed dividends.

Liquidation preference

In the event of any liquidation, dissolution, winding up of the Company or in the event of any deemed liquidation event, all assets and funds (“Distributable Liquidation Assets”) of the Group should be used to distributed in the sequence as stipulated in the shareholders’ agreement. Certain investors shall be entitled to receive Distributable Liquidation Assets of the Group in preference

APPENDIX I

ACCOUNTANTS’ REPORT

with the higher of: (i) the investment amount paid by the investors, plus an annual simple rate of 8% on the investment amount for the period commencing from the investment amount payment date to the settlement date, deducting all accumulated distributed dividends; and (ii) a pro-rata share of Distributable Liquidation Assets of the Group.

A deemed liquidation event includes (i) a sale or transfer of all or a significant portion of assets or business of the Group, or (ii) a change in control of the Company upon a merger, acquisition, reorganisation or consolidation of the Group.

Presentation and classification

The Company did not have an unconditional right to avoid redeeming its share capital for cash, since not all specified contingent events were within its control. The Company recognised financial liabilities that were initially measured at the highest present value of those redemption amounts in accordance with the accounting policies set out in Note 2(q). These financial liabilities were subsequently measured at an amount expected to be paid to the investors upon redemption that could be payable upon occurrence of these events at the end of each reporting period with changes in the carrying amount of the liabilities recognised in “changes in the carrying amount of financial instruments issued to investors”.

27 DEFERRED INCOME

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	25,518	38,166	45,203	46,541
Additions	15,000	9,990	4,897	5,000
Credited to profit or loss	(2,352)	(2,953)	(3,559)	(937)
At the end of the year/period	38,166	45,203	46,541	50,604
Deferred income-current	–	3,311	3,182	3,648
Deferred income-non current	38,166	41,892	43,359	46,956

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	25,209	24,648	24,945	23,045
Additions	1,700	2,990	847	5,000
Credited to profit or loss	(2,261)	(2,693)	(2,747)	(711)
At the end of the year/period	24,648	24,945	23,045	27,334
Deferred income-current	–	2,544	2,424	2,822
Deferred income-non current	24,648	22,401	20,621	24,512

The balances mainly represented the subsidies received from local government to compensate the Group’s capital expenditures, which would be recognised as “other income” on a straight-line basis over its expected useful life of the relevant assets.

28 EQUITY-SETTLED SHARE-BASED PAYMENT

The Company has adopted share award scheme (“Share Award Scheme”), whereby the board of directors of the Company may, at their discretion, grant restricted shares to eligible employees, for long-term development of the Company. Pursuant to the Share Award Scheme, the Company has granted certain restricted shares to the holder at the designated subscription price.

(a) The terms and conditions of the grants are as follows:

	Number of restricted shares	Subscription price	Vesting conditions
	'000	RMB	
Restricted shares granted to eligible employees:			
– on 14 November 2024	1,058	8.50	3 years
– on 14 November 2024	2,898	8.50	Nil
– on 5 December 2024	1,080	1.00	Nil
– on 25 November 2025	4,800	1.00	3 years
– on 25 November 2025	4,800	1.00	Nil

APPENDIX I

ACCOUNTANTS’ REPORT

- (b) Set out below is the movement in number of the underlying shares of the Company under the Share Award Scheme:

	As at 31 December						As at 31 March	
	2023		2024		2025		2026	
	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares
	RMB	'000	RMB	'000	RMB	'000	RMB	'000
Outstanding at the beginning of the year/period	6.43	370	—	—	4.43	1,058	13.76	5,858
Granted during the year/period	—	—	6.04	5,036	15.82	9,600	—	—
Vested during the year/period	6.43	(370)	6.47	(3,978)	15.82	(4,800)	—	—
Outstanding at the end of the year/period		<u>—</u>	4.43	<u>1,058</u>	13.76	<u>5,858</u>	13.76	<u>5,858</u>

- (c) Expenses for the equity-settled share-based payment have been charged to the consolidated statements of profit or loss as follow:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Selling expenses	—	5,836	1,253	280	675
Administrative expenses	343	20,053	77,735	44	5,582
Research and development costs	—	34	396	66	462
	<u>343</u>	<u>25,923</u>	<u>79,384</u>	<u>390</u>	<u>6,719</u>

(d) **Fair value of restricted shares and assumptions**

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted.

The Company used the income approach to determine the fair value of the restricted shares granted in 2024. The discounted cash flow derived by management considered the Group’s future business plan, specific business and financial risks, the stage of development of the Group’s operations and economic and competitive elements affecting the Group’s business, industry and market.

The Company used the equity allocation model to determine the fair value of the restricted shares granted in 2025.

Key valuation assumptions used to determine the fair value of the restricted shares are as follows.

	2024
Weighted average cost of capital (“WACC”)	9.70%
Market premium	6.31%
Risk-free interest rate	2.15%
	2025
Exercise price	1.00
Expected dividend yield	8.00%

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- (a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	5,374	9,095	4,824	10,971
Provision of income tax for the year/period	32,648	22,622	32,898	7,370
Payment during the year/period	(28,927)	(26,893)	(26,751)	(10,513)
	<u>9,095</u>	<u>4,824</u>	<u>10,971</u>	<u>7,828</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Deferred tax assets and liabilities recognised:

(i) *Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	Inventory provision and credits loss allowance	Deferred income	Unrealised profits	Right-of-use assets	Lease liabilities	Depreciation and amortisation of long-term assets	Fair value adjustment arising from business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Deferred tax arising from:</i>									
At 1 January 2023 . . .	765	3,781	579	(2,074)	1,887	(2,949)	(3,479)	–	(1,490)
Credited/(charged) to profit or loss	190	(84)	286	754	(718)	375	439	–	1,242
At 31 December 2023 and 1 January 2024 .	955	3,697	865	(1,320)	1,169	(2,574)	(3,040)	–	(248)
Credited/(charged) to profit or loss	801	45	(601)	124	(131)	377	440	1,597	2,652
At 31 December 2024 and 1 January 2025 .	1,756	3,742	264	(1,196)	1,038	(2,197)	(2,600)	1,597	2,404
(Charged)/credited to profit or loss	(819)	(285)	2,161	520	(458)	377	439	–	1,935
At 31 December 2025 and 1 January 2026 .	937	3,457	2,425	(676)	580	(1,820)	(2,161)	1,597	4,339
Credited/(charged) to profit or loss	251	643	427	(1,941)	2,074	94	110	929	2,587
At 31 March 2026 . . .	1,188	4,100	2,852	(2,617)	2,654	(1,726)	(2,051)	2,526	6,926

(ii) *Reconciliation to the consolidated statements of financial position*

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset	6,686	5,021	6,500	8,976
Net deferred tax liability	(6,934)	(2,617)	(2,161)	(2,050)
	(248)	2,404	4,339	6,926

(c) **Deferred tax assets not recognised**

In accordance with the accounting policy set out in Note 2(s), the Group had not recognised deferred tax assets in respect of cumulative tax losses and deductible temporary differences of RMB46,080,000, RMB22,753,000, RMB16,930,000 and RMB19,522,000 as at 31 December 2023, 2024 and 2025 and 31 March 2026 respectively, as it was not probable that future taxable profits against which the losses and the deductible temporary difference can be utilised would be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Chinese Mainland can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

APPENDIX I

ACCOUNTANTS’ REPORT

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity between the beginning and the end of the Track Record Period are set out below:

	Share capital	Share premium	Shares held for the Restricted Share Scheme	Capital Reserve	Other reserve	Statutory reserve	Retained profits	Total equity
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2023	129,900	195,464	—	2,067	—	19,070	167,059	513,560
Total comprehensive income	—	—	—	—	—	—	105,708	105,708
Acquisition of non-controlling interests in a subsidiary	—	(550)	—	—	—	—	—	(550)
Dividend declared and approved in respect of previous year	—	—	—	—	—	—	(38,970)	(38,970)
Equity settled share-based payment	—	—	—	343	—	—	—	343
Appropriation for statutory reserves	—	—	—	—	—	10,571	(10,571)	—
Balance at 31 December 2023	129,900	194,914	—	2,410	—	29,641	223,226	580,091
Total comprehensive income	—	—	—	—	—	—	153,211	153,211
Shares repurchased for share award scheme	—	—	(9,180)	—	—	—	—	(9,180)
Shares granted under the share award scheme	—	—	9,180	(8,100)	—	—	—	1,080
Dividend declared and approved in respect of previous year	—	—	—	—	—	—	(38,622)	(38,622)
Equity settled share-based payment	—	—	—	25,923	—	—	—	25,923
Appropriation for statutory reserves	—	—	—	—	—	15,321	(15,321)	—
Balance at 31 December 2024	129,900	194,914	—	20,233	—	44,962	322,494	712,503
Total comprehensive income	—	—	—	—	—	—	47,323	47,323
Subscription of shares under share award scheme	6,907	—	(4,800)	—	—	—	—	2,107
Issuance of ordinary shares with preferred rights, net of transaction cost	12,346	244,510	—	—	—	—	—	256,856
Recognition of financial instruments issued to investors	—	—	—	—	(288,619)	—	—	(288,619)
Shares repurchased for share award scheme	—	—	(43,091)	—	—	—	—	(43,091)
Shares granted under the share award scheme	—	—	43,091	(40,398)	—	—	—	2,693
Repurchase and cancellation of ordinary shares	(10,985)	(156,523)	—	—	—	—	—	(167,508)
Dividend declared and approved in respect of previous year	—	—	—	—	—	—	(25,714)	(25,714)
Equity settled share-based payment	—	—	—	79,384	—	—	—	79,384
Appropriation for statutory reserves	—	—	—	—	—	4,732	(4,732)	—

APPENDIX I

ACCOUNTANTS’ REPORT

	Share capital	Share premium	Shares held for the Restricted Share Scheme	Capital Reserve	Other reserve	Statutory reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2025	138,168	282,901	(4,800)	59,219	(288,619)	49,694	339,371	575,934
Total comprehensive income	—	—	—	—	—	—	12,940	12,940
Recognition of financial instruments issued to investors	—	—	—	—	(96,698)	—	—	(96,698)
Equity settled share-based payment	—	—	—	6,719	—	—	—	6,719
Balance at 31 March 2026	138,168	282,901	(4,800)	65,938	(385,317)	49,694	352,311	498,895

(b) Share capital

	No. of ordinary shares	Nominal value of ordinary shares RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2023, 31 December 2023 and 2024	129,900,000	129,900
Repurchase and cancellation of ordinary shares (i)	(10,985,356)	(10,985)
Issuance of ordinary shares with preferred rights net of transaction cost (ii)	12,346,248	12,346
Subscription of shares under share award scheme (iii)	6,907,108	6,907
At 31 December 2025 and 31 March 2026	138,168,000	138,168

(i) In January 2025, the Company entered into share repurchase agreements with certain investors, pursuant to which the Company repurchased 10,985,356 ordinary shares of the Company from certain investors at a consideration of RMB167,508,000. The repurchased ordinary shares were cancelled in April 2025.

(ii) In September 2025, the Company entered into agreements with Series C Investors, pursuant to which the Series C Investors subscribed for 12,346,248 ordinary shares of the Company at a consideration of RMB263,538,000. The excess of the consideration of RMB263,538,000, over the increase in the share capital of RMB12,346,000, net of transaction cost of RMB6,682,000, amounting to RMB244,510,000 was credited to share premium.

(iii) In November 2025, the Company issued 6,907,108 ordinary shares under the Share Award Scheme to eligible employees, at a subscription price of RMB6,907,000.

(c) Dividends

For the years ended 31 December 2023, 2024 and 2025, the Company approved the dividends of RMB38,970,000, RMB38,622,000 and RMB25,714,000, respectively, with dividends proposed at RMB0.30, RMB0.30 and RMB0.20 per share.

(d) Nature and purpose of reserves

(i) Share premium

Under the PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Shares held for the share award scheme

In December 2024, the Group repurchased 1,080,000 shares of its own ordinary shares at a total consideration of RMB9,180,000, which were used for the Share Award Scheme. In December 2024, 1,080,000 ordinary shares were all granted to eligible employees, at a subscription price of RMB1,080,000.

In July 2025, the Group repurchased 2,693,200 shares of its own ordinary shares at a total consideration of RMB43,091,000, which were used for the Share Award Scheme. In November 2025, 2,693,200 ordinary shares were all granted to eligible employees, at a subscription price of RMB2,693,000.

In November 2025, subscription price of RMB4,800,000 received from grantees, which would be refundable when the awards are forfeited, was recognised as a deposit liability in accordance with the accounting policy set out in Note 2(r).

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the shares held for the share award scheme were nil, nil, 4,800,000 and 4,800,000 shares, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Capital reserve

The capital reserve primarily represents the equity-settled share-based payment (see Note 28).

(iv) Statutory reserve

According to the PRC Company Law, the PRC entities within the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years) to the statutory reserves until the reserve balance reaches 50% of their registered capital.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group.

(vi) Other reserve

The other reserve primarily comprises the recognition of financial instruments issued to investors as described in Note 26.

(e) Acquisition of non-controlling interests in a subsidiary

In 2023, the Group acquired 12.86% equity interests in Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. at a consideration of RMB18,000,000 and recognised a decrease in non-controlling interests and share premium of RMB14,244,000 and RMB3,756,000, respectively.

(f) Capital risk management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and lease liabilities but excludes financial instruments issued to investors) less cash and cash equivalents. Adjusted capital comprises all components of equity and financial instruments issued to investors.

The Group’s adjusted net debt-to-capital ratio at 31 December 2023, 2024 and 2025 and 31 March 2026 were as follows:

	Note	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB’000	RMB’000	RMB’000	RMB’000
Current liabilities:					
Bank loans	24	29,441	90,465	109,124	160,243
Lease liabilities	25	3,504	2,809	1,311	2,905
		<u>32,945</u>	<u>93,274</u>	<u>110,435</u>	<u>163,148</u>
Non-current liabilities:					
Bank loans	24	149,336	187,206	166,620	106,470
Lease liabilities	25	1,999	2,887	2,100	8,460
		<u>151,335</u>	<u>190,093</u>	<u>168,720</u>	<u>114,930</u>
Total debt		<u>184,280</u>	<u>283,367</u>	<u>279,155</u>	<u>278,078</u>
Less: Cash and cash equivalents	20	<u>(245,026)</u>	<u>(367,508)</u>	<u>(433,450)</u>	<u>(343,254)</u>
Adjusted net debt		<u>(60,746)</u>	<u>(84,141)</u>	<u>(154,295)</u>	<u>(65,176)</u>
Total capital		651,625	677,444	492,058	511,160
Financial instruments issued to investors	26	—	—	292,244	396,524
Adjusted capital		<u>651,625</u>	<u>677,444</u>	<u>784,302</u>	<u>907,684</u>
Adjusted net debt-to-capital ratio		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

APPENDIX I

ACCOUNTANTS’ REPORT

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade receivables. The Group’s exposure to credit risk arising from cash and cash equivalents and bills receivable are limited because the counterparties are banks and financial institutions with low credit risks confirmed by the Group.

The Group also expects that there is no significant credit risk associated with other receivables since the counterparties to these financial assets have no material default history.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 30 to 90 days from the date of billing.

The Group has no significant concentration of credit risk in industries in which the customers operate. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables:

As at 31 December 2023			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Current and less than 1 year past due	5%	59,922	2,941
1-3 years past due	12%	148	18
More than 3 years past due	100%	356	356
		<u>60,426</u>	<u>3,315</u>
As at 31 December 2024			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Current and less than 1 year past due	5%	72,475	3,470
1-3 years past due	12%	286	34
More than 3 years past due	100%	291	291
		<u>73,052</u>	<u>3,795</u>
As at 31 December 2025			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Current and less than 1 year past due	4%	40,180	1,772
1-3 years past due	12%	252	30
More than 3 years past due	100%	32	32
		<u>40,464</u>	<u>1,834</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at 31 March 2026		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current and less than 1 year past due	5%	62,880	3,049
1-3 years past due	12%	247	30
More than 3 years past due	100%	78	78
		<u>63,205</u>	<u>3,157</u>

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period . . .	3,826	3,315	3,795	1,834
Impairment (reversal)/losses recognised	(511)	543	(1,606)	1,323
Amount written-off during the year/period	—	(63)	(355)	—
At the end of the year/period	<u>3,315</u>	<u>3,795</u>	<u>1,834</u>	<u>3,157</u>

(b) Liquidity risk

The Group’s policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group and can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	35,663	43,508	93,910	23,849	196,930	178,777
Trade and other payables	57,186	—	—	—	57,186	57,186
Lease liabilities	3,750	2,052	—	—	5,802	5,503
	<u>96,599</u>	<u>45,560</u>	<u>93,910</u>	<u>23,849</u>	<u>259,918</u>	<u>241,466</u>

	As at 31 December 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	98,948	90,981	79,928	25,308	295,165	277,671
Trade and other payables	136,370	—	—	—	136,370	136,370
Lease liabilities	2,901	1,111	2,151	—	6,163	5,696
	<u>238,219</u>	<u>92,092</u>	<u>82,079</u>	<u>25,308</u>	<u>437,698</u>	<u>419,737</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2025

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	115,323	93,732	53,301	27,973	290,329	275,744
Trade and other payables	173,889	—	—	—	173,889	173,889
Lease liabilities	1,442	943	1,290	—	3,675	3,411
Financial instrument issued to investors	292,244	—	—	—	292,244	292,244
	<u>582,898</u>	<u>94,675</u>	<u>54,591</u>	<u>27,973</u>	<u>760,137</u>	<u>745,288</u>

As at 31 March 2026

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	165,847	17,962	50,558	48,642	283,009	266,713
Trade and other payables	167,088	—	—	—	167,088	167,088
Lease liabilities	3,380	2,939	6,560	—	12,879	11,365
Financial instrument issued to investors	396,524	—	—	—	396,524	396,524
	<u>732,839</u>	<u>20,901</u>	<u>57,118</u>	<u>48,642</u>	<u>859,500</u>	<u>841,690</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow risk in relation to interest bearing borrowings and variable-rate bank balances. 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.

(i) The Group’s interest rate profile as monitored by management is set out below.

	As at 31 December						As at 31 March	
	2023		2024		2025		2026	
	Interest rate		Interest rate		Interest rate		Interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate:								
Lease liabilities	3.45%-4.75%	(5,503)	3.45%-4.75%	(5,696)	3.45%-4.75%	(3,411)	3.45%-4.75%	(11,365)
Current bank loans	2.9%-3.85%	(21,418)	2.6%-3.85%	(64,658)	2.11%-4.5%	(53,546)	2.11%-4.5%	(71,420)
Non-current bank loans	3.6%-3.85%	(58,412)	3.1%-3.85%	(56,458)	2.7%-3.3%	(25,000)	2.34%	(9,980)
Financial instrument issued to investors	—	—	—	—	8.00%	(292,244)	8.00%	(396,524)
		<u>(85,333)</u>		<u>(126,812)</u>		<u>(374,201)</u>		<u>(489,289)</u>
Variable rate:								
Cash and cash equivalents	0.01%-1.5%	245,026	0.01%-1.55%	367,508	0.01%-1.12%	433,450	0.01%-0.83%	343,254
	one-year LPR- 0.45%+0.45%		one-year LPR- 0.4%-0.4% or five-year LPR- 0.45%		one-year LPR- 0.59%+0.4%		one-year LPR- 0.88%+0.4%	
Current bank loans	LPR-0.45%	(8,023)	one-year LPR- 0.45%	(25,807)	one-year LPR- 0.59%+0.4%	(55,578)	one-year LPR- 0.67%-0.4% or five-year LPR- 0.74%	(88,823)
	one-year LPR- 0.45%+0.5%		one-year LPR- 0.4%-0.4% or five-year LPR- 0.45%		one-year LPR- 0.59%+0.4%		one-year LPR- 0.67%-0.4% or five-year LPR- 0.74%	
Non-current bank loans	LPR-0.45%	(90,924)	one-year LPR- 0.45%	(130,748)	one-year LPR- 0.59%+0.4%	(141,620)	one-year LPR- 0.67%-0.4% or five-year LPR- 0.74%	(96,490)
Net exposure		<u>146,079</u>		<u>210,953</u>		<u>236,252</u>		<u>157,941</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Sensitivity analysis

At 31 December 2023, 2024 and 2025 and 31 March 2026, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group’s profit after tax and retained profits by approximately RMB1,096,000, RMB1,582,000, RMB1,772,000 and RMB1,185,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group’s profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group’s profit after tax (and retained earnings) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates.

(d) Currency risk

The Group mainly operates in Chinese Mainland, and most of the Group’s monetary assets and liabilities are denominated in RMB. The management considers the Group’s exposure to currency risk is insignificant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

As of the end of each reporting period, the Group had no assets and liabilities measured at fair value.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023, 2024 and 2025 and 31 March 2026.

32 CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2023, 2024 and 2025 and 31 March 2026 not provided for in the consolidated financial statements were as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted for acquisition of property, plant and equipment and intangible assets	53,412	35,500	207,454	166,095

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationship of the related parties that had material transactions with the Group during the Track Record Period

Name of related parties	Relationship
Mr. Xu Jun (徐軍)	One of the controlling shareholders and directors
Mr. Xie Hongwei (謝宏偉)	One of the controlling shareholders and directors
Mr. Wang Xuezheng (王學政) (i)	One of the supervisors
Sinomune Healthcare Co., Ltd. 無錫中和醫藥投資有限公司 and its subsidiaries	A group controlled by the controlling shareholders
Chongqing Jiubing Pharmaceutical Co., Ltd 重慶九秉醫藥有限公司	Associate of the Company
Shandong Aigelin Pharmaceutical Co., Ltd 山東艾格林製藥有限公司	Associate of the Company

(i) Mr. Wang Xuezheng (王學政) ceased to act as supervisor of the Company in June 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Procurement of goods and services	493	1,273	184	–	–
Sales of goods and provision of services	<u>3,091</u>	<u>3,829</u>	<u>2,145</u>	<u>15</u>	<u>1,056</u>

(c) Balance with related parties

	As at 31 December			As at 31 March	
	2023	2024	2025	2026	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other receivables	<u>131</u>	<u>12</u>	<u>–</u>	<u>–</u>	<u>–</u>
	As at 31 December			As at 31 March	
	2023	2024	2025	2026	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	<u>–</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>

All of the balances with related parties are in trade nature.

(d) Guarantees provided by related parties

	As at 31 December			As at 31 March	
	2023	2024	2025	2026	
	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans guaranteed	<u>113,157</u>	<u>159,054</u>	<u>95,771</u>	<u>–</u>	<u>–</u>

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	10,072	7,744	8,008	2,017	2,304
Discretionary bonuses	400	1,740	2,000	400	1,270
Contributions to retirement benefit schemes	84	87	87	22	44
Equity-settled share-based payment	<u>–</u>	<u>14,324</u>	<u>77,302</u>	<u>–</u>	<u>5,537</u>
	<u>10,556</u>	<u>23,895</u>	<u>87,397</u>	<u>2,439</u>	<u>9,155</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period, and which have not been adopted in preparing the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IAS 21, <i>Translation to a hyperinflationary presentation currency</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidate financial statements of the Group except for the following.

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statements of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

35 SUBSEQUENT EVENTS

On 15 June 2026, the Company approved a dividend of RMB52,504,000.

36 ULTIMATE CONTROLLING PARTY

As at the date of this report, the directors of the Company consider the ultimate controlling party of the Group to be Mr. Xu Jun and Mr. Xie Hongwei.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to 31 March 2026.