

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [I-1] to [I-53], received from the Company’s reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF INVENTISBIO CO., LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of InventisBio Co., Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[53], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2024 and 2025 and June 30, 2026 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows of the Group for the years ended December 31, 2024 and 2025 and the six months ended June 30, 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-[3] to I-[53] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS’ RESPONSIBILITY

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s financial position as at December 31, 2024 and 2025 and June 30, 2026, the Group’s consolidated financial position as at December 31, 2024 and 2025 and June 30, 2026, and of the Group’s consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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 Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 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-[3] have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

[●]

Practising Certificate no. P[●]

Hong Kong [REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the historical financial information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been audited by BDO Limited in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**Underlying Financial Statements**”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		Six months ended June 30,	
		2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	168,790	37,290	19,164	53,319
Cost of sales		(4,016)	(5,132)	(2,546)	(3,023)
Gross profit		164,774	32,158	16,618	50,296
Other income	8	38,587	33,811	17,781	13,529
Other gains and losses, net	9	2,934	1,997	529	692
Provision for impairment losses	10	(8,868)	(12,566)	(16,500)	(96)
General and administrative expenses		(52,619)	(45,398)	(22,961)	(16,627)
Research and development costs		(384,347)	(325,792)	(116,518)	(184,716)
Finance costs	11	(665)	(835)	(438)	(360)
Loss before tax	12	(240,204)	(316,625)	(121,489)	(137,282)
Income tax (expense)/credit	13	—	(240)	(46)	201
Loss for the year/period		<u>(240,204)</u>	<u>(316,865)</u>	<u>(121,535)</u>	<u>(137,081)</u>
Other comprehensive income for the year/period					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Change in foreign currency translation of the financial statements of the subsidiaries of the Company		<u>(1,159)</u>	<u>(506)</u>	<u>(464)</u>	<u>502</u>
Other comprehensive income for the year/period, net of tax		<u>(1,159)</u>	<u>(506)</u>	<u>(464)</u>	<u>502</u>
Total comprehensive income for the year/period		<u>(241,363)</u>	<u>(317,371)</u>	<u>(121,999)</u>	<u>(136,579)</u>
Loss for the year/period attributable to:					
Owners of the Company		<u>(240,204)</u>	<u>(316,865)</u>	<u>(121,535)</u>	<u>(137,081)</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>(241,363)</u>	<u>(317,371)</u>	<u>(121,999)</u>	<u>(136,579)</u>
Loss per share attributable to ordinary equity holders of the Company					
Basic (RMB)	16(a)	<u>(0.42)</u>	<u>(0.55)</u>	<u>(0.21)</u>	<u>(0.24)</u>
Diluted (RMB)	16(b)	<u>(0.42)</u>	<u>(0.55)</u>	<u>(0.21)</u>	<u>(0.24)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,		As at June 30,
		2024	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	19	19,669	18,610	17,254
Intangible assets	20	592	1,429	839
Right-of-use assets	21	25,147	21,465	18,311
Prepayments	24	679	587	5,024
Deferred tax assets	22	3,439	3,188	2,641
Total non-current assets		<u>49,526</u>	<u>45,279</u>	<u>44,069</u>
Current assets				
Trade receivables	24	165,342	84,666	86,037
Prepayments, deposits and other receivables	24	23,181	43,392	66,668
Financial assets at fair value through profit or loss (“FVTPL”)	23	101,300	153,677	152,960
Time deposits	25	667,521	653,711	531,210
Cash and bank balances	25	913,947	723,120	641,249
Total current assets		<u>1,871,291</u>	<u>1,658,566</u>	<u>1,478,124</u>
Total assets		<u>1,920,817</u>	<u>1,703,845</u>	<u>1,522,193</u>
Current liabilities				
Trade payables	26	59,964	115,480	75,878
Other payables and accruals	26	22,229	26,272	13,226
Lease liabilities	27	7,788	7,150	6,453
Total current liabilities		<u>89,981</u>	<u>148,902</u>	<u>95,557</u>
Net current assets		<u>1,781,310</u>	<u>1,509,664</u>	<u>1,382,567</u>
Total assets less current liabilities		<u>1,830,836</u>	<u>1,554,943</u>	<u>1,426,636</u>
Non-current liabilities				
Deferred income	28	480	480	480
Lease liabilities	27	16,134	14,919	12,350
Deferred tax liabilities	22	3,439	3,428	2,680
Total non-current liabilities		<u>20,053</u>	<u>18,827</u>	<u>15,510</u>
NET ASSETS		<u>1,810,783</u>	<u>1,536,116</u>	<u>1,411,126</u>
Capital and reserves				
Equity attributable to owners of the Company				
Share capital	29	576,745	578,348	579,592
Reserves		3,778,964	3,819,559	3,830,406
Accumulated losses		(2,544,926)	(2,861,791)	(2,998,872)
TOTAL EQUITY		<u>1,810,783</u>	<u>1,536,116</u>	<u>1,411,126</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Capital reserve	Share award reserve	Exchange reserve	Accumulated losses	Total
	(Note 29) RMB'000	(Note 30(i)) RMB'000	(Note 30(ii)) RMB'000	(Note 30(iv)) RMB'000	(Note 30(iii)) RMB'000	RMB'000
Balance at January 1, 2024 . . .	575,000	2,682,742	1,055,323	(10,740)	(2,304,722)	1,997,603
Loss for the year	—	—	—	—	(240,204)	(240,204)
Change in foreign currency translation of the financial statements of the subsidiaries of the Company	—	—	—	(1,159)	—	(1,159)
Total comprehensive income for the year	—	—	—	(1,159)	(240,204)	(241,363)
Issuance of restricted shares . .	1,745	5,846	—	—	—	7,591
Recognition of equity-settled share-based payment expenses	—	—	46,952	—	—	46,952
Balance at December 31, 2024 and January 1, 2025	576,745	2,688,588	1,102,275	(11,899)	(2,544,926)	1,810,783
Loss for the year	—	—	—	—	(316,865)	(316,865)
Change in foreign currency translation of the financial statements of the subsidiaries of the Company	—	—	—	(506)	—	(506)
Total comprehensive income for the year	—	—	—	(506)	(316,865)	(317,371)
Issuance of restricted shares . .	1,603	5,371	—	—	—	6,974
Recognition of equity-settled share-based payment expenses	—	—	35,730	—	—	35,730
Vesting of restricted shares . . .	—	112,106	(112,106)	—	—	—
Balance at December 31, 2025 .	<u>578,348</u>	<u>2,806,065</u>	<u>1,025,899</u>	<u>(12,405)</u>	<u>(2,861,791)</u>	<u>1,536,116</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company					
	Share capital	Capital reserve	Share award reserves	Exchange reserves	Accumulated losses	Total
	(Note 29) RMB'000	(Note 30(i)) RMB'000	(Note 30(ii)) RMB'000	(Note 30(iv)) RMB'000	(Note 30(iii)) RMB'000	RMB'000
(Unaudited)						
Balance at January 1, 2025 . . .	576,745	2,688,588	1,102,275	(11,899)	(2,544,926)	1,810,783
Loss for the period	–	–	–	–	(121,535)	(121,535)
Change in foreign currency translation of the financial statements of the subsidiaries of the Company	–	–	–	(464)	–	(464)
Total comprehensive income for the period	–	–	–	(464)	(121,535)	(121,999)
Issuance of restricted shares . . .	1,583	5,302	–	–	–	6,885
Recognition of equity-settled share-based payment expenses	–	–	21,349	–	–	21,349
Vesting of restricted shares . . .	–	41,893	(41,893)	–	–	–
Balance at June 30, 2025	<u>578,328</u>	<u>2,735,783</u>	<u>1,081,731</u>	<u>(12,363)</u>	<u>(2,666,461)</u>	<u>1,717,018</u>

	Attributable to owners of the Company					
	Share capital	Capital reserve	Share award reserves	Exchange reserves	Accumulated losses	Total
	(Note 29) RMB'000	(Note 30(i)) RMB'000	(Note 30(ii)) RMB'000	(Note 30(iv)) RMB'000	(Note 30(iii)) RMB'000	RMB'000
Balance at January 1, 2026 . . .	578,348	2,806,065	1,025,899	(12,405)	(2,861,791)	1,536,116
Loss for the period	–	–	–	–	(137,081)	(137,081)
Change in foreign currency translation of the financial statements of the subsidiaries of the Company	–	–	–	502	–	502
Total comprehensive income for the period	–	–	–	502	(137,081)	(136,579)
Issuance of restricted shares . . .	1,244	4,166	–	–	–	5,410
Recognition of equity-settled share-based payment expenses	–	–	6,179	–	–	6,179
Vesting of restricted shares . . .	–	15,178	(15,178)	–	–	–
Balance at June 30, 2026	<u>579,592</u>	<u>2,825,409</u>	<u>1,016,900</u>	<u>(11,903)</u>	<u>(2,998,872)</u>	<u>1,411,126</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES				
Loss before tax	(240,204)	(316,625)	(121,489)	(137,282)
Adjustments for:				
Depreciation of property, plant and equipment	6,511	6,542	3,028	3,252
Depreciation of right-of-use assets	13,144	8,961	4,709	4,268
Amortization of intangible assets	328	698	240	590
Impairment losses on trade receivables	8,883	12,596	16,499	72
(Reversal)/provision of impairment losses on other receivables	(15)	(30)	1	24
Loss on disposals of property, plant and equipment	—	—	—	72
Bank interest income	(30,021)	(24,986)	(9,163)	(7,694)
Gain on fair value changes of financial assets at FVTPL	(1,300)	(2,488)	(887)	(677)
Gains on lease termination and modification	(75)	—	—	—
Share-based payment expenses	46,952	35,730	21,349	6,179
Finance costs	665	835	438	360
Operating cash flows before movements in working capital	(195,132)	(278,767)	(85,275)	(130,836)
Decrease/(increase) in trade receivables	2,341	68,080	(9,981)	(1,443)
Decrease/(increase) in prepayments, deposits and other receivables	18,676	(9,443)	4,168	(5,306)
Decrease in contract liabilities	(47,170)	—	—	—
Decrease in deferred income	(400)	—	—	—
(Decrease)/increase in trade payables	(12,558)	55,516	(7,459)	(39,602)
(Decrease)/increase in other payables and accruals	(7,729)	9,170	(7,204)	(10,989)
Net cash used in operating activities	(241,972)	(155,444)	(105,751)	(188,176)
INVESTING ACTIVITIES				
Investments in financial assets at FVTPL	(100,000)	(646,797)	(172,080)	(535,074)
Proceeds from financial assets at FVTPL	—	597,359	122,084	536,967
Acquisition of property, plant and equipment, intangible assets and other non-current assets	(7,561)	(6,918)	(5,552)	(5,499)
Interest received	21,153	16,230	1,745	6,038
Proceeds from time deposits	700,000	667,521	90,000	653,695
Investments in time deposits	(667,521)	(653,725)	(329,120)	(531,222)
Prepayment for acquisition of equity interest	—	—	—	(1,000)
Net cash (used in)/generated from investing activities	(53,929)	(26,330)	(292,923)	123,905

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
FINANCING ACTIVITIES				
Proceeds from restricted share schemes .	7,591	6,974	6,885	5,410
Principal portion of lease payments	(13,408)	(9,036)	(4,761)	(4,380)
Interest paid for lease liabilities	(665)	(835)	(438)	(360)
Payments for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash (used in)/generated from financing activities	(6,482)	(6,220)	1,686	(17,378)
Net decrease in cash and cash equivalents	(302,383)	(187,994)	(396,988)	(81,649)
Cash and cash equivalents at the beginning of the year/period	1,215,826	913,947	913,947	723,120
Effect of exchange rate changes	504	(2,833)	(2,210)	(222)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	913,947	723,120	514,749	641,249

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at December 31,		As at June 30,
		2024	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	19	19,669	18,610	17,254
Intangible assets	20	592	1,429	839
Right-of-use assets	21	24,450	21,326	17,602
Investments in subsidiaries	18	409,575	447,361	449,368
Prepayments	24	679	587	5,024
Deferred tax assets	22	3,412	3,188	2,610
Total non-current assets		<u>458,377</u>	<u>492,501</u>	<u>492,697</u>
Current assets				
Trade receivables	24	165,342	84,666	86,037
Prepayments, deposits and other receivables	24	22,188	42,448	66,433
Financial assets at FVTPL	23	101,300	153,677	152,960
Time deposits	25	667,521	652,837	530,356
Cash and bank balances	25	890,904	714,415	634,471
Total current assets		<u>1,847,255</u>	<u>1,648,043</u>	<u>1,470,257</u>
Total assets		<u>2,305,632</u>	<u>2,140,544</u>	<u>1,962,954</u>
Current liabilities				
Trade payables	26	51,437	108,706	63,273
Other payables and accruals	26	12,571	13,873	8,084
Lease liabilities	27	7,197	7,150	6,155
Total current liabilities		<u>71,205</u>	<u>129,729</u>	<u>77,512</u>
Net current assets		<u>1,776,050</u>	<u>1,518,314</u>	<u>1,392,745</u>
Total assets less current liabilities		<u>2,234,427</u>	<u>2,010,815</u>	<u>1,885,442</u>
Non-current liabilities				
Deferred income	28	480	480	480
Lease liabilities	27	16,134	14,919	12,041
Deferred tax liabilities	22	3,412	3,428	2,649
Total non-current liabilities		<u>20,026</u>	<u>18,827</u>	<u>15,170</u>
NET ASSETS		<u>2,214,401</u>	<u>1,991,988</u>	<u>1,870,272</u>
Capital and reserves				
Equity attributable to owners of the Company				
Share capital	29	576,745	578,348	579,592
Reserves	30	2,544,118	2,585,219	2,595,564
Accumulated losses	30	(906,462)	(1,171,579)	(1,304,884)
TOTAL EQUITY		<u>2,214,401</u>	<u>1,991,988</u>	<u>1,870,272</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on January 11, 2013. The Company’s shares have been listed on the Shanghai Stock Exchange with stock code 688382 since July 25, 2022. The address of the Company’s registered office is Room 210, No. 4, Lane 67, Libing Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

The Group and the Company are principally engaged in research, development and commercialisation of pharmaceutical products.

The parent company of the Company is InventisBio Hong Kong Limited. The Company is ultimately controlled by a concert party which formed by Dr. Yaolin Wang, Dr. Xing Dai and Dr. Yueheng Jiang.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 4.

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 consistently adopted all applicable new and revised IFRS Accounting Standards that are effective during the Track Record Period, except for any 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 3.

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 in Note 4 have been applied consistently to all periods presented in the Historical Financial Information.

3. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

The Group plans to adopt these new standards and amendments to standards when they become effective:

New and amendments to IFRS Accounting Standards issued but not yet effective

IFRS 18	Presentation and Disclosure in Financial Statements ¹
IFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures ¹
IFRS 20	Regulatory Assets and Regulatory Liabilities ²
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ¹
Amendments to IAS 28	Fair Value Option for Investments in Associates and Joint Ventures ¹

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

2 Effective for annual periods beginning on or after January 1, 2029

3 No mandatory effective date yet determined but available for adoption

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

Management is currently assessing the detailed implications of applying the new standard on the Group’s consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for all prior periods presented will be restated in accordance with IFRS 18 upon initial adoption.

Except for the abovementioned changes in presentation and disclosure, these pronouncements are not expected to have a material impact on the results or the financial position of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

(a) Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statements of financial position 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.

(c) Impairment of non-financial assets (excluding deferred tax assets)

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(d) Foreign currency translation

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially

APPENDIX I

ACCOUNTANTS’ REPORT

recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting periods and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the reporting periods are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

(e) Revenue recognition

Revenue from contracts with customers

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

The Group’s revenue is generated from the collaboration agreements with customers which only contain one performance obligation of granting of licenses to intellectual property rights.

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

Revenue in the form of a sales-based or usage-based royalty, in exchange for a license of intellectual property, is recognized only when the later of the following events occurs: (i) the subsequent sale or usage occurs; and (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied.

The Group’s revenue is mainly generated from license of intellectual properties of new drugs to customers. The terms of this arrangement typically include upfront payment, milestone payments and royalties on net sales of licensed products. The contracts generally do not include a significant financing component as the amount or timing of the variable considerations varies on the basis of achieving a particular milestone and how much and when the subsequent sales occurred.

The Group concludes that it has a single performance obligation under the contract to issue the license. The Group has granted a ‘right to use’ license and revenue is recognized at the point in time that the license is granted to the customer.

The consideration for the license comprises a fixed payment (the upfront payment) and variable elements (the milestone payments and royalties). The Group uses judgment to determine whether milestones or other variable consideration should be included in the transaction price. At the inception of the arrangement, the Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. Milestone payments that are subject to regulatory approvals and commercialisation stages are not considered highly probable of being achieved until those approvals are received or commercialisation stages are achieved.

APPENDIX I

ACCOUNTANTS’ REPORT

Interest income

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

(f) Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

All leases are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases for which at the commencement date have a lease term less than 12 months and leases of low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

Right-of-use asset

The right-of-use asset is recognized at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Lease liability

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group’s incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(g) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognized as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

APPENDIX I

ACCOUNTANTS’ REPORT

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

(h) Retirement benefit costs

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group’s future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(i) Short-term employee benefits

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

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

(j) Share-based payments

Equity-settled share-based payment transaction

Restricted shares granted to employees

The Company operates restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees and others providing similar services is measured by reference to the fair value of the equity instruments at the date at which they are granted.

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

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

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

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

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

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

APPENDIX I

ACCOUNTANTS’ REPORT

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

(l) Taxation

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

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(m) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

	Useful life	Residual value rate	Annual depreciation rate
Laboratory equipment	5 years	10.00%	18.00%
Machinery and office equipment	5 years	10.00%	18.00%
Leasehold improvement	Shorter of remaining lease term and estimated useful life	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

(n) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided on a straight-line basis over their useful lives as follows. The amortization expense is recognized in profit or loss.

Software	5 years
--------------------	---------

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(o) Research and development costs

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product; and
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in profit or loss as incurred.

(p) Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill which with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or the cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

(q) Financial instruments

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

APPENDIX I

ACCOUNTANTS’ REPORT

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Debt instruments

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

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognized in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortized, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Impairment loss on financial assets

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under IFRS 9 “Financial Instruments”. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

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

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

APPENDIX I

ACCOUNTANTS’ REPORT

Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definition.

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

Definition of default

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

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

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

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

APPENDIX I

ACCOUNTANTS’ REPORT

Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group’s trade receivables and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

(ii) Financial liabilities and equity instruments

Classification as debt or equity

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

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Equity instruments

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

Derecognition of financial liabilities

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

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

APPENDIX I

ACCOUNTANTS’ REPORT

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, the existence of which 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.

(s) Related parties

- (i) A person or a close member of that person’s family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of key management personnel of the Group or the Company’s parent.
- (ii) An entity is related to the Group if any of the following conditions apply:
 - (a) 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).
 - (b) 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).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (h) 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.
- (iii) 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 and include:
 - (a) that person’s children and spouse or domestic partner;
 - (b) children of that person’s spouse or domestic partner; and
 - (c) dependents of that person or that person’s spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Research and development costs

All research costs are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are only capitalized and deferred in accordance with the accounting policy for research and development costs in Note 4 to the Historical Financial Information. Determining the amounts to be capitalized requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialized and bring economic benefits to the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

During the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, the Group incurred significant research and development costs of approximately RMB384,347,000, RMB325,792,000, RMB116,518,000 and RMB184,716,000, respectively. However, none of these development costs have been capitalized as per the management assessment, they are not able to meet the recognition criteria.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and estimated impairment on property, plant and equipment, intangible assets and right-of-use assets

The Group assesses whether there are any indicators of impairment for long-term non-financial assets, at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details are set out in Note 19 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as a subsidiary’s stand-alone credit rating).

Provision of ECL for financial assets at amortized cost

The Group calculates ECL for trade and other receivables and cash and cash equivalent under IFRS 9. The provision rates are based on the Group’s historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Details of the key assumptions and inputs used are set out in Note 32(b)(iii). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

Fair value measurements for financial assets at FVTPL

The Group has made various investments during the Track Record Period as set out in Note 23. The Group accounts for these financial instruments as financial assets at FVTPL. For those investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include those further described in Note 32(c) under the heading “Fair value measurement”. Valuation models established by the management make the maximum use of market inputs and rely as little as possible on the Group’s specific data. However, some inputs, such as interest rates of similar wealth management products available in the market, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions be changed, it may lead to a change in the fair value of the financial assets.

6. REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026 are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from contracts with customers within the scope of IFRS 15				
Transferred at point in time:				
License fee income and sales-based royalties	168,790	37,290	19,164	53,319

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Performance obligation for contracts with customers and revenue recognition policies

License fee income and sales-based royalties

- (i) From 2018 to 2019, the Company entered into an out-licensing agreement and a supplementary agreement with a customer to grant them (i) an exclusive right of research and development, production, and commercialisation of Project BPI-D0316; and (ii) an exclusive supply right of pharmaceutical ingredient for Project BPI-D0316 in the PRC, Hong Kong and Taiwan.

The consideration for the out-licensing comprises of (i) upfront payment, (ii) development milestones payments, (iii) sales milestone payments, and (iv) royalties calculated based on the net sales as defined in the related supplementary agreement with customers.

- (ii) From 2023 to 2024, the Company entered into an out-licensing agreement and a supplementary agreement with another customer to grant them (i) an exclusive right of research and development, production, and commercialisation of Project D-1553; and (ii) an exclusive supply right of pharmaceutical ingredient for Project D-1553 in the PRC.

The consideration for the out-licensing comprises of (i) upfront payment, (ii) development milestones payments, (iii) sales milestone payments, and (iv) royalties calculated based on the net sales as defined in the related supplementary agreement with customers.

For variable consideration in relation to milestone payments and royalties from above out-licensing agreements, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which best predicts the amount of consideration to which the Group will be entitled. The potential milestone payments that the Company is eligible to receive were considered as variable consideration as all milestone amounts were fully constrained due to uncertainty of achievement. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

No sales milestone payments was recognized as revenue during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026.

The aforementioned development milestone payments of approximately RMB150,943,000 are recognized as revenue for the year ended December 31, 2024; upfront payment of approximately RMB28,302,000 is recognized as revenue for the six months ended June 30, 2026; and sales-based royalties of approximately RMB17,847,000, RMB37,290,000, RMB19,164,000 and RMB25,017,000 are recognized as revenue for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively. As at December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, the remaining uncompleted milestone payments are subject to the future achievement of remaining milestone criteria.

7. SEGMENT INFORMATION

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). Management reviews the performance of the Group as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. No separate analysis of the segment results by reportable segment is necessary.

Geographical information

An analysis of the Group’s revenue from external customers, based on location of customers and analyzed by regions, is presented below:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue from external customers				
– Chinese Mainland (country of domicile)	168,790	37,290	19,164	53,319

APPENDIX I

ACCOUNTANTS’ REPORT

Information about the Group’s non-current assets excluding deferred tax assets by geographical location of the assets are presented below:

	At December 31,		Six months ended June 30,
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Non-current assets excluding deferred tax assets			
– Chinese Mainland (country of domicile)	46,087	42,091	41,428

Information about major customers

Revenue from customers which contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Company A	152,411	9,276	5,281	36,763
Company B	(Note)	28,014	13,883	16,556

Note: Less than 10% of total revenue of the year/period.

8. OTHER INCOME

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Bank interest income	30,021	24,986	9,163	7,694
Government grants (<i>Note</i>)	8,400	8,640	8,433	5,622
Others	166	185	185	213
	38,587	33,811	17,781	13,529

Note: The amounts mainly represent incentives the Group received from the local governments. There are no unfulfilled conditions relating to these government grants. These grants are granted primarily for compensating expenditure arising from various preclinical and clinical research activities.

9. OTHER GAINS AND LOSSES, NET

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Gain on fair value changes of financial assets at FVTPL	1,300	2,488	887	677
Gains on lease termination and modification	75	–	–	–
Investment income from financial assets at FVTPL	–	901	84	448
Exchange gain/(loss)	1,559	(1,392)	(442)	(361)
Loss on disposals of property, plant and equipment	–	–	–	(72)
	2,934	1,997	529	692

APPENDIX I

ACCOUNTANTS’ REPORT

10. PROVISION FOR IMPAIRMENT LOSSES

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Impairment losses/(reversal of impairment losses) under ECL model, net				
Trade receivables	8,883	12,596	16,499	72
Other receivables	(15)	(30)	1	24
Total	<u>8,868</u>	<u>12,566</u>	<u>16,500</u>	<u>96</u>

11. FINANCE COSTS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest expenses on lease liabilities	<u>665</u>	<u>835</u>	<u>438</u>	<u>360</u>

12. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Cost of licenses of patents	2,791	3,505	1,553	1,599
Depreciation of property, plant and equipment	6,511	6,542	3,028	3,252
Depreciation of right-of-use assets	13,144	8,961	4,709	4,268
Amortization of intangible assets (included in general and administrative expenses and research and developments costs) . . .	328	698	240	590
Staff costs (including directors’ emoluments):				
– Salaries and other benefits	116,177	108,799	52,763	50,105
– Retirement benefits scheme contributions	9,502	9,113	4,589	5,145
– Share-based payment expenses	46,952	35,730	21,349	6,179
Auditors’ remuneration	830	830	–	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Short-term leases with application of recognition exemption	206	210	193	105

13. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Current tax				
– Tax for the year/period	–	–	–	–
Deferred tax (Note 22)	–	240	46	(201)
Total income tax expense/(credit)	<u>–</u>	<u>240</u>	<u>46</u>	<u>(201)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. The Company was approved as “High and New Technology Enterprise” (“HNTE”) by the relevant government authorities and was subject to a preferential rate of 15% for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026. The qualification as a HNTE is subject to review by the relevant tax authority in the PRC every three years. The Company’s qualification as a HNTE is subject to review in 2027.

In 2022, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Further Implementation of Preferential Income Tax for Small and Micro Enterprises (Cai Shui [2023] No. 12), which provides that the portion of annual taxable income of small and micro enterprises exceeding RMB1,000,000 but not exceeding RMB3,000,000 shall be deducted to 25% of the taxable income and subject to income tax at a rate of 20% for the period from January 1, 2022 to December 31, 2027. InventisBio Beijing was recognized as a Small and Micro Enterprises and was entitled to a preferential tax rate of 20% during the Track Record Period.

The subsidiaries of the Company incorporated in USA are subject to the federal corporate income tax at a rate of 21%.

The subsidiary established in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5%. Except that under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporation in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The income tax expense/(credit) for the Track Record Period and the six months ended June 30, 2025 (unaudited) can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(240,204)	(316,625)	(121,489)	(137,282)
Tax at the applicable tax rate of 15%	(36,031)	(47,494)	(18,223)	(20,592)
Effects of different tax rates applicable to different subsidiaries of the Group	(7,063)	(3,087)	(2,380)	(224)
Tax effect of expenses that are not deductible for tax purposes	6,851	16,285	13,901	13,220
Tax effect of temporary difference not recognized	73,811	55,459	15,708	19,178
Tax effect of additional tax deduction for eligible research and development costs . .	(37,568)	(20,923)	(8,960)	(11,783)
Income tax expense/(credit)	—	240	46	(201)

(a) Tax losses

As of December 31, 2024 and 2025 and June 30, 2026, the Group did not recognize deferred tax assets in respect of losses of approximately RMB2,011,076,000, RMB2,348,595,000 and RMB2,485,412,000, respectively.

The tax losses incurred from the group that are not recognized as deferred tax assets will expire from 2025 to indefinite. Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	Year ended December 31,		Six months ended June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
2025	35,230	—	—
2026	63,680	63,680	—
2027	34,273	34,273	34,273
2028	72,101	72,101	72,101
2029	31,319	31,454	31,454
2030	135,352	136,332	136,088
2031	225,251	225,251	226,232
2032	513,560	513,560	513,560
2033	308,310	308,310	308,288
2034	340,264	288,788	288,788
2035	—	387,289	387,597
2036	—	—	208,642
Indefinite	251,736	287,557	278,389
Total	2,011,076	2,348,595	2,485,412

APPENDIX I

ACCOUNTANTS’ REPORT

14. DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during the Track Record Period and the six months ended June 30, 2025 (unaudited) are as follows:

Year ended December 31, 2024

	Directors’ fee	Salaries, bonus and other allowance	Share-based payment	Social security costs and housing benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Dr. Yaolin Wang	–	7,774	–	333	8,107
Dr. Yueheng Jiang	–	4,900	5,385	307	10,592
Dr. Xing Dai	–	4,867	457	287	5,611
Dr. Zhihui Wang	–	–	–	–	–
Mr. Yifu Liu	–	–	–	–	–
Mr. Luwei Shi	–	1,216	7,688	148	9,052
Independent non-executive directors					
Dr. Jia Yan	200	–	–	–	200
Mr. Wen Chen	200	–	–	–	200
Ms. Xinmiao Dai	200	–	–	–	200
Supervisors					
Mr. Qinghua Feng	–	–	–	–	–
Ms. Jifang Weng	–	708	177	148	1,033
Ms. Dandan Ren	–	230	66	89	385
	<u>600</u>	<u>19,695</u>	<u>13,773</u>	<u>1,312</u>	<u>35,380</u>

Year ended December 31, 2025

	Directors’ fee	Salaries, bonus and other allowance	Share-based payment	Social security costs and housing benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Dr. Yaolin Wang	–	8,860	–	308	9,168
Dr. Yueheng Jiang	–	5,866	4,432	283	10,581
Dr. Xing Dai	–	5,130	363	284	5,777
Dr. Zhihui Wang	–	–	–	–	–
Mr. Yifu Liu	–	–	–	–	–
Mr. Luwei Shi	–	1,215	6,965	150	8,330
Independent non-executive directors					
Dr. Jia Yan	200	–	–	–	200
Mr. Wen Chen	200	–	–	–	200
Ms. Xinmiao Dai	200	–	–	–	200
Supervisors					
Mr. Qinghua Feng (Note)	–	–	–	–	–
Ms. Jifang Weng (Note)	–	295	59	62	416
Ms. Dandan Ren (Note)	–	96	22	37	155
	<u>600</u>	<u>21,462</u>	<u>11,841</u>	<u>1,124</u>	<u>35,027</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended June 30, 2025

(Unaudited)

	Directors’ fee	Salaries, bonus and other allowance	Share-based payment	Social security costs and housing benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Dr. Yaolin Wang	–	3,586	–	243	3,829
Dr. Yueheng Jiang	–	2,445	2,884	204	5,533
Dr. Xing Dai	–	2,428	226	199	2,853
Ms. Zhihui Wang	–	–	–	–	–
Mr. Yifu Liu	–	–	–	–	–
Mr. Luwei Shi	–	608	4,369	73	5,050
Independent non-executive directors					
Dr. Jia Yan	100	–	–	–	100
Mr. Wen Chen	100	–	–	–	100
Ms. Xinmiao Dai	100	–	–	–	100
Supervisors					
Mr. Qinghua Feng (Note)	–	–	–	–	–
Ms. Jifang Weng (Note)	–	295	59	62	416
Ms. Dandan Ren (Note)	–	96	22	37	155
	<u>300</u>	<u>9,458</u>	<u>7,560</u>	<u>818</u>	<u>18,136</u>

Six months ended June 30, 2026

	Directors’ fee	Salaries, bonus and other allowance	Share-based payment	Social security costs and housing benefits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive Directors					
Dr. Yaolin Wang	–	3,000	–	308	3,308
Dr. Yueheng Jiang	–	1,986	1,308	271	3,565
Dr. Xing Dai	–	1,741	120	271	2,132
Ms. Zhihui Wang	–	–	–	–	–
Mr. Yifu Liu	–	–	–	–	–
Mr. Luwei Shi	–	402	2,246	73	2,721
Independent non-executive directors					
Dr. Jia Yan	100	–	–	–	100
Mr. Wen Chen	100	–	–	–	100
Ms. Xinmiao Dai	100	–	–	–	100
	<u>300</u>	<u>7,129</u>	<u>3,674</u>	<u>923</u>	<u>12,026</u>

Note:

On May 30, 2025, these supervisors were removed from the positions of supervisors due to the fact that the Board of Supervisors had been replaced by Audit Committee on the same date.

15. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included 4, 4, 4 and 4 directors during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining highest paid individual during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively, are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries, bonus and other allowance	7,179	7,039	3,580	2,463
Share-based payment	457	363	226	120
Social security costs and housing benefits	324	316	259	288
	<u>7,960</u>	<u>7,718</u>	<u>4,065</u>	<u>2,871</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The number of non-director highest paid employee whose remuneration fell within the following bands is as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
			(unaudited)	
HKD3,000,001 to HKD3,500,000	–	–	–	1
HKD4,000,001 to HKD4,500,000	–	–	1	–
HKD8,500,001 to HKD9,000,000	1	1	–	–
	=	=	=	=

During the Track Record Period and the six months ended June 30, 2025 (unaudited), no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period and the six months ended June 30, 2025 (unaudited).

16. LOSS PER SHARE

Basic and diluted loss per share

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

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period and the six months ended June 30, 2025 (unaudited).

Loss:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Loss attributable to owners of the Company	(240,204)	(316,865)	(121,535)	(137,081)
Loss for the purpose of calculating basic loss per share	(240,204)	(316,865)	(121,535)	(137,081)

Number of shares:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	thousands shares	thousands shares	thousands shares	thousands shares
			(unaudited)	
Weighted average number of ordinary shares in issue	576,421	577,937	577,537	578,556
Basic loss per share (RMB per share)	(0.42)	(0.55)	(0.21)	(0.24)

(b) Diluted

Because the diluted loss per share amount is decreased when taking the restricted shares granted under the restricted share incentive schemes in 2020, 2022 and 2026 into account, the restricted shares incentive schemes had an anti-dilutive effect on the basic loss per share amounts presented and were ignored in the calculation of diluted loss per share during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026. Therefore, no adjustment has been made on the basic loss per share amounts presented for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026 for the purpose of computation of diluted loss per share.

APPENDIX I

ACCOUNTANTS’ REPORT

Loss:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Loss attributable to owners of the Company	(240,204)	(316,865)	(121,535)	(137,081)
Loss for the purpose of calculating diluted loss per share	<u>(240,204)</u>	<u>(316,865)</u>	<u>(121,535)</u>	<u>(137,081)</u>

Number of shares:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>thousands shares</i>	<i>thousands shares</i>	<i>thousands shares</i> <i>(unaudited)</i>	<i>thousands shares</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per shares . . .	<u>576,421</u>	<u>577,937</u>	<u>577,537</u>	<u>578,556</u>
Diluted loss per share (RMB per share)	<u>(0.42)</u>	<u>(0.55)</u>	<u>(0.21)</u>	<u>(0.24)</u>

17. DIVIDENDS

No dividend was declared or paid by the Company during the Track Record Period and the six months ended June 30, 2025 (unaudited).

18. INVESTMENTS IN SUBSIDIARIES

	At December 31,		At June 30,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Company			
Investments in subsidiaries			
– Unlisted shares, at cost	<u>409,575</u>	<u>447,361</u>	<u>449,368</u>

The management has assessed that there is impairment indication for the investment in subsidiaries of the Company at the end of each reporting period during the Track Record Period resulting from the unfavorable operating performance of subsidiaries. Therefore, the management has performed impairment assessment for the investments in subsidiaries.

Based on the recoverable amount calculation, the recoverable amounts of the CGU exceed the carrying amounts of investments in the subsidiaries. No impairment loss has been provided for the investments in subsidiaries for the Track Record Period.

The impairment assessment is detailed in Note 19 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company had direct and indirect equity interests in the following principal subsidiaries during the Track Record Period:

Name of subsidiaries	Date and place of incorporation/ establishment	Authorized shares capital/ registered capital				December 31, 2024		December 31, 2025		June 30, 2026		Principal business activities
		December 31, 2024	December 31, 2025	June 30, 2026		Direct	Indirect	Direct	Indirect	Direct	Indirect	
					%	%	%	%	%			
InventisBio Beijing Limited (“InventisBio Beijing”)* (i), (ii), (iii) & (iv) . . .	August 28, 2020 Chinese Mainland	RMB5,000,000	RMB5,000,000	RMB5,000,000	100	100	–	100	–	100	–	Research and development of pharmaceutical products
InventisBio US LLC (“New InventisBio US”)* (iii)	May 26, 2020 USA	US\$100	US\$100	US\$100	100	100	–	100	–	100	–	Investment holding
InventisBio LLC (“InventisBio US”)* (iii), (iv) & (v)	October 15, 2018 USA	US\$50,000	US\$50,000	US\$50,000	–	100	–	–	100	–	100	Research and development of pharmaceutical products
InventisBio Nexa Limited (“InventisBio Nexa”)* (vi)	April 24, 2026 Hong Kong	–	–	HK\$10,000	–	–	–	–	–	100	–	Biotechnology research, development and investment services
InventisBio Yiqi Beijing Limited (“Yiqi Beijing”)* (i), (ii), (iii) & (vi)	June 3, 2026 Chinese Mainland	–	–	RMB8,000,000	–	–	–	–	–	100	–	Research and development of pharmaceutical products

Notes:

- (i) The English names of the subsidiaries registered in the Chinese Mainland represent the best efforts made by management of the Company to translate their Chinese names for identification purpose only as they do not have official English names.
- (ii) A limited liability company operating in the Chinese Mainland.
- (iii) No audited statutory financial statements have been issued for these entities as there are no statutory requirements in the respective places of incorporation.
- (iv) The Company granted its restricted shares to the employees in InventisBio Beijing and InventisBio US. Then, the fair value of the granted restricted shares during the vesting period amounting to approximately RMB8,849,000 and RMB2,007,000, respectively, were recorded as investments in subsidiaries during the year ended December 31, 2025 and the six months ended June 30, 2026.
- (v) The Company made the capital injection of US\$3,963,000 (approximately RMB28,937,000) to InventisBio US during the year ended December 31, 2025.
- (vi) These subsidiaries are newly incorporated during the six months ended June 30, 2026.

APPENDIX I

ACCOUNTANTS’ REPORT

19. PROPERTY, PLANT AND EQUIPMENT

	Laboratory Equipment	Machinery and office equipment	Construction in progress	Leasehold Improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Cost					
As at January 1, 2024	31,695	343	500	1,045	33,583
Additions	431	83	8,721	–	9,235
Disposals	–	–	(2,751)	–	(2,751)
As at December 31, 2024 and January 1, 2025	32,126	426	6,470	1,045	40,067
Additions	233	75	5,175	–	5,483
Transfer from construction in progress (“CIP”) to other property, plant and equipment, net	–	–	(11,645)	11,645	–
As at December 31, 2025 and January 1, 2026	32,359	501	–	12,690	45,550
Additions	239	–	1,807	–	2,046
Disposals	(442)	–	–	–	(442)
As at June 30, 2026	32,156	501	1,807	12,690	47,154
Accumulated Depreciation					
As at January 1, 2024	13,728	159	–	–	13,887
Charge for the year	5,412	54	–	1,045	6,511
As at December 31, 2024 and January 1, 2025	19,140	213	–	1,045	20,398
Charge for the year	4,841	63	–	1,638	6,542
As at December 31, 2025 and January 1, 2026	23,981	276	–	2,683	26,940
Charge for the period	2,128	32	–	1,092	3,252
Written back on disposals	(292)	–	–	–	(292)
As at June 30, 2026	25,817	308	–	3,775	29,900
Net book value					
As at December 31, 2024	12,986	213	6,470	–	19,669
As at December 31, 2025	8,378	225	–	10,007	18,610
As at June 30, 2026	6,339	193	1,807	8,915	17,254

The management has assessed that there is impairment indication for the non-financial assets (including property, plant and equipment, intangible assets, right-of-use assets and prepayments (non-current portion), of the Group at the end of the financial years ended December 31, 2024 and 2025, respectively resulting from the unfavourable operating performance of the Group during the years ended December 31, 2024 and 2025. Therefore, the management has performed impairment assessment for the non-financial assets, which mainly consist of property, plant and equipment (Note 19), intangible assets (Note 20), right-of-use assets (Note 21) and prepayments (non-current portion) (Note 24) of the Group. Having considered the actual financial performance for the six months ended June 30, 2026, the management is not aware of any impairment indicators and therefore no impairment assessment is performed.

For the purposes of impairment testing, the Group estimates the recoverable amount of a CGU of the Group to which the asset belongs when it is not possible to estimate the recoverable amount individually. The CGU comprises the Group’s single operation of research, development and commercialisation of pharmaceutical products and represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

The recoverable amount of the CGU is determined based on value-in-use calculation. The group engaged an independent professional valuer to assist with the calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period which with pre-tax discount rates of 23.48% and 24.60% as at December 31, 2024 and 2025, respectively. Cash flows beyond the detailed forecast period are extrapolated using an estimated weighted average growth rate of 3.00% consistent for all these reporting dates, which does not exceed the long-term average growth rate for the market in which the subsidiaries operate.

Based on the result of the assessment, the recoverable amounts of non-financial assets exceed the carrying amounts of non-financial assets at the end of each reporting period during the Track Record Period. No impairment loss has been provided for the non-financial assets of the Group for the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

	Laboratory Equipment	Machinery and office equipment	Construction in progress	Leasehold Improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company					
Cost					
As at January 1, 2024	31,695	343	500	1,045	33,583
Additions	431	83	8,721	–	9,235
Disposals	–	–	(2,751)	–	(2,751)
As at December 31, 2024 and January 1, 2025	32,126	426	6,470	1,045	40,067
Additions	233	75	5,175	–	5,483
Transfer from construction in progress (“CIP”) to other property, plant and equipment, net	–	–	(11,645)	11,645	–
As at December 31, 2025 and January 1, 2026	32,359	501	–	12,690	45,550
Additions	239	–	1,807	–	2,046
Disposals	(442)	–	–	–	(442)
As at June 30, 2026	32,156	501	1,807	12,690	47,154
Accumulated Depreciation					
As at January 1, 2024	13,728	159	–	–	13,887
Charge for the year	5,412	54	–	1,045	6,511
As at December 31, 2024 and January 1, 2025	19,140	213	–	1,045	20,398
Charge for the year	4,841	63	–	1,638	6,542
As at December 31, 2025 and January 1, 2026	23,981	276	–	2,683	26,940
Charge for the period	2,128	32	–	1,092	3,252
Written back on disposals	(292)	–	–	–	(292)
As at June 30, 2026	25,817	308	–	3,775	29,900
Net book value					
As at December 31, 2024	12,986	213	6,470	–	19,669
As at December 31, 2025	8,378	225	–	10,007	18,610
As at June 30, 2026	6,339	193	1,807	8,915	17,254

20. INTANGIBLE ASSETS

	Software
	RMB'000
The Group	
Cost	
As at January 1, 2024, December 31, 2024 and January 1, 2025	1,448
Addition	1,535
As at December 31, 2025, January 1, 2026 and June 30, 2026	2,983
Amortization	
As at January 1, 2024	528
Amortization for the year	328
As at December 31, 2024 and January 1, 2025	856
Amortization for the year	698
As at December 31, 2025 and January 1, 2026	1,554
Amortization for the period	590
As at June 30, 2026	2,144
Net book value	
As at December 31, 2024	592
As at December 31, 2025	1,429
As at June 30, 2026	839

APPENDIX I

ACCOUNTANTS’ REPORT

	Software
	<i>RMB'000</i>
The Company	
Cost	
As at January 1, 2024, December 31, 2024 and January 1, 2025	1,448
Addition	1,535
As at December 31, 2025, January 1, 2026 and June 30, 2026	2,983
Amortization	
As at January 1, 2024	528
Amortization for the year	328
As at December 31, 2024 and January 1, 2025	856
Amortization for the year	698
As at December 31, 2025 and January 1, 2026	1,554
Amortization for the period	590
As at June 30, 2026	2,144
Net book value	
As at December 31, 2024	592
As at December 31, 2025	1,429
As at June 30, 2026	839

Impairment assessment for intangible assets is detailed in Note 19 to the Historical Financial Information.

21. RIGHT-OF-USE ASSETS

Details of the right-of-use assets recognized and movements during the year/period:

	Other properties leased for own use
	<i>RMB'000</i>
The Group	
Costs	
As at January 1, 2024	41,965
Additions	27,168
Lease termination	(5,039)
As at December 31, 2024 and January 1, 2025	64,094
Additions	5,279
Lease termination	(21,171)
As at December 31, 2025 and January 1, 2026	48,202
Additions	1,114
As at June 30, 2026	49,316
Depreciation	
As at January 1, 2024	30,235
Depreciation	13,144
Eliminated on lease termination	(4,432)
As at December 31, 2024 and January 1, 2025	38,947
Depreciation	8,961
Eliminated on lease termination	(21,171)
As at December 31, 2025 and January 1, 2026	26,737
Depreciation	4,268
As at June 30, 2026	31,005
Carrying amounts	
As at December 31, 2024	25,147
As at December 31, 2025	21,465
As at June 30, 2026	18,311

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Other properties leased for own use
	<i>RMB'000</i>
Costs	
As at January 1, 2024	40,051
Additions	26,007
Lease termination	(3,125)
As at December 31, 2024 and January 1, 2025	62,933
Additions	5,279
Lease termination	(21,171)
As at December 31, 2025 and January 1, 2026	47,041
Additions	304
As at June 30, 2026	47,345
Depreciation	
As at January 1, 2024	28,480
Depreciation	12,520
Eliminated on lease termination	(2,517)
As at December 31, 2024 and January 1, 2025	38,483
Depreciation	8,403
Eliminated on lease termination	(21,171)
As at December 31, 2025 and January 1, 2026	25,715
Depreciation	4,028
As at June 30, 2026	29,743
Carrying amounts	
As at December 31, 2024	24,450
As at December 31, 2025	21,326
As at June 30, 2026	17,602

For the years ended December 31, 2024 and 2025 and the six months end June 30, 2026, the Group leases various office premises for its operations. Lease contracts are entered into for fixed terms of ranging from 1 year to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable year, the Group applies the definition of a contract and determines the year for which the contract is enforceable.

Impairment assessment for right-of-use assets is detailed in Note 19 to the Historical Financial Information.

22. DEFERRED TAXATION

The Group

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,		As at June 30,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	3,439	3,188	2,641
Deferred tax liabilities	(3,439)	(3,428)	(2,680)
	—	(240)	(39)

APPENDIX I

ACCOUNTANTS’ REPORT

The followings are the major deferred tax assets and liabilities recognized and movements during the Track Record Period:

DEFERRED TAX ASSETS	Lease liabilities
	<i>RMB'000</i>
As of January 1, 2024	2,901
Credited to profit or loss	538
As of December 31, 2024 and January 1, 2025	3,439
Charged to profit or loss	(251)
As of December 31, 2025 and January 1, 2026	3,188
Charged to profit or loss	(547)
As at June 30, 2026	2,641

Note:

As at December 31, 2024 and 2025 and June 30, 2026, the Group had unused tax losses of approximately RMB2,011,076,000, RMB2,348,595,000 and RMB2,589,267,000, respectively, available to offset against future profits, and had not been recognized as at December 31, 2024 and 2025 and June 30, 2026, respectively, due to the unpredictability of future profit streams.

DEFERRED TAX LIABILITIES	Financial assets at FVTPL	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2024	—	2,901	2,901
Charged to profit or loss	—	538	538
As of December 31, 2024 and January 1, 2025	—	3,439	3,439
Charged/(credited) to profit or loss	240	(251)	(11)
As of December 31, 2025 and January 1, 2026	240	3,188	3,428
Credited to profit or loss	(201)	(547)	(748)
As at June 30, 2026	39	2,641	2,680

The Company

The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

	As at December 31,		As at June 30,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	3,412	3,188	2,610
Deferred tax liabilities	(3,412)	(3,428)	(2,649)
	—	(240)	(39)

The followings are the major deferred tax assets and liabilities recognized and movements during the Track Record Period:

DEFERRED TAX ASSETS	Lease liabilities
	<i>RMB'000</i>
As of January 1, 2024	2,893
Credited to profit or loss	519
As of December 31, 2024 and January 1, 2025	3,412
Charged to profit or loss	(224)
As of December 31, 2025 and January 1, 2026	3,188
Charged to profit or loss	(578)
As at June 30, 2026	2,610

APPENDIX I

ACCOUNTANTS’ REPORT

DEFERRED TAX LIABILITIES	Financial assets at FVTPL	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
As of 1 January 2024	–	2,893	2,893
Charged to profit or loss	–	519	519
As of December 31, 2024 and January 1, 2025 . . .	–	3,412	3,412
Charged/(credited) to profit or loss	240	(224)	16
As of December 31, 2025 and January 1, 2026 . . .	240	3,188	3,428
Credited to profit or loss	(201)	(578)	(779)
As at June 30, 2026	39	2,610	2,649

23. FINANCIAL ASSETS AT FVTPL

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000

The Group

Financial assets

Current assets

Financial assets at FVTPL

– Wealth management products (<i>Note</i>)	101,300	153,677	152,960
--	---------	---------	---------

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000

The Company

Financial assets

Current assets

Financial assets at FVTPL

– Wealth management products (<i>Note</i>)	101,300	153,677	152,960
--	---------	---------	---------

Note:

Wealth management products

The Group purchased series of wealth management products from reputable financial institutions in the PRC. The investments are yield enhancement deposits with expected and guaranteed rates of return. The expected rates of return ranged from 1.9% to 2.09%, 1.5% to 2.05% and 1.4% to 2.05% per annum for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, respectively, which were determined by reference to the returns of the underlying investments. The directors of the Company considered the wealth management products shall be classified as financial assets at FVTPL due to it is held for trading purpose.

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000

The Group

Trade receivables

– Third parties	183,518	115,438	116,881
Less: loss allowance for trade receivables	(18,176)	(30,772)	(30,844)
	165,342	84,666	86,037

Deposits and other receivables

– Third parties (<i>Note (ii)</i>)	11,423	15,781	24,240
– A related party (<i>Note (i)</i>)	187	187	–

Sub-total for deposits and other receivables

	11,610	15,968	24,240
--	--------	--------	--------

Less: loss allowance for other receivables

	(121)	(91)	(115)
--	-------	------	-------

Sub-total

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Prepayments			
– Current portion (<i>Note (iii)</i>)	11,692	27,515	42,543
– Non-current portion	679	587	5,024
Sub-total	<u>12,371</u>	<u>28,102</u>	<u>47,567</u>
	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Company			
Trade receivables			
– Third parties	183,518	115,438	116,881
Less: loss allowance for trade receivables	<u>(18,176)</u>	<u>(30,772)</u>	<u>(30,844)</u>
	<u>165,342</u>	<u>84,666</u>	<u>86,037</u>
Deposits and other receivables			
– Third parties (<i>Note (ii)</i>)	11,245	15,602	24,061
– A related party (<i>Note (i)</i>)	187	187	–
Sub-total for deposits and other receivables	<u>11,432</u>	<u>15,789</u>	<u>24,061</u>
Less: loss allowance for other receivables	<u>(118)</u>	<u>(88)</u>	<u>(112)</u>
Sub-total	<u>11,314</u>	<u>15,701</u>	<u>23,949</u>
Prepayments			
– Current portion (<i>Note (iii)</i>)	10,874	26,747	42,484
– Non-current portion	679	587	5,024
Sub-total	<u>11,553</u>	<u>27,334</u>	<u>47,508</u>

Notes:

- (i) Details of the other receivables due from a related party are set out in Note 35(b).
- (ii) Other receivables from third parties mainly consist of interest receivables, rental deposits and value-added input tax credit.
- (iii) Prepaid [REDACTED] are included in current portion of prepayments as of December 31, 2025 and June 30, 2026.

The Group generally allows a credit period of 20 to 60 days to its customers. The following is aging analysis of trade receivables (net of allowance for impairment losses), presented based on the respective revenue recognition dates, at the end of each financial period during the Track Record Period:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Group			
Within 1 year	3,518	15,438	16,881
1 to 2 years	180,000	–	–
2 to 3 years	–	100,000	100,000
	<u>183,518</u>	<u>115,438</u>	<u>116,881</u>
Less: loss allowance for trade receivables	<u>(18,176)</u>	<u>(30,772)</u>	<u>(30,844)</u>
	<u>165,342</u>	<u>84,666</u>	<u>86,037</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Movements in lifetime ECL that have been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	9,293	18,176	30,772
Provision for impairment loss	8,883	12,596	72
At the end of the year/period	<u>18,176</u>	<u>30,772</u>	<u>30,844</u>

The Company

The following is aging analysis of trade receivables (net of allowance for impairment losses), presented based on the respective revenue recognition dates, at the end of each financial period during the Track Record Period:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Within 1 year	3,518	15,438	16,881
1 to 2 years	180,000	–	–
2 to 3 years	–	100,000	100,000
	<u>183,518</u>	<u>115,438</u>	<u>116,881</u>
Less: loss allowance for trade receivables	<u>(18,176)</u>	<u>(30,772)</u>	<u>(30,844)</u>
	<u>165,342</u>	<u>84,666</u>	<u>86,037</u>

Movements in lifetime ECL that have been recognized for trade receivables of the Company in accordance with the simplified approach set out in IFRS 9 for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
At the beginning of year/period	9,293	18,176	30,772
Provision for impairment loss	8,883	12,596	72
At the end of year/period	<u>18,176</u>	<u>30,772</u>	<u>30,844</u>

25. CASH AND BANK BALANCES AND TIME DEPOSITS

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Group			
Current assets			
Time deposits with original maturity within one year	667,521	653,711	531,210
Cash and bank balances	<u>913,947</u>	<u>723,120</u>	<u>641,249</u>
	1,581,468	1,376,831	1,172,459
Less: Time deposits with original maturity longer than 3 months	<u>(667,521)</u>	<u>(653,711)</u>	<u>(531,210)</u>
Cash and cash equivalent	<u>913,947</u>	<u>723,120</u>	<u>641,249</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Company			
Current assets			
Time deposits with original maturity within one year	667,521	652,837	530,356
Cash and bank balances	890,904	714,415	634,471
	<u>1,558,425</u>	<u>1,367,252</u>	<u>1,164,827</u>
Less: Time deposits with original maturity longer than 3 months	(667,521)	(652,837)	(530,356)
Cash and cash equivalent	<u>890,904</u>	<u>714,415</u>	<u>634,471</u>

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Group			
Trade payables			
– Third parties	59,964	115,480	75,878
Total trade payables	<u>59,964</u>	<u>115,480</u>	<u>75,878</u>
Other payables and accruals			
– Salary and bonus payables	20,310	23,629	11,132
– Other taxes payables	15	13	80
– Others	1,904	2,630	2,014
Total other payables and accruals	<u>22,229</u>	<u>26,272</u>	<u>13,226</u>
	<u>82,193</u>	<u>141,752</u>	<u>89,104</u>

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Company			
Trade payables			
– Third parties	51,437	108,706	63,273
Total trade payables	<u>51,437</u>	<u>108,706</u>	<u>63,273</u>
Other payables and accruals			
– Salary and bonus payables	11,501	11,768	6,588
– Other taxes payables	10	9	19
– Others	1,060	2,096	1,477
Total other payables and accruals	<u>12,571</u>	<u>13,873</u>	<u>8,084</u>
	<u>64,008</u>	<u>122,579</u>	<u>71,357</u>

Payment terms with suppliers are mainly on credit period within one month. The following is an aging analysis of trade payables presented based on transaction dates at the end of each of the reporting period:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Group			
Trade payables			
Within 1 year	<u>59,964</u>	<u>115,480</u>	<u>75,878</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Trade payables	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Company			
Within 1 year	51,437	108,706	63,273

27. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group’s and the Company’s lease liabilities at the end of each reporting period:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Group			
Within 1 year	8,581	7,794	7,000
Over 1 year but within 2 years	17,546	5,629	4,926
Over 2 years but within 5 years	—	10,169	8,069
Total lease payments	26,127	23,592	19,995
Interest	(2,205)	(1,523)	(1,192)
	23,922	22,069	18,803
Less: Amounts due for settlement within 12 months shown under current liabilities	(7,788)	(7,150)	(6,453)
Amount due for settlement after 12 months shown under non-current liabilities	16,134	14,919	12,350
	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
The Company			
Within 1 year	7,983	7,794	6,689
Over 1 year but within 2 years	17,546	5,629	4,615
Over 2 years but within 5 years	—	10,169	8,069
Total lease payments	25,529	23,592	19,373
Interest	(2,198)	(1,523)	(1,177)
	23,331	22,069	18,196
Less: Amounts due for settlement within 12 months shown under current liabilities	(7,197)	(7,150)	(6,155)
Amount due for settlement after 12 months shown under non-current liabilities	16,134	14,919	12,041

28. DEFERRED INCOME

The Group	Income related
	RMB'000
Non-current:	
As at January 1, 2024	880
Additions	100
Release to profit or loss (Note 8)	(500)
As at December 31, 2024, January 1, 2025, December 31, 2025, January 1, 2026 and June 30, 2026	480

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Income related
	RMB’000
Non-current:	
As at January 1, 2024	880
Additions	100
Release to profit or loss (<i>Note 8</i>)	(500)
As at December 31, 2024, January 1, 2025, December 31, 2025, January 1, 2026 and June 30, 2026	<u>480</u>

Note: The amounts primarily consist of incentives provided by local authorities for compensating of research and development costs which expected to be incurred. These funds will be recognized as deferred income and systematically released to profit or loss. For grants related to expense, the amounts received are recognized in profit or loss over the periods necessary to match them with the related costs they are intended to compensate.

29. SHARE CAPITAL

	Number of ordinary shares	Equivalent nominal value of shares
	thousands shares	RMB’000
The Group and the Company		
Ordinary shares of RMB1.00 each		
As of January 1, 2024	575,000	575,000
2022 Restricted Share Incentive Scheme (<i>Note (i)</i>)	1,745	1,745
As of December 31, 2024 and January 1, 2025	576,745	576,745
2022 Restricted Share Incentive Scheme (<i>Note (ii)</i>)	1,603	1,603
As of December 31, 2025 and January 1, 2026	578,348	578,348
2022 Restricted Share Incentive Scheme (<i>Note (iii)</i>)	1,244	1,244
As at June 30, 2026	<u>579,592</u>	<u>579,592</u>

(Unaudited)

	Number of ordinary shares	Equivalent nominal value of shares
	thousands shares	RMB’000
The Group and the Company		
Ordinary shares of RMB1.00 each		
As of January 1, 2025	576,745	576,745
2022 Restricted Share Incentive Scheme (<i>Note (iv)</i>)	1,583	1,583
As at June 30, 2025	<u>578,328</u>	<u>578,328</u>

Notes:

- (i) During the year ended December 31, 2024, 1,745,195 ordinary shares in the Company were issued under 2022 Restricted Share Incentive Scheme at a consideration of approximately RMB7,591,000, approximately RMB1,745,000 and RMB5,846,000 were credited to share capital account and share premium in capital reserve account, respectively
- (ii) During the year ended December 31, 2025, 1,603,296 ordinary shares in the Company were issued under 2022 Restricted Share Incentive Scheme at a consideration of approximately RMB6,974,000, approximately RMB1,603,000 and RMB5,371,000 were credited to share capital account and share premium in capital reserve account, respectively
- (iii) During the six months ended June 30, 2026, 1,243,513 ordinary shares in the Company were issued under 2022 Restricted Share Incentive Scheme at a consideration of approximately RMB5,410,000, approximately RMB1,244,000 and RMB4,166,000 were credited to share capital account and share premium in capital reserve account, respectively
- (iv) During the six months ended June 30, 2025 (unaudited), 1,582,649 ordinary shares in the Company were issued under 2022 Restricted Share Incentive Scheme at a consideration of approximately RMB6,885,000, approximately RMB1,583,000 and RMB5,302,000 were credited to share capital account and share premium in capital reserve account, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

30. RESERVES

Reserves movements of the Company:

	Capital reserve	Share award reserve	Accumulated losses	Total
	Note (i) RMB'000	Note (ii) RMB'000	Note (iii) RMB'000	RMB'000
Balance at January 1, 2024	2,357,250	134,070	(786,384)	1,704,936
Loss for the year	–	–	(120,078)	(120,078)
Recognition of equity-settled share-based payment expenses	–	46,952	–	46,952
Issuance of restricted shares	5,846	–	–	5,846
Balance at December 31, 2024	<u>2,363,096</u>	<u>181,022</u>	<u>(906,462)</u>	<u>1,637,656</u>

	Capital reserve	Share award reserve	Accumulated losses	Total
	Note (i) RMB'000	Note (ii) RMB'000	Note (iii) RMB'000	RMB'000
Balance at January 1, 2025	2,363,096	181,022	(906,462)	1,637,656
Loss for the year	–	–	(265,117)	(265,117)
Recognition of equity-settled share-based payment expenses	–	35,730	–	35,730
Issuance of restricted shares	5,371	–	–	5,371
Vesting of restricted shares	112,106	(112,106)	–	–
Balance at December 31, 2025	<u>2,480,573</u>	<u>104,646</u>	<u>(1,171,579)</u>	<u>1,413,640</u>

(Unaudited)

	Capital reserve	Share award reserve	Accumulated losses	Total
	Note (i) RMB'000	Note (ii) RMB'000	Note (iii) RMB'000	RMB'000
Balance at January 1, 2025	2,363,096	181,022	(906,462)	1,637,656
Loss for the period	–	–	(82,311)	(82,311)
Recognition of equity-settled share-based payment expenses	–	21,349	–	21,349
Issuance of restricted shares	5,302	–	–	5,302
Vesting of restricted shares	41,893	(41,893)	–	–
Balance at June 30, 2025	<u>2,410,291</u>	<u>160,478</u>	<u>(988,773)</u>	<u>1,581,996</u>

	Capital reserve	Share award reserve	Accumulated losses	Total
	Note (i) RMB'000	Note (ii) RMB'000	Note (iii) RMB'000	RMB'000
Balance at January 1, 2026	2,480,573	104,646	(1,171,579)	1,413,640
Loss for the period	–	–	(133,305)	(133,305)
Recognition of equity-settled share-based payment expenses	–	6,179	–	6,179
Issuance of restricted shares	4,166	–	–	4,166
Vesting of restricted shares	15,178	(15,178)	–	–
Balance at June 30, 2026	<u>2,499,917</u>	<u>95,647</u>	<u>(1,304,884)</u>	<u>1,290,680</u>

Notes:

(i) Capital reserve

The amount mainly represents the share premium which is capital contribution in excess of nominal value of share capital.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Share award reserve

The share award reserve represent the equity-settled restricted share schemes as set out in Note 33 to the Historical Financial Information.

(iii) Accumulated losses

Cumulative net gains and losses recognized in profit or loss.

(iv) Exchange reserve

The amount mainly represents gains/losses arising from retranslating the net assets of foreign operations into the presentation currency of the Group.

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of lease liabilities and equity attributable to owners of the Company (comprising capital and reserves).

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the new share issues.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortized cost			
Trade and other receivables	176,831	100,543	110,162
Cash and bank balances	913,947	723,120	641,249
Time deposits	667,521	653,711	531,210
Financial assets at FVTPL	101,300	153,677	152,960
Total	<u>1,859,599</u>	<u>1,631,051</u>	<u>1,435,581</u>

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Amortized cost			
Trade and other payables	82,193	141,752	89,104
Lease liabilities	23,922	22,069	18,803
Total	<u>106,115</u>	<u>163,821</u>	<u>107,907</u>

The Company

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortized cost			
Trade and other receivables	176,656	100,367	109,986
Cash and bank balances	890,904	714,415	634,471
Time deposits	667,521	652,837	530,356
Financial assets at FVTPL	101,300	153,677	152,960
Total	<u>1,836,381</u>	<u>1,621,296</u>	<u>1,427,773</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Amortized cost			
Trade and other payables	64,008	122,579	71,357
Lease liabilities	23,331	22,069	18,196
Total	87,339	144,648	89,553

(b) Financial risk management objectives and policies

The Group’s major financial instruments include trade and other receivables, cash and bank balances, time deposits, financial assets at FVTPL, trade and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manage and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group’s activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group’s exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency capital expenditure and cash and bank balances, which expose the Group to foreign currency risk.

The carrying amounts of the Group’s foreign currencies denominated monetary assets and liabilities at the end of each reporting period are as follows:

The Group

	Assets		
	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
US\$	131,864	119,091	115,744
	Liabilities		
	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
US\$	11,636	16,153	19,596

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against US\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding US\$ denominate monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates an increase in post-tax loss where RMB strengthen 5% against US\$. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on the post-tax loss and the amounts below would be positive.

The Group

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
US\$	(5,110)	(4,375)	(4,086)

APPENDIX I

ACCOUNTANTS’ REPORT

During the Track Record Period, the currency exposure of RMB against currencies other than US\$ is immaterial, and accordingly, no sensitivity analysis is disclosed.

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to its time deposits, cash and bank balances and lease liabilities.

The Group has no cash flow interest rate risk as there are no borrowings.

Credit risk

Credit risk and impairment assessment

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

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group’s and the Company’s credit risk is significantly reduced.

The Group has concentration of credit risk as approximately 99.15%, 91.5% and 92.3% of the total trade receivables was due from the Group’s largest debtor as at December 31, 2024 and 2025 and June 30, 2026, respectively. The Group has concentration of credit risk as all the total trade receivables was due from the Group’s top two largest debtors as at December 31, 2024 and 2025 and June 30, 2026, respectively.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix as at December 31, 2024 and 2025 and June 30, 2026 within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The following table details the credit risk exposures of the Group’s trade receivables which are subject to ECL assessment:

	Average expected credit loss rate	Gross amounts	Loss allowance
		RMB’000	RMB’000
As at December 31, 2024			
Within 1 year	5%	3,518	176
1 to 2 years	10%	180,000	18,000
		<u>183,518</u>	<u>18,176</u>
As at December 31, 2025			
Within 1 year	5%	15,438	772
2 to 3 years	30%	100,000	30,000
		<u>115,438</u>	<u>30,772</u>
As at June 30, 2026			
Within 1 year	5%	16,881	844
2 to 3 years	30%	100,000	30,000
		<u>116,881</u>	<u>30,844</u>

The Group considers that there is no significant change in credit risk rating of the debtors, historical payment pattern and forward-looking information during the Track Record Period.

The Group makes full provision for a trade receivable when there is information indicating that the receivable is in severe financial difficulty and there is no realistic prospect of recovery.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL.

APPENDIX I

ACCOUNTANTS’ REPORT

Time deposits and cash at banks

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

The Group also expects that there is no significant credit risk associated with the amount due from a related party since this counterparty is mainly a related party with good reputation.

(iv) *Liquidity risk*

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of bank balances and cash deemed adequate by the management to finance the operations of the Group and the Company, and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group’s and the Company’s remaining contractual maturity for its financial liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of and financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows.

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
As at December 31, 2024					
Trade and other payables . .	82,193	—	—	82,193	82,193
Lease liabilities	8,581	17,546	—	26,127	23,922
Total	<u>90,774</u>	<u>17,546</u>	<u>—</u>	<u>108,320</u>	<u>106,115</u>

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025					
Trade and other payables . .	141,752	—	—	141,752	141,752
Lease liabilities	7,794	5,629	10,169	23,592	22,069
Total	<u>149,546</u>	<u>5,629</u>	<u>10,169</u>	<u>165,344</u>	<u>163,821</u>

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2026					
Trade and other payables . .	89,104	—	—	89,104	89,104
Lease liabilities	7,000	4,926	8,069	19,995	18,803
Total	<u>96,104</u>	<u>4,926</u>	<u>8,069</u>	<u>109,099</u>	<u>107,907</u>

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company					
As at December 31, 2024					
Trade and other payables . .	64,008	—	—	64,008	64,008
Lease liabilities	7,983	17,546	—	25,529	23,331
Total	<u>71,991</u>	<u>17,546</u>	<u>—</u>	<u>89,537</u>	<u>87,339</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025					
Trade and other payables . .	122,579	—	—	122,579	122,579
Lease liabilities	7,794	5,629	10,169	23,592	22,069
Total	<u>130,373</u>	<u>5,629</u>	<u>10,169</u>	<u>146,171</u>	<u>144,648</u>

	On demand or less than one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at June 30, 2026					
Trade and other payables . .	71,357	—	—	71,357	71,357
Lease liabilities	6,689	4,615	8,069	19,373	18,196
Total	<u>78,046</u>	<u>4,615</u>	<u>8,069</u>	<u>90,730</u>	<u>89,553</u>

(c) **Fair value measurement**

(i) **Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the Historical Financial Information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under IFRS Accounting Standards.

- (i) Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- (ii) Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (iii) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the financial assets and liabilities, which are measured at amortized cost, approximated their fair value as of December 31, 2024 and 2025 and June 30, 2026.

The following table presents the Group’s financial assets that are measured at fair value as of December 31, 2024 and 2025 and June 30, 2026, respectively.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024				
Assets				
Financial assets at FVTPL				
Wealth management products	—	101,300	—	101,300
	<u>—</u>	<u>101,300</u>	<u>—</u>	<u>101,300</u>

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025				
Assets				
Financial assets at FVTPL				
Wealth management products	—	153,677	—	153,677
	<u>—</u>	<u>153,677</u>	<u>—</u>	<u>153,677</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at June 30, 2026				
Assets				
Financial assets at FVTPL				
Wealth management products	–	152,960	–	152,960
	=	=	=	=

(ii) *Information about Level 2 fair value measurement*

The fair values of the wealth management products which were all issued by reputable financial institutions have been estimated by using discounted cash flow valuation models with reference to observable inputs including interest rates.

During the Track Record Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

33. SHARE-BASED PAYMENT

Share-based payment expenses during the Track Record Period and the six months ended June 30, 2025 (unaudited) are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Equity settled share-based payment expenses	46,952	35,730	21,349	6,179
	=	=	=	=

Restricted share scheme before IPO in Shanghai Stock Exchange (“SSE”) (2020)

The Company adopted a restricted share incentive scheme in 2020 (the “2020 Restricted Share Incentive Scheme”) for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2020 Restricted Share Incentive Scheme, the directors granted a total of 16,314,684 restricted shares under the incentive scheme to eligible employees, including the directors and employees of the Group, at a price of RMB0.43 per share to obtain ordinary shares of the Company upon vesting.

In order to implement the restricted share incentive scheme, Shanghai Yixi Enterprise Management Center (Limited Partnership)* (“上海益喜企業管理中心(有限合伙)”), Shanghai Yimu Enterprise Management Center (Limited Partnership)* (“上海益穆企業管理中心(有限合伙)”) and YAOLIN WANG LLC were established and designated as share incentive platforms to hold the shares specially awarded to the eligible participants as the ultimate beneficial owners.

Restricted shares granted to incentive recipients are subject to lock-up periods, which commence from the expected date for the Group to be listed in the Shanghai Stock Exchange. According to the Company’s performance appraisal and individual performance appraisal, 40% of the shares will be vested after 36 months, 30% of the shares will be vested after 48 months and the rest will be vested after 60 months. During the lock-up period, the incentive recipients’ restricted shares shall not be transferable, used as collateral, or applied to debt settlement.

Restricted shares held by recipients who do not meet vesting conditions shall not be released and cannot be deferred to subsequent periods; such shares shall be repurchased and canceled by the Company at the grant price.

Upon termination of the restricted share incentive plan, the Company shall repurchase all unvested restricted shares and cancel of them in accordance with the provisions of the Company Law.

Set out below are details of the movements of the outstanding restricted shares granted under the 2020 Restricted Share Incentive Scheme during the Track Record Period:

	As at December 31,		As at June 30,
	2024	2025	2026
At the beginning of the year/period	16,219,830	16,093,330	9,567,456
Granted	819,720	57,500	4,140
Vested	–	(6,525,874)	–
Exercised	(126,500)	–	–
Forfeited	(819,720)	(57,500)	(4,140)
At the end of the year/period	16,093,330	9,567,456	9,567,456
	=	=	=

APPENDIX I

ACCOUNTANTS’ REPORT

The fair value of restricted shares is determined by the closing share price at grant day. The fair value of restricted shares granted for 2020 Restricted Share Incentive Scheme at grant dates was RMB11.86 and RMB9.03, respectively.

During the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, the Company recognized expenses for the services rendered during the vesting period under 2020 Restricted Share Incentive Scheme of approximately RMB29,061,000, RMB27,873,000 and RMB9,394,000, respectively.

Restricted share incentive scheme in 2022

The Company adopted a restricted share incentive scheme in 2022 (the “2022 Restricted Share Incentive Scheme”) for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2022 Restricted Share Incentive Scheme, the directors granted 4,611,762, 68,824 and 853,529 newly issued restricted shares under the incentive scheme to eligible employees, including the directors and employees of the Group, which all at a price of RMB4.35 per share, in January 2023, August 2023 and January 2024, respectively, which settled upon the date of grant, to obtain ordinary shares of the Company upon vesting.

Restricted shares granted to incentive recipients are subject to lock-up periods, which commence from the grant date. According to the Company’s performance appraisal and individual performance appraisal, 40% of the shares will be vested after 12 months, 30% of the shares will be vested after 24 months and the rest will be vested after 36 months. During the lock-up period, the incentive recipients’ restricted shares shall not be transferable, used as collateral, or applied to debt settlement.

Restricted shares held by recipients who do not meet vesting conditions shall not be released and cannot be deferred to subsequent periods; such shares shall be repurchased and canceled by the Company at the grant price.

Upon termination of the restricted share incentive plan, the Company shall repurchase all unvested restricted shares and cancel of them in accordance with the provisions of the Company Law.

Set out below are details of the movements of the outstanding restricted shares granted under the 2022 Restricted Share Incentive Scheme during the Track Record Period:

	As at December 31,		As at June 30,
	2024	2025	2026
At the beginning of the year/period	4,557,056	3,230,097	1,598,566
Granted	853,529	—	—
Vested	(1,745,195)	(1,603,296)	(1,243,513)
Forfeited	(435,293)	(28,235)	(315,012)
At the end of the year/period	<u>3,230,097</u>	<u>1,598,566</u>	<u>40,041</u>

The fair value of restricted shares is determined by the closing share price at grant day. The fair value of restricted shares granted for 2022 Restricted Share Incentive Scheme at grant dates was RMB17.14, RMB13.05 and RMB13.88, respectively.

During the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, the Company recognized/(reversed) expenses for the services rendered during the vesting period under 2022 Restricted Share Incentive Scheme of approximately RMB17,891,000, RMB7,857,000 and RMB(3,215,000), respectively.

Restricted share incentive scheme in 2026

The Company adopted a restricted share incentive scheme in 2026 (the “2026 Restricted Share Incentive Scheme”) for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2026 Restricted Share Incentive Scheme, the directors granted a total of 6,570,981 newly issued restricted shares under the incentive scheme to eligible employees, including the directors and employees of the Group, which all at a price of RMB10.55 per share in June 2026, to obtain ordinary shares of the Company upon vesting.

Restricted shares granted to incentive recipients are subject to lock-up periods, which commence from the grant date. According to the Company’s performance appraisal and individual performance appraisal, 40% of the shares will be vested after 12 months, 40% of the shares will be vested after 24 months and the rest will be vested after 36 months. During the lock-up period, the incentive recipients’ restricted shares shall not be transferable, used as collateral, or applied to debt settlement.

Restricted shares held by recipients who do not meet vesting conditions shall not be released and cannot be deferred to subsequent periods; such shares shall be repurchased and canceled by the Company at the grant price.

Upon termination of the restricted share incentive plan, the Company shall repurchase all unvested restricted shares and cancel of them in accordance with the provisions of the Company Law.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below are details of the movements of the outstanding restricted shares granted under the 2026 Restricted Share Incentive Scheme during the Track Record Period:

	As at June 30,
	2026
At the beginning of the period	–
Granted	6,570,981
At the end of the period	<u>6,570,981</u>

The fair value of restricted shares is determined by the closing share price at grant day. The fair value of restricted shares granted for 2026 Restricted Share Incentive Scheme at grant date was RMB17.40.

During the six months ended June 30, 2026, no expense was recognized under 2026 Restricted Share Incentive Scheme.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities
	RMB’000
As at January 1, 2024	11,619
Lease interest expenses	665
Repayment of capital element of lease liabilities	(13,408)
Payment of interest element of lease rentals paid	(665)
Non-cash movement	25,711
As at December 31, 2024 and January 1, 2025	23,922
Lease interest expenses	835
Repayment of capital element of lease liabilities	(9,036)
Payment of interest element of lease rentals paid	(835)
Non-cash movement	7,183
As at December 31, 2025	<u>22,069</u>
<i>(Unaudited)</i>	
As at January 1, 2025	23,922
Lease interest expenses	438
Repayment of capital element of lease liabilities	(5,006)
Payment of interest element of lease rentals paid	(438)
Non-cash movement	4,036
As at June 30, 2025	<u>22,952</u>
As at January 1, 2026	22,069
Lease interest expenses	360
Repayment of capital element of lease liabilities	(4,380)
Payment of interest element of lease rentals paid	(360)
Non-cash movement	1,114
As at June 30, 2026	<u>18,803</u>

The non-cash movement included lease liabilities mainly resulted from the new lease contracts entered during the Track Record Period and the six months ended June 30, 2025 (unaudited).

APPENDIX I

ACCOUNTANTS’ REPORT

35. RELATED PARTY TRANSACTIONS AND BALANCES

The Group

During the reporting periods, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Names of related parties	Relationship
益方生物科技(香港)有限公司 InventisBio Hong Kong Limited	The parent of the Group
上海雅本化學有限公司 Aba Chemical (Shanghai) Limited (Note i & ii)	A company controlled by a shareholder which holding 5% or more of the Company’s shares
禮進生物醫藥科技(上海)有限公司 Lyvgen Biopharma Co., Ltd. (Note i)	A company in which a shareholder holding 5% or more of the company’s shares serve as directors

Notes:

- (i) The English names of the related parties registered in the PRC mentioned above represent the best efforts made by management of the Company to translate their Chinese names for identification purpose only as they do not have official English names.
- (ii) The shareholding percentage of the Company’s shareholder changed to 5% on April 29, 2025 due to the disposal of shares and dilutive effect from the implementation of 2022 Restricted Share Incentive Scheme.

(a) Transactions with related parties

(i) Purchase

The Group

Name of related party	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Purchase of services:				
上海雅本化學有限公司 Aba Chemical (Shanghai) Limited	—	9	9	—
	<u>—</u>	<u>9</u>	<u>9</u>	<u>—</u>
Purchase of goods:				
上海雅本化學有限公司 Aba Chemical (Shanghai) Limited	—	125	125	—
禮進生物醫藥科技(上海)有限公司 Lyvgen Biopharma Co., Ltd.	300	—	—	—
	<u>300</u>	<u>125</u>	<u>125</u>	<u>—</u>

(ii) The Group as lessee

Name of related party	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
上海雅本化學有限公司 Aba Chemical (Shanghai) Limited	2,041	448	448	—
	<u>2,041</u>	<u>448</u>	<u>448</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Related party balances

Other receivables

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Name of related party			
上海雅本化學有限公司 Aba Chemical (Shanghai)			
Limited	187	187	—
	<u> </u>	<u> </u>	<u> </u>

The amount is unsecured, non-interest bearing, non-trade in nature and aged within one year at the end of each reporting period.

As at the date of this report, the Group had received such non-trade related amount due from a related party.

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period and the six months ended June 30, 2025 (unaudited) is as follows:

The Group

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors’ fee, salaries and other				
benefits	20,295	22,062	9,758	7,429
Share-based compensation	13,773	11,841	7,560	3,674
Social security costs and housing				
benefits	1,312	1,124	818	923
	<u>35,380</u>	<u>35,027</u>	<u>18,136</u>	<u>12,026</u>

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to June 30, 2026 and up to the date of the report.

37. SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Company or by the Group after June 30, 2026 and up to the date of this report.