

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANGZHOU TANGJI MEDICAL TECHNOLOGY CO., LTD., ICBC INTERNATIONAL CAPITAL LIMITED AND CAITONG INTERNATIONAL CAPITAL CO., LIMITED

Introduction

We report on the historical financial information of Hangzhou Tangji Medical Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-3 to I-57], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 31 December 2024 and 2025 and the six months ended 30 June 2026 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2024, 2025 and 30 June 2026 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-57] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2024, 2025 and 30 June 2026 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2025 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing 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 Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (the “Underlying Financial Statements”).

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		Six months ended 30 June	
		2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
REVENUE	5	12,709	32,210	12,379	23,690
Cost of sales		(2,427)	(6,787)	(2,745)	(3,580)
Gross profit		10,282	25,423	9,634	20,110
Other income and gains	5	1,813	608	137	7,762
Selling and marketing expenses		(16,596)	(26,314)	(10,490)	(22,782)
Administrative expenses		(17,733)	(36,690)	(13,674)	(33,360)
Research and development costs		(41,126)	(48,674)	(22,029)	(38,685)
(Impairment loss)/reversal of impairment loss on financial assets, net		(89)	97	51	(17)
Other expenses		(776)	(231)	(102)	(179)
Finance costs	7	(1,732)	(2,549)	(1,196)	(1,176)
LOSS BEFORE TAX	6	(65,957)	(88,330)	(37,669)	(68,327)
Income tax expense	10	—	—	—	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		<u>(65,957)</u>	<u>(88,330)</u>	<u>(37,669)</u>	<u>(68,327)</u>
Attributable to:					
Owners of the parent		<u>(65,957)</u>	<u>(88,330)</u>	<u>(37,669)</u>	<u>(68,327)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB per share)	12	<u>(0.46)</u>	<u>(0.59)</u>	<u>(0.25)</u>	<u>(0.41)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 June
	Notes	2024	2025	2026
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	10,675	20,284	20,094
Right-of-use assets	14(a)	9,029	6,870	14,131
Intangible assets	15	1,871	2,457	3,165
Prepayments, other receivables and other assets	18	1,544	5,023	5,932
Total non-current assets		23,119	34,634	43,322
CURRENT ASSETS				
Inventories	16	5,871	5,486	7,280
Trade receivables	17	2,030	193	310
Prepayments, other receivables and other assets	18	5,768	6,728	12,469
Cash and cash equivalents	19	12,733	53,116	159,988
Total current assets		26,402	65,523	180,047
CURRENT LIABILITIES				
Trade payables	20	1,272	1,174	1,309
Other payables and accruals	21	23,819	24,619	19,296
Contract liabilities	22	1,323	363	119
Lease liabilities	14(b)	8,613	3,822	5,514
Interest-bearing bank borrowings	23	58,048	75,053	75,051
Provision	24	–	720	744
Total current liabilities		93,075	105,751	102,033
NET CURRENT (LIABILITIES)/ASSETS		(66,673)	(40,228)	78,014
TOTAL ASSETS LESS CURRENT LIABILITIES		(43,554)	(5,594)	121,336
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	1,315	1,786	7,199
Total non-current liabilities		1,315	1,786	7,199
Net (liabilities)/assets		(44,869)	(7,380)	114,137
(DEFICITS)/EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	25	14,220	15,642	–
Share capital	25	–	–	17,716
(Deficits)/reserves	26	(59,089)	(23,022)	96,421
Total (deficits)/ equity		(44,869)	(7,380)	114,137

For the details of pre-[REDACTED] investments, please refer to note 25 to this report.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent				Total deficits
	Paid-in capital	Capital reserve	Share award reserve	Accumulated losses	
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	14,220	208,290	19,584	(222,250)	19,844
Loss for the year	—	—	—	(65,957)	(65,957)
Total comprehensive loss for the year	—	—	—	(65,957)	(65,957)
Equity-settled share award arrangements (note 27)	—	—	1,244	—	1,244
At 31 December 2024	<u>14,220</u>	<u>208,290*</u>	<u>20,828*</u>	<u>(288,207)*</u>	<u>(44,869)</u>

Year ended 31 December 2025

	Attributable to owners of the parent				Total deficits
	Paid-in capital	Capital reserve	Share award reserve	Accumulated losses	
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i> <i>(note 26)</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	14,220	208,290	20,828	(288,207)	(44,869)
Loss for the year	—	—	—	(88,330)	(88,330)
Total comprehensive loss for the year	—	—	—	(88,330)	(88,330)
Capital contribution by shareholders	1,422	118,578	—	—	120,000
Equity-settled share award arrangements (note 27)	—	—	5,819	—	5,819
At 31 December 2025	<u>15,642</u>	<u>326,868*</u>	<u>26,647*</u>	<u>(376,537)*</u>	<u>(7,380)</u>

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Six months ended 30 June 2026

	Attributable to owners of the parent					Total equity
	Paid-in capital	Share capital	Capital reserve	Share award reserve	Accumulated losses	
	RMB'000 (note 25)	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000
At 1 January 2026	15,642	—	326,868	26,647	(376,537)	(7,380)
Loss for the period	—	—	—	—	(68,327)	(68,327)
Total comprehensive loss for the period	—	—	—	—	(68,327)	(68,327)
Conversion into a joint stock company	(15,642)	15,642	(287,678)	—	287,678	—
Issue of shares	—	2,074	172,926	—	—	175,000
Equity-settled share award arrangements (note 27)	—	—	—	14,844	—	14,844
At 30 June 2026	—	17,716	212,116*	41,491*	(157,186)*	114,137

* These reserve accounts comprise the consolidated reserves/(deficits) of RMB(59,089,000) and RMB(23,022,000), and RMB96,421,000 in the consolidated statements of financial position as at 31 December 2024 and 2025 and 30 June 2026, respectively.

Six months ended 30 June 2025 (unaudited)

	Attributable to owners of the parent				
	Paid-in capital	Capital reserve	Share award reserve	Accumulated losses	Total deficits
	RMB'000 (note 25)	RMB'000 (note 26)	RMB'000 (note 26)	RMB'000	RMB'000
At 1 January 2025	14,220	208,290	20,828	(288,207)	(44,869)
Loss for the period	—	—	—	(37,669)	(37,669)
Total comprehensive loss for the period	—	—	—	(37,669)	(37,669)
Capital contribution by shareholders	830	69,170	—	—	70,000
Equity-settled share award arrangements (note 27)	—	—	365	—	365
At 30 June 2025 (unaudited)	15,050	277,460*	21,193*	(325,876)*	(12,173)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		Six months ended 30 June	
		2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(65,957)	(88,330)	(37,669)	(68,327)
Adjustments for:					
Finance costs	7	1,732	2,549	1,196	1,176
Interest income	5	(22)	(132)	(61)	(55)
Loss on disposal of items of property, plant and equipment	6	38	—	—	3
Loss on lease terminations, net	6	2	—	—	—
Equity-settled share award expense	26	1,244	5,819	365	14,844
Depreciation of property, plant and equipment	13	3,583	4,430	2,102	3,102
Depreciation of right-of-use assets	14(a)	4,653	4,813	2,255	2,616
Amortization of intangible assets	15	309	469	199	270
Impairment losses/(reversal of impairment losses) on trade receivables	6	89	(97)	(51)	17
Write-down/(reversal of write-down) of inventories to net realizable value	6	40	349	75	(55)
Warranty expenses	24	—	732	192	165
Foreign exchange differences, net	6	(54)	24	2	30
		(54,343)	(69,374)	(31,395)	(46,214)
(Increase)/decrease in inventories		(3,348)	36	(220)	(1,739)
(Increase)/decrease in trade receivables		(1,777)	1,934	1,012	(134)
Increase in prepayments, other receivables and other assets		(52)	(2,773)	(1,154)	(4,341)
Increase/(decrease) in trade payables		770	(98)	(216)	135
Increase/(decrease) in other payables and accruals		14,562	(1,823)	(2,771)	(3,347)
Increase/(decrease) in contract liabilities		598	(960)	61	(244)
Decrease in provision		—	(12)	(50)	(141)
Cash used in operations		(43,590)	(73,070)	(34,733)	(56,025)
Interest received		22	132	61	55
Net cash flows used in operating activities		(43,568)	(72,938)	(34,672)	(55,970)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(5,244)	(12,336)	(1,946)	(4,777)
Purchases of intangible assets		(572)	(1,404)	(1,307)	(643)
Net cash flows used in investing activities		(5,816)	(13,740)	(3,253)	(5,420)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital contribution by shareholders		—	120,000	70,000	—
Proceeds from issue of shares		—	—	—	175,000
Deferred [REDACTED] expenses paid		—	(397)	—	(2,257)
New bank borrowings		61,000	105,000	35,000	50,000
Repayment of bank borrowings		(15,000)	(88,000)	(28,000)	(50,000)
Lease payments		(3,400)	(7,281)	(3,858)	(3,445)
Interest paid		(1,312)	(2,237)	(1,041)	(1,006)
Net cash flows from financing activities		41,288	127,085	72,101	168,292

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	<i>Notes</i>	<u>Year ended 31 December</u>		<u>Six months ended 30 June</u>	
		<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,096)	40,407	34,176	106,902
Cash and cash equivalents at beginning of year/period		20,775	12,733	12,733	53,116
Effect of foreign exchange rate changes, net		<u>54</u>	<u>(24)</u>	<u>(2)</u>	<u>(30)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>12,733</u>	<u>53,116</u>	<u>46,907</u>	<u>159,988</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the consolidated statements of financial position ...	19	<u>12,733</u>	<u>53,116</u>	<u>46,907</u>	<u>159,988</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u>12,733</u>	<u>53,116</u>	<u>46,907</u>	<u>159,988</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 June
	Notes	2024	2025	2026
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	8,227	7,114	6,530
Investments in subsidiaries	34	31,000	29,479	51,779
Right-of-use assets	14(a)	6,936	3,585	2,019
Intangible assets	15	679	391	810
Prepayments, other receivables and other assets	18	1,107	1,314	1,530
Total non-current assets		<u>47,949</u>	<u>41,883</u>	<u>62,668</u>
CURRENT ASSETS				
Inventories	16	5,567	5,192	6,326
Trade receivables	17	5,724	9,858	9,966
Prepayments, other receivables and other assets	18	39,018	69,657	94,022
Cash and cash equivalents	19	12,536	50,874	135,923
Total current assets		<u>62,845</u>	<u>135,581</u>	<u>246,237</u>
CURRENT LIABILITIES				
Trade payables	20	1,196	1,008	1,153
Other payables and accruals	21	46,520	44,552	41,397
Contract liabilities	22	1,323	363	119
Lease liabilities	14(b)	6,455	2,918	1,205
Interest-bearing bank borrowings	23	58,048	75,053	75,051
Provision	24	–	720	744
Total current liabilities		<u>113,542</u>	<u>124,614</u>	<u>119,669</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(50,697)</u>	<u>10,967</u>	<u>126,568</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,748)</u>	<u>52,850</u>	<u>189,236</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	985	–	–
Total non-current liabilities		<u>985</u>	<u>–</u>	<u>–</u>
Net (liabilities)/assets		<u>(3,733)</u>	<u>52,850</u>	<u>189,236</u>
(DEFICITS)/EQUITY				
Paid-in capital	25	14,220	15,642	–
Share capital	25	–	–	17,716
(Deficits)/reserves	26	(17,953)	37,208	171,520
Total (deficits)/ equity		<u>(3,733)</u>	<u>52,850</u>	<u>189,236</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited company established in the People’s Republic of China (“PRC”) on 11 August 2016. The registered office of the Company is located at Room 302, Building 6, No.688, Bin An Road, Binjiang District, Hangzhou, PRC. On 12 January 2026, the Company was converted into a joint stock limited liability company and the registered capital of the Company was RMB15,642,000, which was divided into 15,642,000 shares, with a nominal value of RMB1.00 each.

During the Relevant Periods the Company and its subsidiaries were principally engaged in the research and development, manufacture and commercialisation of medical devices.

In the opinion of the directors, Mr. Zuo Yuxing is considered as the chairman and founder of the Company.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies. The particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of registration and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company Direct	Principal activities
Shanghai Tangji Shuchuang Technology Co., Ltd.* 上海糖吉衛創科技有限公司	(a)	PRC/Chinese mainland 8 November 2021	RMB1,000,000	100%	Technical services and promotion of medical devices
Quzhou Jikang Medical Technology Co., Ltd.* 衢州吉康醫療科技有限公司	(b)	PRC/Chinese mainland 30 December 2024	RMB5,000,000	100%	Technology development and production of medical devices
Tianjin Tangji Shuxiang Health Technology Co., Ltd.* 天津糖吉數享健康科技有限公司	(b)	PRC/Chinese mainland 29 August 2023	RMB1,000,000	100%	Research, development, and commercialisation of clinical nutrition foods

Notes:

(a) The statutory financial statements of Shanghai Tangji Shuchuang Technology Co., Ltd. for the years ended 31 December 2024 and 2025, and Quzhou Jikang Medical Technology Co., Ltd. for the year ended 31 December 2025 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Zhejiang Tianping Certified Public Accountants LLP (浙江天平會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(b) No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2024 and 2025, as these subsidiaries were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of registration.

* The English names of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to directly translate its Chinese name as it did not register any official English name.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

For ordinary shares issued to pre-[REDACTED] investors, pursuant to the supplemental agreements entered into between the Company and the pre-[REDACTED] investors in relation to the termination of redemption rights granted by the Company, which are *void ab initio* as described in note 25 to this report, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreements, the directors considered that it is appropriate to present the pre-[REDACTED] investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 25 of this report.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information.

The Historical Financial Information have been prepared under the historical cost convention.

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Basis of consolidation

The Historical Financial Information include the financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods, respectively. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities and any non-controlling interest; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern basis

The directors of the Company have reviewed the Group’s cash flows projections prepared by the management of the Company, which cover a period of not less than twelve months from 30 June 2026 and have considered the capital investments subsequently received, the additional financial resources available to the Group, the internally generated funds from operations and the ability in adjusting the pace of the research and development projects and are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements¹</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency¹</i>

¹ Effective for annual/reporting periods beginning on or after 1 January 2027

² No mandatory effective date yet determined but available for adoption

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HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 is not expected to have any impact on the Group’s results of operations and financial position but is expected to have impact on the presentation and disclosure of the Group’s financial statements.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are

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satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Categories	Estimated useful lives	Residual rate
Machinery	5 to 10 years	5%
Electronic and office equipment	3 years	5%
Motor vehicles	4 years	5%
Leasehold improvements	3 to 5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 2 to 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	Estimated useful lives
Warehouses and office premises	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of warehouses and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Classification as equity and financial liabilities

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 financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, interest-bearing bank borrowings, and financial liabilities included in other payables and accruals.

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Subsequent measurement

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

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Provisions

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

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

The Group provides for warranties in relation to the sale of products during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognized based on sales volume and past experience of the level of replacement and returns. The warranty-related cost is revised annually.

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Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Government grants

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

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

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Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of goods

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

Other 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.

Contract liabilities

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

Share-based payments

The Company operates a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method, further details of which are given in note 27 to the Historical Financial Information.

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 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 canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the

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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 canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group which operates in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules and practices of the central pension scheme.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Housing fund and other social insurances - Chinese mainland

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the Chinese mainland. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable in each reporting period.

Borrowing costs

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

Events after the reporting period

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

Foreign currencies

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

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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 recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which 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 capitalized and deferred in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalized or expensed requires management to make assumptions and judgments regarding the technical feasibility of completing the intangible asset, future economic benefits and so forth. In the opinion of management, during the Relevant Periods the criteria for capitalization of development costs were not met and development expenditure were expensed.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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.

Net realizable value of inventories

The net realizable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market conditions and the historical experience in selling goods of a similar nature, include but are not limited to economic outlook, sales forecasts and the forecast market value of the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses these estimation at the end of each reporting period. The carrying amount of inventories is given in note 16 to the Historical Financial Information.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurement of share-based payments

The Group has set up a share award scheme and granted restricted shares to the Group’s employees. The fair values of the restricted shares are determined using the discounted cash flow method at the grant dates. Significant estimates on assumptions, including the underlying equity value and discount rate are made by management. Further details are included in note 27 to the Historical Financial Information.

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Leases — Estimating the incremental borrowing rate

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

Recognition of income taxes and deferred tax assets

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

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized into business units based on their products and has only one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

During the Relevant Periods and six months ended 30 June 2025, all revenue from external customers is sourced from Chinese mainland.

(b) Non-current assets

The Group’s non-current assets are all located in Chinese mainland.

Information about major customers

Revenue from the major customers (aggregated if under common control) which amounted to 10% or more of the Group’s revenue is set out below:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	
Customer A	2,496	3,858	N/A*	N/A*
Customer B	1,904	5,732	1,484	N/A*
Customer C**	1,858	5,162	1,726	5,310
Customer D	N/A*	N/A*	1,327	N/A*

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

** Including sales to a group of entities which are known to be under common control with that customer.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Revenue from contracts with customers	12,709	32,210	12,379	23,690

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Type				
Sale of goods	12,709	32,210	12,379	23,690
Geographical market				
Chinese mainland	12,709	32,210	12,379	23,690
Timing of revenue recognition				
Transferred at a point in time	12,709	32,210	12,379	23,690

The following table shows the amounts of revenue recognized during the Relevant Periods and six months ended 30 June 2025 that were included in the contract liabilities at the beginning of the reporting periods and recognized from performance obligations satisfied in previous periods:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:				
Sale of goods	—	1,186	951	270

(b) Performance obligations

Information about the Group’s performance obligations is summarized below:

(i) Sale of goods

The performance obligation is satisfied upon delivery of the goods and acceptance by the customers. Advance payment is normally required.

As the contracts with customers are rendered in a short period of time, which is generally less than one year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

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An analysis of other income and gains is as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Other income				
Government grants*	345	314	38	7,665
Bank interest income	22	132	61	55
Agency fees in goods trading business**	1,387	41	32	—
Others	5	121	6	42
Total other income	1,759	608	137	7,762
Gains				
Foreign exchange gains, net	54	—	—	—
Total other income and gains	1,813	608	137	7,762

* Government grants have been received from the PRC local government authorities to support the subsidiaries’ research and development activities. There are no unfulfilled conditions related to these government grants.

** The Group acts as an agent in the goods trading business and its performance obligation is to arrange for the sales of the specified goods by the seller to the purchasers. The Group recognize agency fees on net basis when the amount is received.

6. LOSS BEFORE TAX

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

		Year ended 31 December		Six months ended 30 June	
	Notes	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of inventories sold***		2,427	6,787	2,745	3,580
Research and development costs		41,126	48,674	22,029	38,685
Depreciation of property, plant and equipment*	13	3,583	4,430	2,102	3,102
Depreciation of right-of-use assets	14(a)	4,653	4,813	2,255	2,616
Amortization of intangible assets**	15	309	469	199	270
Write-down/(reversal of write-down) of inventories to net realizable value***		40	349	75	(55)
Warranty expenses***	24	—	732	192	165
Foreign exchange differences, net****		(54)	24	2	30
Auditor’s remuneration		65	56	56	60
[REDACTED] expenses		—	5,425	—	7,902
Bank interest income	5	(22)	(132)	(61)	(55)
Government grants	5	(345)	(314)	(38)	(7,665)
Lease payments in respect of short-term leases and low-value leases	14(c)	60	101	55	273
Impairment losses/(reversal of impairment losses) on trade receivables, net	17	89	(97)	(51)	17
Loss on disposal of items of property, plant and equipment****		38	—	—	3
Loss on lease terminations, net****		2	—	—	—
Employee benefit expense (excluding directors’, chief executive’s and supervisors’ remuneration as set out in note 8):					
Salaries and other benefits		27,157	32,926	15,364	21,440
Performance related bonuses		2,640	4,346	1,645	4,190
Pension scheme contributions		1,490	1,867	840	1,264
Equity-settled share award expense		946	4,805	709	14,474
		32,233	43,944	18,558	41,368

* The depreciation of property, plant and equipment and right-of-use assets is included in “Cost of sales”, “Administrative expenses”, “Research and development costs” and “Selling and marketing expenses” in the consolidated statements of profit or loss and other comprehensive income.

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** The amortization of intangible assets is included in “Administrative expenses” in the consolidated statements of profit or loss and other comprehensive income.

*** The amounts disclosed for cost of inventories sold included write-down of inventories to net realizable value and warranty expenses.

****The amounts are included in “Other expenses” or “Other income and gains” in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	
Interest on bank borrowings	1,347	2,242	1,037	1,004
Interest on lease liabilities (note 14(c))	385	307	159	172
Total	<u>1,732</u>	<u>2,549</u>	<u>1,196</u>	<u>1,176</u>

8. DIRECTORS’, SUPERVISOR’S AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration of the directors, supervisor and chief executive as recorded is set out below:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	
Fees	—	—	—	132
Other emoluments:				
Salaries, allowances and benefits in kind	2,075	3,082	1,663	965
Performance related bonuses	369	820	348	225
Equity-settled share award expense	298	1,014	(344)	370
Pension scheme contributions	138	161	84	31
Subtotal	<u>2,880</u>	<u>5,077</u>	<u>1,751</u>	<u>1,591</u>
Total	<u>2,880</u>	<u>5,077</u>	<u>1,751</u>	<u>1,723</u>

(a) Independent non-executive directors

Ms. Liang Jihong, Mr. Leung Wai Yip and Ms.Sheng Ying were appointed as independent non-executive directors of the Company on 19 January 2026.

The fees paid to independent non-executive directors during the six months ended 30 June 2026 were as follows:

	RMB’000
Ms. Liang Jihong	44
Mr. Leung Wai Yip	44
Ms. Sheng Ying	44
Total	<u>132</u>

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(b) Directors, supervisors and the chief executive

Year ended 31 December 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share award expense	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Zuo Yuxing (i)	832	283	—	43	1,158
Ms. Shen Qiongfang (ii)	760	—	188	43	991
Ms. Yan Jie (iii)	118	—	—	11	129
Mr. Xu Tianhong (iv)	—	—	—	—	—
Mr. Sun Xiaolu (v)	—	—	—	—	—
Ms. Li Yange (vi)	—	—	—	—	—
Mr. An Feng (vii)	—	—	—	—	—
Subtotal	1,710	283	188	97	2,278
Supervisor:					
Ms. Yu Jiayan (viii)	365	86	110	41	602
Total	2,075	369	298	138	2,880

Year months ended 31 December 2025

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share award expense	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Zuo Yuxing (i)	1,382	300	—	48	1,730
Ms. Shen Qiongfang (ii)	456	—	(398)	29	87
Ms. Chen Junfei (ix)	425	258	636	27	1,346
Mr. Hu Guohua (x)	111	102	98	6	317
Mr. Wang Jingyu (xi)	85	38	470	7	600
Ms. Yan Jie (iii)	—	—	—	—	—
Mr. Xu Tianhong (iv)	—	—	—	—	—
Mr. Sun Xiaolu (v)	—	—	—	—	—
Ms. Li Yange (vi)	—	—	—	—	—
Mr. An Feng (vii)	—	—	—	—	—
Ms. Zhao Xiaoyu (xii)	—	—	—	—	—
Mr. Chen Yichao (xiii)	—	—	—	—	—
Subtotal	2,459	698	806	117	4,080
Supervisor:					
Ms. Yu Jiayan (viii)	623	122	208	44	997
Total	3,082	820	1,014	161	5,077

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Six months ended 30 June 2026

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share award expense	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Zuo Yuxing (i)	852	204	-	24	1,080
Ms. Chen Junfei (ix)	38	6	113	2	159
Mr. Wang Jingyu (xi)	60	11	241	4	316
Mr. Xu Tianhong (iv)	-	-	-	-	-
Mr. Sun Xiaolu (v)	-	-	-	-	-
Ms. Zhao Xiaoyu (xii)	-	-	-	-	-
Mr. Chen Yichao (xiii)	-	-	-	-	-
Subtotal	950	221	354	30	1,555
Supervisor:					
Ms. Yu Jiayan (viii)	15	4	16	1	36
Total	965	225	370	31	1,591

Six months ended 30 June 2025 (unaudited)

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share award expense	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors:					
Mr. Zuo Yuxing (i)	674	149	-	24	847
Ms. Shen Qiongfang (ii)	446	-	(398)	24	72
Ms. Chen Junfei (ix)	222	137	-	14	373
Mr. Hu Guohua (x)	2	2	-	-	4
Mr. Wang Jingyu (xi)	-	-	-	-	-
Ms. Yan Jie (iii)	-	-	-	-	-
Mr. Xu Tianhong (iv)	-	-	-	-	-
Mr. Sun Xiaolu (v)	-	-	-	-	-
Ms. Li Yange (vi)	-	-	-	-	-
Mr. An Feng (vii)	-	-	-	-	-
Ms. Zhao Xiaoyu (xii)	-	-	-	-	-
Subtotal	1,344	288	(398)	62	1,296
Supervisor:					
Ms. Yu Jiayan (viii)	319	60	54	22	455
Total	1,663	348	(344)	84	1,751

- (i) Mr. Zuo Yuxing was appointed as the chairman of the board of directors and the chief executive officer of the Company in July 2016.
- (ii) Ms. Shen Qiongfang was appointed as a director of the Company in June 2022 and resigned in June 2025.
- (iii) Ms. Yan Jie was appointed as a director of the Company in May 2021 and resigned in January 2025.
- (iv) Mr. Xu Tianhong was appointed as a director of the Company in March 2018.
- (v) Mr. Sun Xiaolu was appointed as a director of the Company in March 2018 and resigned in January 2026.
- (vi) Ms. Li Yange was appointed as a director of the Company in March 2023 and resigned in November 2025.

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- (vii) Mr. An Feng was appointed as a director of the Company in May 2021 and resigned in June 2025.
- (viii) Ms. Yu Jiayan was appointed as a supervisor of the Company from January 2018 to January 2026.
- (ix) Ms. Chen Junfei was appointed as a director of the Company from January 2025 to January 2026.
- (x) Mr. Hu Guohua was appointed as a director of the Company from June 2025 to November 2025.
- (xi) Mr. Wang Jingyu was appointed as a director of the Company from November 2025 to January 2026.
- (xii) Ms. Zhao Xiaoyu was appointed as a director of the Company in June 2025 and resigned in January 2026.
- (xiii) Mr. Chen Yichao was appointed as a director of the Company in November 2025.

During the Relevant Periods and six months ended 30 June 2025, share awards were granted to certain directors, further details of which are included in the disclosures in note 27 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and six months ended 30 June 2025 is included in the above directors’ remuneration disclosures.

No emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods and six months ended 30 June 2025.

The Company has dissolved the supervisory committee from 12 January 2026.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and six months ended 30 June 2025 included two directors, three directors, two directors and two directors (unaudited), respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three, two, three and three (unaudited) highest paid employees who are not a director or chief executive of the Company during the Relevant Periods and six months ended 30 June 2025 are as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	2,153	2,326	1,436	1,754
Performance related bonuses	763	821	459	405
Equity-settled share award expense	515	972	255	6,661
Pension scheme contributions	128	118	69	82
Total	<u>3,559</u>	<u>4,237</u>	<u>2,219</u>	<u>8,902</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees			
	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Nil to HK\$500,000	-	-	1	-
HK\$500,001 to HK\$1,000,000	1	-	2	-
HK\$1,000,001 to HK\$1,500,000	2	-	-	-
HK\$2,000,001 to HK\$2,500,000	-	2	-	1
HK\$2,500,001 to HK\$3,000,000	-	-	-	1
HK\$5,000,001 to HK\$5,500,000	-	-	-	1
Total	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>

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During the Relevant Periods and six months ended 30 June 2025, share awards were granted to one non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the Historical Financial Information. The fair value of such shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and six months ended 30 June 2025 is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

10. INCOME TAX

The provision for PRC enterprise income tax (“EIT”) is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Enterprise Income Tax Law.

The Company is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% during the Relevant Period and six months ended 30 June 2025, which will expire on 19 December 2028.

The subsidiaries of the Company were qualified as small and micro enterprises during the Relevant Periods and six months ended 30 June 2025, where the preferential income tax rate was 2.5% for the assessable profits below RMB1,000,000 and 5% for the assessable profits between RMB1,000,000 and RMB3,000,000.

A reconciliation of the tax charge/(credit) applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(65,957)	(88,330)	(37,669)	(68,327)
Tax at the statutory tax rate of 25%	(16,489)	(22,082)	(9,417)	(17,081)
Lower tax rate for specific provinces or enacted by local authority	5,557	7,652	3,331	6,096
Expenses not deductible for tax	518	1,385	202	2,564
Additional deductible allowance for research and development costs*	(5,537)	(6,701)	(2,868)	(5,021)
Tax losses and deductible temporary differences not recognized	15,951	19,746	8,752	13,442
Tax charge at the Group’s effective tax rate	—	—	—	—

* The amounts mainly represent an additional 100% tax deduction on eligible research and development expenses incurred by Hangzhou Tangji Medical Technology Co., Ltd. during the Relevant Periods and six months ended 30 June 2025.

Deferred tax assets have not been recognized in respect of the following items:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Deductible temporary difference	147	359	321
Tax losses	394,046	513,976	592,053

The Group has accumulated tax losses in Chinese mainland, that will expire in one to ten years for offsetting against future taxable profits of the companies located in Chinese mainland in which the tax losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the Company and its subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilized.

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11. DIVIDEND

No dividend has been declared or paid by the Company in respect of the Relevant Periods and six months ended 30 June 2025.

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

The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue during the Relevant Periods and six months ended 30 June 2025. The weighted average numbers of ordinary shares in issue for the Relevant Periods and six months ended 30 June 2025 before the conversion of the Company into a joint stock company were determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon conversion of the Company into a joint stock company on 12 January 2026.

The weighted average number of ordinary shares in issue used in the basic loss per share calculation have been adjusted retrospectively to reflect the subdivision of shares on a one-for-ten basis, which shall take effect immediately before the [REDACTED].

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods and six months ended 30 June 2025 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue.

The calculation of basic loss per share is based on:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
			(unaudited)	
Loss				
Loss attributable to ordinary equity holders of the parent (RMB'000)	(65,957)	(88,330)	(37,669)	(68,327)
Shares				
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation ('000)	142,202	150,386	148,867	166,550

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2024	Machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024:						
Cost	9,806	1,076	871	2,631	1,648	16,032
Accumulated depreciation	(4,756)	(770)	(793)	(719)	—	(7,038)
Net carrying amount	5,050	306	78	1,912	1,648	8,994
At 1 January 2024, net of accumulated depreciation . .	5,050	306	78	1,912	1,648	8,994
Additions	2,955	177	—	—	2,170	5,302
Disposals	(25)	(13)	—	—	—	(38)
Depreciation provided during the year (note 6)	(1,414)	(178)	(35)	(1,956)	—	(3,583)
Transfers	—	—	—	3,818	(3,818)	—
At 31 December 2024, net of accumulated depreciation	6,566	292	43	3,774	—	10,675
At 31 December 2024:						
Cost	12,402	1,238	871	6,449	—	20,960
Accumulated depreciation	(5,836)	(946)	(828)	(2,675)	—	(10,285)
Net carrying amount	6,566	292	43	3,774	—	10,675

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31 December 2025	<u>Machinery</u>	<u>Electronic and office equipment</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025:						
Cost	12,402	1,238	871	6,449	–	20,960
Accumulated depreciation	(5,836)	(946)	(828)	(2,675)	–	(10,285)
Net carrying amount	<u>6,566</u>	<u>292</u>	<u>43</u>	<u>3,774</u>	<u>–</u>	<u>10,675</u>
At 1 January 2025, net of accumulated depreciation ..	6,566	292	43	3,774	–	10,675
Additions	3,288	593	–	–	10,158	14,039
Depreciation provided during the year (note 6)	(1,969)	(144)	–	(2,317)	–	(4,430)
Transfers	<u>2,433</u>	<u>–</u>	<u>–</u>	<u>7,725</u>	<u>(10,158)</u>	<u>–</u>
At 31 December 2025, net of accumulated depreciation	<u>10,318</u>	<u>741</u>	<u>43</u>	<u>9,182</u>	<u>–</u>	<u>20,284</u>
At 31 December 2025:						
Cost	18,118	1,831	871	14,174	–	34,994
Accumulated depreciation	(7,800)	(1,090)	(828)	(4,992)	–	(14,710)
Net carrying amount	<u>10,318</u>	<u>741</u>	<u>43</u>	<u>9,182</u>	<u>–</u>	<u>20,284</u>
30 June 2026	<u>Machinery</u>	<u>Electronic and office equipment</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2026:						
Cost	18,118	1,831	871	14,174	–	34,994
Accumulated depreciation	(7,800)	(1,090)	(828)	(4,992)	–	(14,710)
Net carrying amount	<u>10,318</u>	<u>741</u>	<u>43</u>	<u>9,182</u>	<u>–</u>	<u>20,284</u>
At 1 January 2026, net of accumulated depreciation ..	10,318	741	43	9,182	–	20,284
Additions	947	390	–	325	1,253	2,915
Disposals	(3)	–	–	–	–	(3)
Depreciation provided during the period (note 6)	(1,284)	(128)	–	(1,690)	–	(3,102)
Transfers	<u>–</u>	<u>–</u>	<u>–</u>	<u>212</u>	<u>(212)</u>	<u>–</u>
At 30 June 2026, net of accumulated depreciation	<u>9,978</u>	<u>1,003</u>	<u>43</u>	<u>8,029</u>	<u>1,041</u>	<u>20,094</u>
At 30 June 2026:						
Cost	19,007	2,221	871	14,711	1,041	37,851
Accumulated depreciation	(9,029)	(1,218)	(828)	(6,682)	–	(17,757)
Net carrying amount	<u>9,978</u>	<u>1,003</u>	<u>43</u>	<u>8,029</u>	<u>1,041</u>	<u>20,094</u>

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The Company

31 December 2024	<u>Machinery</u>	<u>Electronic and office equipment</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024:						
Cost	9,749	1,077	871	2,631	–	14,328
Accumulated depreciation	(4,750)	(770)	(793)	(719)	–	(7,032)
Net carrying amount	<u>4,999</u>	<u>307</u>	<u>78</u>	<u>1,912</u>	<u>–</u>	<u>7,296</u>
At 1 January 2024, net of accumulated depreciation . . .	4,999	307	78	1,912	–	7,296
Additions	2,952	109	–	–	478	3,539
Disposals	(25)	(13)	–	–	–	(38)
Depreciation provided during the year	(1,403)	(163)	(34)	(970)	–	(2,570)
Transfers	–	–	–	478	(478)	–
At 31 December 2024, net of accumulated depreciation	<u>6,523</u>	<u>240</u>	<u>44</u>	<u>1,420</u>	<u>–</u>	<u>8,227</u>
At 31 December 2024:						
Cost	12,342	1,171	871	3,109	–	17,493
Accumulated depreciation	(5,819)	(931)	(827)	(1,689)	–	(9,266)
Net carrying amount	<u>6,523</u>	<u>240</u>	<u>44</u>	<u>1,420</u>	<u>–</u>	<u>8,227</u>
31 December 2025	<u>Machinery</u>	<u>Electronic and office equipment</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 January 2025:						
Cost	12,342	1,171	871	3,109	17,493	
Accumulated depreciation	(5,819)	(931)	(827)	(1,689)	(9,266)	
Net carrying amount	<u>6,523</u>	<u>240</u>	<u>44</u>	<u>1,420</u>	<u>8,227</u>	
At 1 January 2025, net of accumulated depreciation	6,523	240	44	1,420	8,227	
Additions	1,870	104	–	–	1,974	
Depreciation provided during the year	(1,930)	(121)	–	(1,036)	(3,087)	
At 31 December 2025, net of accumulated depreciation	<u>6,463</u>	<u>223</u>	<u>44</u>	<u>384</u>	<u>7,114</u>	
At 31 December 2025:						
Cost	14,207	1,275	871	3,109	19,462	
Accumulated depreciation	(7,744)	(1,052)	(827)	(2,725)	(12,348)	
Net carrying amount	<u>6,463</u>	<u>223</u>	<u>44</u>	<u>384</u>	<u>7,114</u>	

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30 June 2026	Machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2026:					
Cost	14,207	1,275	871	3,109	19,462
Accumulated depreciation	(7,744)	(1,052)	(827)	(2,725)	(12,348)
Net carrying amount	<u>6,463</u>	<u>223</u>	<u>44</u>	<u>384</u>	<u>7,114</u>
At 1 January 2026, net of accumulated depreciation	6,463	223	44	384	7,114
Additions	393	246	-	148	787
Disposals	(17)	-	-	-	(17)
Depreciation provided during the period	(1,016)	(63)	-	(275)	(1,354)
At 30 June 2026, net of accumulated depreciation	<u>5,823</u>	<u>406</u>	<u>44</u>	<u>257</u>	<u>6,530</u>
At 30 June 2026:					
Cost	14,525	1,521	871	3,257	20,174
Accumulated depreciation	(8,702)	(1,115)	(827)	(3,000)	(13,644)
Net carrying amount	<u>5,823</u>	<u>406</u>	<u>44</u>	<u>257</u>	<u>6,530</u>

Impairment testing of non-financial assets

The entities within the Group are highly inter-related and cannot be considered to generate cash inflows that are largely independent of each other. Therefore, non-current assets, other than financial assets located in different entities, are all allocated to the whole Group which is defined as the cash-generating unit (“CGU”) that generates cash flows that are largely independent for impairment testing.

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the remaining useful life of non-financial assets approved by senior management. The values assigned to the key assumptions are consistent with management’s past experience and external information sources. As at 31 December 2024, 2025 and 30 June 2026, the recoverable amount of the CGU has exceeded its carrying amount and no impairment provision was made for the non-financial assets of the CGU.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate and the gross profit margin used to extrapolate the cash flows of the CGU are as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
Average revenue growth rate	42%	32%	30%
Average gross profit margin	87%	87%	87%
Pre-tax discount rate	17%	17%	17%

14. LEASES

The Group as a lessee

The Group has lease contracts for warehouses and office premises used in its operations. Leases of warehouses and office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension or termination options and variable lease payments.

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(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

	Warehouses and office premises
	<i>RMB’000</i>
As at 1 January 2024	8,006
Additions	7,173
Lease modification	(1,255)
Lease termination	(242)
Depreciation charge (note 6)	(4,653)
As at 31 December 2024 and 1 January 2025	9,029
Additions	3,011
Lease modification	(357)
Depreciation charge (note 6)	(4,813)
As at 31 December 2025 and 1 January 2026	6,870
Additions	10,378
Depreciation charge (note 6)	(3,117)
As at 30 June 2026	14,131

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at 1 January	7,265	9,928	5,608
New leases	7,173	3,011	10,378
Accretion of interest recognized during the year/period	385	307	172
Lease modification	(1,255)	(357)	–
Lease termination	(240)	–	–
Payments	(3,400)	(7,281)	(3,445)
Carrying amount at end of the year/period	9,928	5,608	12,713
Analyzed into:			
Current portion	8,613	3,822	5,514
Non-current portion	1,315	1,786	7,199

(b) Lease liabilities

The maturity analysis of lease liabilities is disclosed in note 33 to the Historical Financial Information.

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(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Interest on lease liabilities (note 7)	385	307	159	172
Depreciation charge of right-of-use assets	4,653	4,813	2,255	2,616
Loss on terminations of leases, net (note 6)	2	—	—	—
Expense relating to short-term leases of low-value assets (included in administrative expenses and research and development costs)	60	101	55	273
Total amount recognized in profit or loss	<u>5,100</u>	<u>5,221</u>	<u>2,469</u>	<u>3,061</u>

(d) The total cash outflow for leases is disclosed in note 29(c) to the Historical Financial Information.

The Company as a lessee

(a) Right-of-use assets

	Warehouses and office premises
	RMB'000
As at 1 January 2024	7,345
Additions	4,393
Lease modification	(1,255)
Lease termination	(242)
Depreciation charge	(3,305)
As at 31 December 2024 and 1 January 2025	6,936
Lease modification	(179)
Depreciation charge	(3,172)
As at 31 December 2025 and 1 January 2026	3,585
Depreciation charge	(1,566)
As at 30 June 2026	<u>2,019</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	6,866	7,440	2,918
New leases	4,393	—	—
Accretion of interest recognized during the year/period	328	221	50
Lease modification	(1,255)	(179)	—
Lease termination	(240)	—	—
Payments	(2,652)	(4,564)	(1,763)
Carrying amount at end of the year/period	<u>7,440</u>	<u>2,918</u>	<u>1,205</u>
Analyzed into:			
Current portion	6,455	2,918	1,205
Non-current portion	<u>985</u>	<u>—</u>	<u>—</u>

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15. INTANGIBLE ASSETS

The Group

<u>31 December 2024</u>	<u>Software</u>
	<i>RMB'000</i>
At 1 January 2024:	
Cost	1,819
Accumulated amortization	(211)
Net carrying amount	<u>1,608</u>
At 1 January 2024, net of accumulated amortization	1,608
Additions	572
Amortization provided during the year (note 6)	(309)
At 31 December 2024, net of accumulated amortization	<u>1,871</u>
At 31 December 2024:	
Cost	2,370
Accumulated amortization	(499)
Net carrying amount	<u>1,871</u>
 <u>31 December 2025</u>	 <u>Software</u>
	<i>RMB'000</i>
At 1 January 2025:	
Cost	2,370
Accumulated amortization	(499)
Net carrying amount	<u>1,871</u>
At 1 January 2025, net of accumulated amortization	1,871
Additions	1,055
Amortization provided during the year (note 6)	(469)
At 31 December 2025, net of accumulated amortization	<u>2,457</u>
At 31 December 2025:	
Cost	3,425
Accumulated amortization	(968)
Net carrying amount	<u>2,457</u>
 <u>30 June 2026</u>	 <u>Software</u>
	<i>RMB'000</i>
At 1 January 2026:	
Cost	3,425
Accumulated amortisation	(968)
Net carrying amount	<u>2,457</u>
At 1 January 2026, net of accumulated amortisation	2,457
Additions	978
Amortisation provided during the period (note 6)	(270)
At 30 June 2026, net of accumulated amortisation	<u>3,165</u>
At 30 June 2026:	
Cost	4,403
Accumulated amortisation	(1,238)
Net carrying amount	<u>3,165</u>

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The Company

31 December 2024

Software

RMB'000

At 1 January 2024:	
Cost	690
Accumulated amortization	(148)
Net carrying amount	<u>542</u>
At 1 January 2024, net of accumulated amortization	542
Additions	331
Amortization provided during the year	(194)
At 31 December 2024, net of accumulated amortization	<u>679</u>
At 31 December 2024:	
Cost	1,000
Accumulated amortization	(321)
Net carrying amount	<u>679</u>

31 December 2025

Software

RMB'000

At 1 January 2025:	
Cost	1,000
Accumulated amortization	(321)
Net carrying amount	<u>679</u>
At 1 January 2025, net of accumulated amortization	679
Amortization provided during the year	(288)
At 31 December 2025, net of accumulated amortization	<u>391</u>
At 31 December 2025:	
Cost	1,000
Accumulated amortization	(609)
Net carrying amount	<u>391</u>

30 June 2026

Software

RMB'000

At 1 January 2026:	
Cost	1,000
Accumulated amortisation	(609)
Net carrying amount	<u>391</u>
At 1 January 2026, net of accumulated amortisation	391
Additions	564
Amortisation provided during the period	(145)
At 30 June 2026, net of accumulated amortisation	<u>810</u>
At 30 June 2026:	
Cost	1,564
Accumulated amortisation	(754)
Net carrying amount	<u>810</u>

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16. INVENTORIES

The Group

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Raw materials and consumables	4,423	3,470	4,754
Work in progress	531	1,634	1,878
Finished goods	917	382	648
Total	<u>5,871</u>	<u>5,486</u>	<u>7,280</u>

The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Raw materials and consumables	4,402	3,202	4,005
Work in progress	531	1,634	1,878
Finished goods	634	356	443
Total	<u>5,567</u>	<u>5,192</u>	<u>6,326</u>

17. TRADE RECEIVABLES

The Group

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Trade receivables	2,137	203	337
Impairment	(107)	(10)	(27)
Net carrying amount	<u>2,030</u>	<u>193</u>	<u>310</u>

The Group usually requires advance payment from distributors for the sales of goods. For a limited number of customers, the Group grants credit period of one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables of the Group as at 31 December 2024, 2025 and 30 June 2026, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Within 1 year	2,030	3	130
1 to 2 years	—	190	—
2 to 3 years	—	—	180
Total	<u>2,030</u>	<u>193</u>	<u>310</u>

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

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
At beginning of year/period	18	107	10
Impairment losses, net (note 6)	89	(97)	17
At end of year/period	107	10	27

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects, as appropriate, the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Gross carrying amount	2,137	203	337
Expected credit loss rate	5%	5%	8%
Expected credit losses	107	10	27

The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties	2,137	200	324
Trade receivables from subsidiaries	3,694	9,668	9,668
Impairment	(107)	(10)	(26)
Net carrying amount	5,724	9,858	9,966

An aging analysis of the trade receivables of the Company as at 31 December 2024, 2025 and 30 June 2026, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Within 1 year	5,724	5,974	6,092
1 to 2 years	–	3,884	394
2 to 3 years	–	–	3,480
Total	5,724	9,858	9,966

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

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
At beginning of year/period	18	107	10
Impairment losses, net	89	(97)	16
At end of year/period	107	10	26

The Company assessed the estimated credit losses for its trade receivables due from subsidiaries are minimal. Set out below is the information about the credit risk exposure on the Company’s trade receivables due from third parties using a provision matrix:

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Gross carrying amount	2,137	200	324
Expected credit loss rate	5%	5%	8%
Expected credit losses	107	10	26

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Non-current			
Other receivables	1,467	1,617	2,264
Prepayment for property, plant and equipment	77	1,347	1,399
Tax recoverable	—	2,059	2,269
	1,544	5,023	5,932
Impairment	—	—	—
Total	1,544	5,023	5,932
Current			
Prepayments	1,416	3,410	7,495
Tax recoverable	3,934	2,135	1,920
Deferred [REDACTED] expense	—	1,110	2,773
Other receivables	418	73	281
	5,768	6,728	12,469
Impairment	—	—	—
Total	5,768	6,728	12,469

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The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Non-current			
Other receivables	1,045	1,045	1,040
Prepayment for property, plant and equipment	62	269	490
Impairment	–	–	–
Total	1,107	1,314	1,530
Current			
Due from subsidiaries	35,495	65,105	87,095
Prepayments	1,041	2,460	3,787
Tax recoverable	2,470	932	182
Deferred [REDACTED] expense	–	1,110	2,773
Other receivables	12	50	185
	39,018	69,657	94,022
Impairment	–	–	–
Total	39,018	69,657	94,022

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024, 2025 and 30 June 2026, the loss allowance was assessed to be minimal.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Cash and bank balances	12,733	53,116	159,988
Less: Restricted bank deposits	–	–	–
Cash and cash equivalents	12,733	53,116	159,988
Denominated in:			
RMB	11,201	52,237	159,040
United States Dollar (“US\$”)	1,503	847	896
Euro (“EUR”)	25	27	26
Ruble(“RUB”)	4	5	5
Hong Kong Dollar (“HK\$”)	–	–	21
	12,733	53,116	159,988

The RMB is not freely convertible into other currencies, however, under Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	12,536	50,874	135,923
Less: Restricted bank deposits	—	—	—
Cash and cash equivalents	<u>12,536</u>	<u>50,874</u>	<u>135,923</u>
Denominated in:			
RMB	11,004	49,995	134,996
US\$	1,503	847	896
EUR	25	27	26
RUB	4	5	5
	<u>12,536</u>	<u>50,874</u>	<u>135,923</u>

20. TRADE PAYABLES

The Group

An ageing analysis of the trade payables as at 31 December 2024, 2025 and 30 June 2026, based on the invoice date, is as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,150	976	1,167
Over 1 year	122	198	142
Total	<u>1,272</u>	<u>1,174</u>	<u>1,309</u>

The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,074	811	1,033
Over 1 year	122	197	120
Total	<u>1,196</u>	<u>1,008</u>	<u>1,153</u>

The trade payables are non-interest-bearing and are normally settled within 180 days.

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21. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Deposits received from distributors (note(a))	5,570	6,475	4,520
Payables for property, plant and equipment	262	2,885	909
Accrued [REDACTED] expense	–	3,669	623
Other payables (note(b))	5,253	2,600	2,000
Payroll payable	12,407	8,588	10,851
Other tax payables	157	355	377
Output value added tax to be transferred	170	47	16
Total	<u>23,819</u>	<u>24,619</u>	<u>19,296</u>

The Company

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Due to subsidiaries	26,150	25,080	25,134
Deposits received from distributors (note(a))	5,570	6,475	4,520
Payables for property, plant and equipment	262	110	248
Accrued [REDACTED] expense	–	3,669	623
Other payables (note(b))	4,748	2,285	1,796
Payroll payable	9,465	6,643	8,790
Other tax payables	155	243	270
Output value added tax to be transferred	170	47	16
Total	<u>46,520</u>	<u>44,552</u>	<u>41,397</u>

Notes:

- (a) It represented the deposits received from the distributors that will be refunded at the end of the contract period.
- (b) Other payables are non-interest-bearing and have no fixed terms of settlement.

22. CONTRACT LIABILITIES

The Group and the Company

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>1,323</u>	<u>363</u>	<u>119</u>

- (a) Contract liabilities mainly include advances received from distributors for the sales of goods at the end of each of the reporting period. Contract liabilities are recognized as revenue upon the Group satisfying its obligations under the sales contracts.

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23. INTEREST-BEARING BANK BORROWINGS

The Group and the Company

As at 31 December 2024			
	Effective interest rate	Maturity	RMB'000
Current			
Bank loans – secured	3.30%-5.00%	2025	58,048
Analysed into:			
Within one year			58,048

As at 31 December 2025			
	Effective interest rate	Maturity	RMB'000
Current			
Bank loans – unsecured	2.60%-3.20%	2026	55,035
Bank loans – secured	2.75%-3.70%	2026	20,018
			75,053
Analysed into:			
Within one year			75,053

As at 30 June 2026			
	Effective interest rate	Maturity	RMB'000
Current			
Bank loans – unsecured	2.58%-3.00%	2026/2027	55,035
Bank loans – secured	2.85%-3.00%	2026	20,016
			75,051
Analysed into:			
Within one year			75,051

The Group’s bank loans as at 31 December 2024, 2025 and 30 June 2026 were denominated in RMB and the carrying amounts approximate to their fair values.

As at 31 December 2024 and 2025, the Company’s director, Mr. Zuo Yuxing, has guaranteed certain of the Group’s bank loans up to RMB61,000,000 and RMB22,000,000, respectively (note 30).

As at 31 December 2024, 2025 and 30 June 2026, the Group’s bank loans in the amount of RMB38,000,000, RMB20,000,000 and RMB20,000,000, respectively, were secured by the mortgages over the Group’s patents.

24. PROVISION

	Warranties
	RMB'000
At 1 January 2024, 31 December 2024 and 1 January 2025	–
Additional provision	732
Amounts utilised during the year	(12)
At 31 December 2025 and 1 January 2026	720
Additional provision	165
Amounts utilised during the period	(141)
At 30 June 2026	744

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25. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

Share capital

A summary of movements in the share capital is as follows:

	Share capital
	<i>RMB'000</i>
As at 1 January 2026	—
Issue of ordinary shares upon conversion into a joint stock company of RMB1.00 each	15,642
Issue of shares	2,074
As at 30 June 2026	<u>17,716</u>

On 12 January 2026, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including the paid-in capital, capital reserves and accumulated losses, were converted into 15,642,000 ordinary shares of RMB1.00 each.

On 19 January 2026, resolution was passed by the shareholders approving, among others, the share subdivision, whereby each of the shares with a nominal value of RMB1.00 each shall be sub-divided into 10 shares with a nominal value of RMB0.10 each, and such share subdivision shall take effect immediately before the [REDACTED], upon which the registered capital of the Company shall be divided into 156,422,000 shares with a nominal value of RMB0.10 per share.

During the six months ended 30 June 2026, the Company issued 2,074,000 shares for cash consideration of RMB175,000,000, which has increased the share capital and capital reserve by RMB2,074,000 and RMB172,926,000, respectively.

Paid-in capital

A summary of movements in the paid-in capital is as follows:

	Paid-in capital
	<i>RMB'000</i>
As at 1 January 2024, 31 December 2024 and 1 January 2025	14,220
Capital contribution by shareholders	1,422
As at 31 December 2025 and 1 January 2026	15,642
Conversion into a joint stock company	<u>(15,642)</u>
As at 30 June 2026	<u>—</u>

During the year ended 31 December 2025, the Company received capital contribution for cash consideration of RMB120,000,000, which has increased the paid-in capital and capital reserve by RMB1,422,000 and RMB118,578,000, respectively.

Pursuant to the shareholders agreement entered into between the Company and its shareholders on 15 December 2016 to 18 November 2025 (collectively, the “Agreements”), the Company issued 9,216,000 ordinary shares to certain shareholders (collectively the “Pre-[REDACTED] Investors”) for a total net cash proceed approximately RMB341,105,000 (collectively the “Pre-[REDACTED] Investments”). Pursuant to the Agreements, the Pre-[REDACTED] Investors were granted by the Company with certain special rights included redemption rights.

There was no exercise of redemption rights granted by the Company throughout the Relevant Periods.

On 30 December 2025, the Company and the Pre-[REDACTED] Investors subsequently entered into supplemental agreements, agreeing that the redemption rights granted by the Company to Pre-[REDACTED] investors, have been irrecoverably terminated on the day before the first filing of the [REDACTED] application and shall be void ab initio. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-[REDACTED] Investments as equity throughout the Relevant Periods.

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Had the redemption rights granted by the Company to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements.

(i) the redemption financial liabilities, total current liabilities, net current liabilities, and net deficits would have been:

	As at 31 December	
	2024	2025
	RMB'000	RMB'000
Redemption financial liabilities	287,048	443,706
Total current liabilities	380,123	549,457
Net current liabilities	(353,721)	(483,934)
Net deficits	(331,917)	(451,086)

(ii) the finance costs associated with the redemption financial liabilities, the net loss, basic and dilutive loss per share would have been:

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Finance costs associated with the redemption financial liabilities	20,276	26,843	12,783	3,379
Total net loss	(86,233)	(115,173)	(50,452)	(71,706)
Basic and dilutive loss per share (RMB per share)	(0.61)	(0.77)	(0.34)	(0.43)

26. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods and six months ended 30 June 2025 are presented in the consolidated statements of changes in equity.

Capital reserve

Capital reserve comprises the difference between the par value of paid-in capital/the shares issued and the consideration received.

Share award reserve

The share award reserve of the Group represents the fair value of equity-settled share-based payments as detailed in note 27 to the Historical Financial Information.

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The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods and six months ended 30 June 2025 are as follows:

	Capital reserve	Share award reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	208,290	19,584	(201,897)	25,977
Loss for the year	—	—	(45,174)	(45,174)
Total comprehensive loss for the year	—	—	(45,174)	(45,174)
Equity-settled share award arrangements	—	1,244	—	1,244
As at 31 December 2024 and 1 January 2025	208,290	20,828	(247,071)	(17,953)
Loss for the year	—	—	(69,236)	(69,236)
Total comprehensive loss for the year	—	—	(69,236)	(69,236)
Capital contribution by shareholders	118,578	—	—	118,578
Equity-settled share award arrangements	—	5,819	—	5,819
As at 31 December 2025 and 1 January 2026	326,868	26,647	(316,307)	37,208
Loss for the period	—	—	(53,458)	(53,458)
Total comprehensive loss for the period	—	—	(53,458)	(53,458)
Conversion into a joint stock company	(287,678)	—	287,678	—
Issue of shares	172,926	—	—	172,926
Equity-settled share award arrangements	—	14,844	—	14,844
At 30 June 2026	212,116	41,491	(82,087)	171,520

	Capital reserve	Share award reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024 and 1 January 2025	208,290	20,828	(247,071)	(17,953)
Loss for the period	—	—	(33,037)	(33,037)
Total comprehensive loss for the period	—	—	(33,037)	(33,037)
Capital contribution by shareholders	69,170	—	—	69,170
Equity-settled share award arrangements	—	365	—	365
At 30 June 2025 (unaudited)	277,460	21,193	(280,108)	18,545

27. SHARE-BASED PAYMENTS

The Company operates share-based payment scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees of the Group indirectly hold shares of the Company through Zhoushan Aizhong Management Consulting Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Employee Stock Ownership Platform”) to achieve employee incentive purposes.

In April 2019, the Employee Stock Ownership Platform subscribed for 15,400 shares (equivalent to 92,797 shares after the capitalization of capital reserve in June 2020) of the Company at a nominal value and acquired 101,100 shares (equivalent to 609,203 shares after the capitalization of capital reserve in June 2020) of the Company from a shareholder at a nominal value. In August 2021, the Employee Stock Ownership Platform subscribed for 389,591 shares of the Company at a nominal value. The shares held by the Employee Stock Ownership Platform were used for share-based payment scheme.

Share Option

On 4 September 2019, 8 January 2021, 18 February 2021, 11 July 2021, 17 December 2021, 17 April 2022, 15 July 2022, 12 June 2023, 2 July 2023 and 28 November 2023, the Group granted share options of the Company through the Employee Stock Ownership Platform to eligible employees.

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All of the share options granted shall be subject to both a [REDACTED]-based condition (the “[REDACTED] Condition”) as well as service and performance conditions. The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognized stock exchange.

The options were exercised for restricted shares prior to the Relevant Periods and there were 349,552, 344,023 and 344,023 restricted shares outstanding as at 31 December 2024, 2025 and 30 June 2026.

Restricted shares

On 29 December 2020, 7 September 2021, 28 September 2021, 26 March 2024, 1 January 2025, 15 September 2025, 1 November 2025 and 26 December 2025, the Group granted restricted shares of the Company through the Employee Stock Ownership Platform to eligible employees.

All of the restricted shares granted shall be subject to both a [REDACTED]-based condition (the “[REDACTED] Condition”) as well as service and performance conditions. The [REDACTED] Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognized stock exchange.

In January 2026, the Group cancelled the performance conditions for the restricted shares granted on 26 March 2024 which will be vested as long as the [REDACTED] Condition and service conditions are met.

The fair values of the restricted shares granted on 1 January 2025, 15 September 2025, 1 November 2025 and 26 December 2025 were based on recent transaction prices. The fair values of the restricted shares granted on 26 March 2024, were estimated as at the grant date by using discount cash flow method and backsolve method, taking into account the terms and conditions upon which the restricted shares were granted. The key assumptions used in the valuation on 26 March 2024 are as follows:

	<u>2024</u>
The pre-tax discount rate	16.00%
Terminal growth rate	2.30%
Discount for Lack Of Marketability	15.00%

The restricted shares granted and outstanding during the Relevant Periods are as follows:

	<u>Number of shares</u>
As at 1 January 2024	139,682
Granted during the year	163,436
Forfeited during the year	(67,808)
As at 31 December 2024 and 1 January 2025	235,310
Granted during the year	455,042
Forfeited during the year	(138,926)
As at 31 December 2025 and 1 January 2026	551,426
Addition during the period	47,993
As at 30 June 2026	<u>599,419</u>

The aforesaid transactions have been accounted for as share-based payment transactions. During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, the Group has recognized RMB1,244,000, RMB5,819,000, RMB365,000 (unaudited) and RMB14,844,000 as share-based payment expenses.

28. COMMITMENTS

The Group had the following contracted commitments at the end of the Relevant Periods:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2024</u>	<u>2025</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Property, plant and equipment	—	730
	=	<u>1,304</u>

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29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2024 and 2025 and the six months ended 30 June 2025 and 2026, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,173,000, RMB3,011,000, RMB3,011,000 (unaudited) and RMB10,378,000, respectively, in respect of lease arrangements for office premises and warehouses.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2024	12,013	7,265	19,278
Changes from financing cash flows	44,688	(3,400)	41,288
New leases	–	7,173	7,173
Lease modification	–	(1,255)	(1,255)
Lease termination	–	(240)	(240)
Interest expense	1,347	385	1,732
As at 31 December 2024 and 1 January 2025	58,048	9,928	67,976
Changes from financing cash flows	14,763	(7,281)	7,482
New leases	–	3,011	3,011
Lease modification	–	(357)	(357)
Interest expense	2,242	307	2,549
As at 31 December 2025 and 1 January 2026	75,053	5,608	80,661
Changes from financing cash flows	(1,006)	(3,445)	(4,451)
New leases	–	10,378	10,378
Interest expense	1,004	172	1,176
As at 30 June 2026	75,051	12,713	87,764
At 1 January 2025	58,048	9,928	67,976
Changes from financing cash flows	5,959	(3,858)	2,101
New leases	–	3,011	3,011
Lease modification	–	(358)	(358)
Interest expense	1,037	159	1,196
As at 30 June 2025 (unaudited)	65,044	8,882	73,926

(c) Total cash outflows for leases

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

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities	60	101	55	273
Within financing activities	3,400	7,281	3,858	3,445
	<u>3,460</u>	<u>7,382</u>	<u>3,913</u>	<u>3,718</u>

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30. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	4,558	7,093	3,689	4,130
Performance related bonuses	1,240	2,230	1,106	896
Pension scheme contributions	312	395	207	197
Equity-settled share award expense	632	3,053	(179)	9,168
Total compensation paid to key management personnel	<u>6,742</u>	<u>12,771</u>	<u>4,823</u>	<u>14,391</u>

Further details of directors’, supervisor’s and the chief executive’s remuneration are included in note 8 to the Historical Financial Information.

(b) Other transactions with related parties:

As at 31 December 2024 and 2025, the Company’s director, Mr. Zuo Yuxing, has guaranteed certain of the Group’s bank loans up to RMB61,000,000 and RMB22,000,000, respectively. The guarantee period is from 10 November 2024 to 29 September 2028. The guarantee has been released on 5 January 2026.

(c) Redemption rights of the Pre-[REDACTED] Investors granted by Mr. Zuo Yuxing

Pursuant to the shareholders agreement entered into between the Company and its shareholders on 15 December 2016 to 18 November 2025, certain Pre-[REDACTED] Investors had been granted the special rights including redemption right by Mr. Zuo Yuxing. Pursuant to another supplemental agreement entered into by the Company and the shareholders in December 2025, the redemption rights granted by Mr. Zuo Yuxing was terminated the day before the initial submission to The Stock Exchange of Hong Kong Limited.

The Company has not provided any form of guarantee in connection with any potential failure of Mr. Zuo Yuxing to fulfill their obligations relating to the redemption rights granted by Mr. Zuo Yuxing. Accordingly, as the redemption rights by Mr. Zuo Yuxing do not constitute any obligation of the Company, no financial liability regarding such rights was recorded by the Company during Relevant Periods.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2024 and 2025 and 30 June 2026 are as follows:

Financial assets

As at 31 December 2024

	Financial assets at amortized cost
	RMB'000
Trade receivables	2,030
Financial assets included in prepayments, other receivables and other assets	1,885
Cash and cash equivalents	<u>12,733</u>
	<u>16,648</u>

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As at 31 December 2025

	<u>Financial assets at amortized cost</u>
	<i>RMB'000</i>
Trade receivables	193
Financial assets included in prepayments, other receivables and other assets	1,690
Cash and cash equivalents	53,116
	<u>54,999</u>

As at 30 June 2026

	<u>Financial assets at amortized cost</u>
	<i>RMB'000</i>
Trade receivables	310
Financial assets included in prepayments, other receivables and other assets	2,545
Cash and cash equivalents	159,988
	<u>162,843</u>

Financial liabilities

As at 31 December 2024

	<u>Financial liabilities at amortized cost</u>
	<i>RMB'000</i>
Trade payables	1,272
Financial liabilities included in other payables and accruals	11,085
Interest-bearing bank borrowings	58,048
	<u>70,405</u>

As at 31 December 2025

	<u>Financial liabilities at amortized cost</u>
	<i>RMB'000</i>
Trade payables	1,174
Financial liabilities included in other payables and accruals	15,629
Interest-bearing bank borrowings	75,053
	<u>91,856</u>

As at 30 June 2026

	<u>Financial liabilities at amortised cost</u>
	<i>RMB'000</i>
Trade payables	1,309
Financial liabilities included in other payables and accruals	8,052
Interest-bearing bank borrowings	75,051
	<u>84,412</u>

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32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. During the Relevant Periods, the Group has no financial assets or financial liabilities measured at fair values.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk and liquidity risk. To keep the Group’s exposure to these risks at a minimum, the Group has not used any derivatives or other instruments for hedging purposes. The directors of the Company review and agree policies for managing each of these risks and they are summarized below.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group trades mainly with recognized and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year/period-end staging classification. The amounts presented are gross carrying amounts for financial assets.

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	2,137	2,137
Prepayments, other receivables and other assets – Normal**	1,885	—	—	—	1,885
Cash and cash equivalents	12,733	—	—	—	12,733
	<u>14,618</u>	<u>—</u>	<u>—</u>	<u>2,137</u>	<u>16,755</u>

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31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	203	203
Prepayments, other receivables and other assets – Normal**	1,690	–	–	–	1,690
Cash and cash equivalents	53,116	–	–	–	53,116
	<u>54,806</u>	<u>–</u>	<u>–</u>	<u>203</u>	<u>55,009</u>

30 June 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	337	337
Prepayments, other receivables and other assets – Normal**	2,545	–	–	–	2,545
Cash and cash equivalents	159,988	–	–	–	159,988
	<u>162,533</u>	<u>–</u>	<u>–</u>	<u>337</u>	<u>162,870</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information.

** The credit quality of financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group’s financial liabilities as at 31 December 2024 and 2025 and 30 June 2026, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2024			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	1,272	–	1,272
Financial liabilities included in other payables and accruals	11,085	–	–	11,085
Lease liabilities	–	6,871	3,382	10,253
Interest-bearing bank borrowings	–	59,124	–	59,124
	<u>11,085</u>	<u>67,267</u>	<u>3,382</u>	<u>81,734</u>

	As at 31 December 2025			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	1,174	–	1,174
Financial liabilities included in other payables and accruals	15,629	–	–	15,629
Lease liabilities	–	4,279	1,873	6,152
Interest-bearing bank borrowings	–	75,898	–	75,898
	<u>15,629</u>	<u>81,351</u>	<u>1,873</u>	<u>98,853</u>

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	As at 30 June 2026			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	1,309	–	1,309
Financial liabilities included in other payables and accruals	8,052	–	–	8,052
Lease liabilities	–	6,070	7,483	13,553
Interest-bearing bank borrowings	–	76,670	–	76,670
	<u>8,052</u>	<u>84,049</u>	<u>7,483</u>	<u>99,584</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at 31 December 2024 and 2025 and 30 June 2026 were as follows:

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Total liabilities	94,390	107,537	109,232
Total assets	49,521	100,157	223,369
Gearing ratio	<u>191%</u>	<u>107%</u>	<u>49%</u>

34. INVESTMENT IN SUBSIDIARIES

	As at 31 December		As at 30 June
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Investments, at cost	32,000	35,000	57,300
Accumulated impairment	(1,000)	(5,521)	(5,521)
	<u>31,000</u>	<u>29,479</u>	<u>51,779</u>

Some subsidiaries incurred losses or only carried out limited operational activities. The management has performed impairment testing for investment in subsidiaries which has impairment indicators as at each of the Relevant Periods. Accumulated impairment of RMB1,000,000, RMB5,521,000 and RMB5,521,000 was recognized for the investment in Shanghai Tangji Shuchuang Technology Co., Ltd. and Qingdao Tangji Shukang Technology Co., Ltd. as at 31 December 2024 and 2025 and 30 June 2026, respectively.

Tianjin Tangji Shuxiang Health Technology Co., Ltd. will focus on the commercialization of the products and serve as the sales centres. Quzhou Jikang Medical Technology Co., Ltd. is the manufacturing platform and expected to begin mass production in 2026. Tongee Medical Global (Hong Kong) Limited, Jiangsu Tangji Jixiang Health Technology Co., Ltd and Sichuan Tangji Medical Technology Co., Ltd were newly established and had no impairment indicators. The management of the Company expects these subsidiaries will generate sufficient profits in the foreseeable future with the commercialization of new products and improvement in sales and business scale. Based on the assessment performed by the Company, no impairment for the investment in these subsidiaries was required during the Relevant Periods.

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35. EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events undertaken by the Company after 30 June 2026.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or its subsidiaries in respect of any period subsequent to 30 June 2026.