

APPENDIX I

ACCOUNTANTS’ REPORT

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

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NANJING NOVLEAD BIOTECHNOLOGY CO., LTD. AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Nanjing Novlead Biotechnology Co., Ltd. (“南京諾令生物科技股份有限公司”) (previously known as Nanjing Novlead Biotechnology Co., Ltd. (“南京諾令生物科技有限公司”) and Nanjing Noquan Biomedical Technology Co., Ltd. (“南京諾全生物醫療科技有限公司”)) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at December 31, 2024 and 2025 and June 30, 2026, the statements of financial position of the Company as at December 31, 2024 and 2025 and June 30, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2025 and the six months ended June 30, 2026 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the [document] of the Company dated [REDACTED] (the “document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

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

Reporting accountants’ responsibility

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

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

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

Opinion

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

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2025 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with 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 Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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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-[●] have been made.

Dividends

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

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[REDACTED]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing 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

	NOTES	Year ended December 31,		Six months ended June 30,	
		2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	45,547	63,207	22,413	58,132
Cost of sales		(18,535)	(27,847)	(11,237)	(23,382)
Gross profit		27,012	35,360	11,176	34,750
Other income	7	7,748	9,194	2,302	5,020
Other gains and losses	8	(867)	159	44	(247)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	9	(129)	(77)	(17)	6
Selling expenses		(31,197)	(30,479)	(12,530)	(23,216)
Administrative expenses		(26,067)	(24,832)	(11,824)	(14,562)
Research and development expenses		(32,982)	(34,678)	(13,741)	(20,251)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of an associate . .		(93)	(243)	(33)	(44)
Finance costs	10	(29,671)	(40,284)	(19,155)	(21,698)
Loss before tax	11	(86,246)	(95,271)	(43,778)	(51,864)
Income tax expense	12	—	—	—	—
Loss for the year/period		(86,246)	(95,271)	(43,778)	(51,864)
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		13	(19)	(1)	(62)
Total comprehensive expense for the year/period attributable to the owners of the Company . .		(86,233)	(95,290)	(43,779)	(51,926)
Loss per share (RMB)	15				
Basic and diluted		(1.08)	(1.14)	(0.53)	(0.62)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		As at June 30,
	NOTES	2024	2025	2026
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	16	19,429	21,383	20,726
Right-of-use assets	17	5,921	5,146	3,881
Intangible assets	18	560	530	905
Interest in an associate	19	507	264	120
Other non-current assets	21	3,826	1,905	2,634
Time deposits	24	73,398	66,701	46,836
		103,641	95,929	75,102
Current assets				
Inventories	22	11,535	14,749	18,679
Trade and other receivables	23	4,910	17,618	25,087
Value-added tax recoverable		1,673	1,686	1,520
Time deposits	24	32,214	44,316	32,120
Cash and cash equivalents	24	69,100	48,376	52,264
		119,432	126,745	129,670
Current liabilities				
Trade and other payables	25	16,138	28,917	16,067
Bank borrowings	26	23,018	10,004	34,918
Lease liabilities	27	2,475	2,243	3,593
Provisions	28	1,336	2,648	3,762
Contract liabilities	29	1,225	5,161	3,515
		44,192	48,973	61,855
Net current assets		75,240	77,772	67,815
Total assets less current liabilities		178,881	173,701	142,917
Non-current liabilities				
Lease liabilities	27	4,179	2,982	1,379
Redemption liabilities	30	429,933	519,476	540,778
		434,112	522,458	542,157
Net liabilities		(255,231)	(348,757)	(399,240)
Capital and reserves				
Equity attributable to owners of the Company				
Paid-in capital/share capital	31	7,809	8,405	8,405
Reserves		(263,040)	(357,162)	(407,645)
Total deficit		(255,231)	(348,757)	(399,240)

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31,		As at June 30,
		2024	2025	2026
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	16	10,410	8,234	7,787
Right-of-use assets	17	5,078	3,174	2,222
Intangible assets	18	560	530	905
Interest in an associate	19	507	264	120
Investments in subsidiaries	20	34,187	43,244	70,415
Other non-current assets	21	1,881	1,054	1,944
Time deposits	24	73,398	66,701	46,836
		<u>126,021</u>	<u>123,201</u>	<u>130,229</u>
Current assets				
Inventories	22	7,472	4,777	3,334
Trade and other receivables	23	3,784	13,090	17,041
Value-added tax recoverable		–	–	160
Amounts due from subsidiaries		787	5,727	8,629
Time deposits	24	32,214	44,316	21,865
Cash and cash equivalents	24	59,926	38,191	31,146
		<u>104,183</u>	<u>106,101</u>	<u>82,175</u>
Current liabilities				
Trade and other payables	25	14,186	24,140	11,777
Bank borrowings	26	23,018	10,004	34,918
Lease liabilities	27	2,003	2,003	3,234
Amount due to subsidiaries		3,484	2,729	2,914
Provisions	28	1,237	2,096	2,906
Contract liabilities	29	1,145	1,537	2,081
		<u>45,073</u>	<u>42,509</u>	<u>57,830</u>
Net current assets		<u>59,110</u>	<u>63,592</u>	<u>24,345</u>
Total assets less current liabilities		<u>185,131</u>	<u>186,793</u>	<u>154,574</u>
Non-current liabilities				
Lease liabilities	27	3,789	1,187	–
Redemption liabilities	30	429,933	519,476	540,778
		<u>433,722</u>	<u>520,663</u>	<u>540,778</u>
Net liabilities		<u>(248,591)</u>	<u>(333,870)</u>	<u>(386,204)</u>
Capital and reserves				
Paid-in capital/share capital	31	7,809	8,405	8,405
Reserves	39	(256,400)	(342,275)	(394,609)
Total deficit		<u>(248,591)</u>	<u>(333,870)</u>	<u>(386,204)</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital /share capital	Capital reserve	Other reserve	Share-based payments	Accumulated losses	Translation reserve	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2024 .	7,309	266,099	(260,000)	2,514	(186,472)	59	(170,491)
Loss for the year . . .	—	—	—	—	(86,246)	—	(86,246)
Other comprehensive income for the year	—	—	—	—	—	13	13
Total comprehensive (expense) income for the year	—	—	—	—	(86,246)	13	(86,233)
Issue of Series C shares (Note 31) . .	500	97,500	—	—	—	—	98,000
Equity-settled share- based payments (Note 32).	—	—	—	1,493	—	—	1,493
Redemption liabilities (Note 30).	—	—	(98,000)	—	—	—	(98,000)
At December 31, 2024	7,809	363,599	(358,000)	4,007	(272,718)	72	(255,231)
Loss for the year . . .	—	—	—	—	(95,271)	—	(95,271)
Other comprehensive expense for the year	—	—	—	—	—	(19)	(19)
Total comprehensive expense for the year	—	—	—	—	(95,271)	(19)	(95,290)
Issue of Series C shares (Note 31) . .	255	49,745	—	—	—	—	50,000
Capital injection in relation to the share incentive plan (Note 31) . . .	341	—	—	—	—	—	341
Equity-settled sharebased payments (Note 32).	—	—	—	1,423	—	—	1,423
Redemption liabilities (Note 30).	—	—	(50,000)	—	—	—	(50,000)
At December 31, 2025	8,405	413,344	(408,000)	5,430	(367,989)	53	(348,757)

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	Paid-in capital /share capital	Capital reserve	Other reserve	Share-based payments	Accumulated losses	Translation reserve	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period . .	–	–	–	–	(51,864)	–	(51,864)
Other comprehensive expense for the period	–	–	–	–	–	(62)	(62)
Total comprehensive expense for the period	–	–	–	–	(51,864)	(62)	(51,926)
Equity-settled sharebased payments (Note 32)	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,443</u>	<u>–</u>	<u>–</u>	<u>1,443</u>
Cancellation of share options (Note 32) .	–	6,873	–	(6,873)	–	–	–
At June 30, 2026 . .	<u>8,405</u>	<u>420,217</u>	<u>(408,000)</u>	<u>–</u>	<u>(419,853)</u>	<u>(9)</u>	<u>(399,240)</u>
At January 1, 2025	<u>7,809</u>	<u>363,599</u>	<u>(358,000)</u>	<u>4,007</u>	<u>(272,718)</u>	<u>72</u>	<u>(255,231)</u>
Loss for the period .	–	–	–	–	(43,778)	–	(43,778)
Other comprehensive expense for the period	–	–	–	–	–	(1)	(1)
Total comprehensive expense for the period	–	–	–	–	(43,778)	(1)	(43,779)
Issue of Series C shares (Note 31) .	255	49,745	–	–	–	–	50,000
Equity-settled sharebased payments (Note 32)	–	–	–	730	–	–	730
Redemption liabilities (Note 30)	<u>–</u>	<u>–</u>	<u>(50,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(50,000)</u>
At June 30, 2025 (unaudited)	<u>8,064</u>	<u>413,344</u>	<u>(408,000)</u>	<u>4,737</u>	<u>(316,496)</u>	<u>71</u>	<u>(298,280)</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
OPERATING ACTIVITIES				
Loss before tax	(86,246)	(95,271)	(43,778)	(51,864)
Adjustments for:				
Finance costs	29,671	40,284	19,155	21,698
Interest income	(4,592)	(3,873)	(1,940)	(1,366)
Depreciation of property and equipment	6,218	6,265	2,991	3,539
Depreciation of right-of-use assets . .	2,343	2,545	1,177	1,265
Amortization of intangible assets . .	630	350	163	248
Write-down of inventories, net of reversal	180	1,810	778	105
Impairment loss, net of reversal – financial assets under ECL model .	129	77	17	(6)
Loss on disposal of property and equipment	514	–	–	–
Loss on disposal of intangible assets	694	–	–	–
Loss on termination of lease contract	2	–	–	–
Share of results of an associate . . .	93	243	33	44
Release of lease-related government subsidies	(1,785)	(2,592)	(236)	(328)
Share-based payment expenses	1,493	1,423	730	1,443
Operating cash flow before movements in working capital	(50,656)	(48,739)	(20,910)	(25,222)
Increase in inventories	(2,618)	(5,024)	(2,121)	(3,977)
Decrease (increase) in trade and other receivables	3,916	(12,785)	(1,164)	(5,694)
(Decrease) increase in trade and other payables	(2,200)	13,311	(7,354)	(11,030)
(Decrease) increase in provisions . . .	(245)	1,312	1,239	1,114
(Decrease) increase in contract liabilities	(45)	3,936	(202)	(1,646)
(Increase) decrease in value-added tax recoverable	(880)	(13)	(114)	166
Decrease in deferred income	(48)	–	–	–
Cash used in operations	(52,776)	(48,002)	(30,626)	(46,289)
Income taxes paid	–	–	–	–
Net cash used in operating activities . .	(52,776)	(48,002)	(30,626)	(46,289)

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	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i>
INVESTING ACTIVITIES				
Interest received	2,715	3,468	315	2,427
Proceeds on disposal of property and equipment	5	27	–	4
Proceeds on disposal of an associate	–	–	–	100
Purchase of financial assets at fair value through profit or loss (“FVTPL”)	(154,000)	(172,000)	(147,000)	(18,000)
Redemption of financial assets at FVTPL	154,000	172,000	127,000	18,000
Placement of time deposits	(40,000)	(65,000)	(10,000)	(10,000)
Withdrawal of time deposits	40,000	60,000	–	41,000
Purchases of property and equipment	(11,239)	(6,325)	(1,924)	(3,673)
Purchases of intangible assets	(210)	(320)	(22)	(623)
Investment in an associate	(600)	–	–	–
Net cash (used in)/from investing activities	<u>(9,329)</u>	<u>(8,150)</u>	<u>(31,631)</u>	<u>29,235</u>
FINANCING ACTIVITIES				
Interest paid	(840)	(522)	(309)	(307)
Repayments of bank borrowings	(28,000)	(56,000)	(18,000)	–
Repayments of lease liabilities	(83)	(840)	–	–
Bank borrowings raised	23,000	43,000	24,000	24,900
Proceeds from issuance of shares	98,000	50,341	50,000	–
Issue costs paid	–	(532)	–	(3,589)
Net cash from financing activities	<u>92,077</u>	<u>35,447</u>	<u>55,691</u>	<u>21,004</u>
Net increase (decrease) in cash and cash equivalents	29,972	(20,705)	(6,566)	3,950
Effect of foreign exchange rate changes	13	(19)	(1)	(62)
Cash and cash equivalents at the beginning of the year/period	<u>39,115</u>	<u>69,100</u>	<u>69,100</u>	<u>48,376</u>
Cash and cash equivalents at the end of the year/period	<u>69,100</u>	<u>48,376</u>	<u>62,533</u>	<u>52,264</u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company, formerly known as Nanjing Noquan Biomedical Technology Co., Ltd. (“南京諾全生物醫療科技有限公司”) and Nanjing Novlead Biotechnology Co., Ltd. (“南京諾令生物科技有限公司”) was established and registered in the People’s Republic of China (the “PRC”) on April 16, 2018, as a limited liability company. On January 8, 2026, the Company was converted into a joint stock company with limited liability. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed “Corporate Information” of the document.

The Group is principally engaged in the business of development and commercialization of gas-based cardiopulmonary therapeutic and diagnostic devices. Particulars of principal activities of the subsidiaries are disclosed in Note 40.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards issued by the IASB.

The Historical Financial Information has been prepared on a going concern basis notwithstanding that, as at June 30, 2026, the Group had net liabilities of RMB399,240,000, primarily due to the significant amount of the redemption liabilities of RMB540,778,000. Pursuant to shareholders’ agreements entered into among the Company and the Shareholders of the Company dated February 2, 2026, which superseded the previous shareholders agreements, the redemption rights granted by the Company were terminated before the first filing of the [REDACTED] by the Company with the Stock Exchange, while all other special rights will be terminated upon [REDACTED]. The special rights shall be automatically reinstated upon the earliest of the occurrence of any of the following redemption right restoring events: (i) the [REDACTED] was not approved within 24 months by the regulatory authority or before December 31, 2027; (ii) the Company withdrew the [REDACTED], (iii) the [REDACTED] was returned or rejected, or (iv) the Company did not refile the [REDACTED] within six months after the lapse of the [REDACTED]. In this regard, the directors of the Company are of the opinion that the Company is not probable to be obliged to settle the redemption liabilities before December 31, 2027.

[The directors have reviewed the Group’s cash flow projections, which cover a period from July 1, 2026 to December 31, 2027. The directors 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 from July 1, 2026 to December 31, 2027. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.]

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

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

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Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ²
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures ²

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

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements* (“IAS1”). This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the Notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements but no impact on the Group’s financial positions and performance.

Except for the IFRS 18, the directors of the Company anticipate that the application of these new and amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment loss, if any.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

When a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Notes 6, 23 and 29.

Leases

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

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The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Borrowing costs

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

Government grants

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

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

Employee benefits

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff’s wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payments transactions

Restricted shares/share option granted to employees

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

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

When share options are exercised or RS granted are vested, the amount previously recognized in share-based payments reserve will be transferred to capital reserve.

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RS/share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

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

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

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

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset to be recovered.

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

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

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

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

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- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

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

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

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

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

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

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Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Contract fulfilment cost

The Group incurs costs to fulfil a contract in the contract development services and maintenance services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset is subsequently recognized to profit or loss at a point in time when results of research and development services are accepted by the customers.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of equipments are recognized at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

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Financial instruments

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

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

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

Financial assets

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

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

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

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

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Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognizes lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjust for factors that are specific to the debtors, general economic conditions and forward looking information including time value of money where appropriate that is available without undue cost or effort.

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

Lifetime ECL for third party trade receivables (except for trade receivables from customers with high credit risk, which are assessed individually) and amounts due from subsidiaries are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

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

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

Foreign exchange gains and losses

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities at amortized cost

All financial liabilities including trade and other payables, bank borrowings and redemption liabilities and are subsequently measured at amortised cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Other gains and losses’, line item in profit or loss (note 8) as part of net foreign exchange gains (losses) for financial liabilities.

Derecognition of financial liabilities

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

Derivative financial instruments

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

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Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Research and development expenditures

Development costs incurred on the Group’s projects to develop new products are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group’s intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the projects, the Group’s ability to use or sell the asset and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred.

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all development costs are expensed when incurred.

Key sources of estimation uncertainty

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

Useful lives of property and equipment

The Directors determines the estimated useful lives and residual values in determining the related charges for its property and equipment. This estimate is referenced to useful lives of property and equipment of similar nature and functions in the industry. The information about useful lives of property and equipment are disclosed in Note 16.

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6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods or services				
Sales of medical devices				
Inhaled Nitric Oxide (iNO) therapy devices	38,070	47,328	19,109	34,375
Respiratory diagnosis devices	2,992	4,660	2,430	3,026
Cardiopulmonary circulatory support devices	—	6,536	—	19,047
	41,062	58,524	21,539	56,448
Other products and services				
Contract development services	3,774	1,887	—	—
Others (<i>Note i</i>)	711	2,796	874	1,684
	4,485	4,683	874	1,684
	45,547	63,207	22,413	58,132
Timing of revenue recognition				
A point in time	45,448	63,045	22,324	58,034
Over time	99	162	89	98
	45,547	63,207	22,413	58,132
Sales Channel				
Distributors	41,773	60,048	21,156	57,839
Direct sales	—	1,272	1,257	293
Others	3,774	1,887	—	—
	45,547	63,207	22,413	58,132

Note:

(i) Others are mainly generated from maintenance services and sales of consumer health products.

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of medical devices

The Group sells medical devices to distributors in the PRC and overseas.

For sales of medical devices to customers in the PRC, revenue is recognized when control of the goods has transferred, being when the goods have been delivered and accepted by the customers. For sales of medical devices to customers in the overseas, revenue is recognized when control of the goods has been transferred to the carriers for shipment, being at the point the goods are delivered to the customer’s specific location.

Following the customer’s acceptance, the customer has ability to direct the use of the products and bears the risks of obsolescence and loss in relation to the products. The Group mainly requires full advance from customers before goods are delivered, while credit terms of up to 90 days are granted for certain health products and advance of 30% to 50% is collected for certain overseas sales with the remaining balances payable within 180 days after customer’s receipt of goods. This will give rise to contract liabilities at the start of a contract, until the goods been accepted by the customers. A contract liability represents the Group’s obligation to transfer goods to a customer for which the Group has received consideration from the customer.

Sales-related warranties associated with medical devices cannot be purchased separately and they serve as an assurance type of warranty that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37. Please refer to Note 28 for details.

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Contract development services

The Group provides contract development services to third party customers. The contract development services are usually in the form of provision of technical design report. Revenue related to contract development services is recognized when the customers obtain the control of the deliverables, which occur at a point in time, upon delivery based on the contracts.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group’s contract has an original expected duration of less than one year.

(iv) Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment focuses on revenue analysis by products. During the Track Record Period, the CODM assesses the operating performance and allocates resources of the Group as a whole. No other discrete financial information is provided to the CODM other than the Group’s results and financial position as a whole. In this regard, no segment information is presented.

Geographic information

Information of the Group’s revenue, determined based on geographical location of customers, during the Track Record Period is as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Geographical markets				
Chinese mainland	41,649	55,163	22,025	48,323
Overseas	3,898	8,044	388	9,809
France	–	4,088	–	1,227
Turkey	–	1,038	–	–
Indonesia	357	856	–	891
Taiwan, China	3,382	823	58	1,459
Hungary	–	417	–	365
Bangladesh	–	323	323	–
Malaysia	–	163	–	542
Vietnam	–	115	–	–
Mongolia	159	115	7	12
India	–	106	–	458
Romania	–	–	–	988
Thailand	–	–	–	445
Qatar	–	–	–	396
Austria	–	–	–	384
Italy	–	–	–	325
United Arab Emirates (UAE)	–	–	–	305
Philippines	–	–	–	259
Oman	–	–	–	234
Israel	–	–	–	216
Saudi Arabia	–	–	–	209
Poland	–	–	–	209
Kuwait	–	–	–	205
Guatemala	–	–	–	182
Estonia	–	–	–	178
Costa Rica	–	–	–	175
Serbia	–	–	–	145
	<u>45,547</u>	<u>63,207</u>	<u>22,413</u>	<u>58,132</u>

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Substantially all of the Group’s non-current assets are located in the PRC as of December 31, 2024 and 2025 and June 30, 2026.

Information about major customers

During the Track Record Period, revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Customer A	N/A*	8,163	N/A*	9,917
Customer B	N/A*	N/A*	N/A*	7,687

* The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year/period.

7. OTHER INCOME

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Government grant (<i>Note</i>)	2,969	5,266	306	3,605
Interest income from time deposits and bank balances	3,948	3,437	1,740	1,341
Interest income from structured deposits	644	436	200	25
Others	187	55	56	49
	<u>7,748</u>	<u>9,194</u>	<u>2,302</u>	<u>5,020</u>

Note: The government grants related to income mainly represent unconditional government subsidies received from relevant government bodies as incentives for the research and development activities and compensation of rental expenses. The government grants are accounted for as immediate financial support with no future related costs expected to be incurred and are not related to any assets.

8. OTHER GAINS AND LOSSES

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Losses on disposals of property and equipment	(514)	—	—	—
Losses on disposals of intangible assets	(694)	—	—	—
Losses on termination of lease	(2)	—	—	—
Net foreign exchange gains (losses)	27	(75)	(3)	(207)
Others	316	234	47	(40)
	<u>(867)</u>	<u>159</u>	<u>44</u>	<u>(247)</u>

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9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS (“ECL”) MODEL, NET OF REVERSAL

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses recognized (reversed) on:				
– trade receivables	129	77	17	(6)

Details of impairment assessment are set out in Note 34.

10. FINANCE COSTS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on:				
– redemption liabilities (Note 30)	(28,679)	(39,543)	(18,750)	(21,302)
– bank borrowings	(837)	(508)	(310)	(321)
– lease liabilities	(155)	(233)	(95)	(75)
	<u>(29,671)</u>	<u>(40,284)</u>	<u>(19,155)</u>	<u>(21,698)</u>

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property and equipment . .	6,218	6,265	2,991	3,539
Depreciation of right-of-use assets	2,343	2,545	1,177	1,265
Amortization of intangible assets	630	350	163	248
Total depreciation and amortization . . .	<u>9,191</u>	<u>9,160</u>	<u>4,331</u>	<u>5,052</u>
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Directors’ and supervisors’ remuneration (Note 13)	3,480	3,838	1,636	1,762
Other staff costs				
– salaries and other benefits	40,798	42,235	21,383	26,642
– retirement benefit scheme contributions	3,750	3,946	1,842	2,055
– equity-settled share-based payments expenses	1,493	1,423	730	1,443
Total staff costs	<u>49,521</u>	<u>51,442</u>	<u>25,591</u>	<u>31,902</u>
Cost of inventories recognized as an expense (including write-down of inventories amounting to RMB180,000, RMB1,810,000, RMB778,000 and RMB105,000, respectively)	16,864	23,324	9,613	20,812
Research and development costs recognized as an expense	<u>32,982</u>	<u>34,678</u>	<u>13,741</u>	<u>20,251</u>

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12. INCOME TAX EXPENSE AND DEFERRED TAXATION

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the Company and its PRC subsidiaries is 25%.

The Company has been accredited as a “high and new technical enterprise” (the “HNTE”) on November 6, 2023. The Company is entitled to a preferential income tax rate of 15% during the Track Record Period.

PRC subsidiaries of the Company were subject to “small and thin-profit enterprises” and would benefit from a preferential tax rate of 20% under the EIT Law and enjoyed 75% reduction on annual taxable income during the Track Record Period.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

No provision for PRC income tax has been provided in the financial statements as the Group has no assessable profit during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(86,246)	(95,271)	(43,778)	(51,864)
Tax at the PRC EIT rate of 25%	(21,562)	(23,818)	(10,945)	(12,966)
Tax effect of expenses not deductible for tax purposes	4,722	6,125	2,905	6,101
Tax effect of extra deduction of research and development expenses	(4,195)	(4,829)	(1,880)	(1,641)
Tax effect of deductible temporary differences not recognized	68	426	679	1,082
Utilisation of tax losses previously not recognized	(69)	—	—	(892)
Tax effect of tax losses not recognized	14,690	12,925	5,110	3,067
Income tax at concessionary rate	6,346	9,171	4,131	5,249
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 December 2024 and 2025 and June 30, 2026, the Group has unused tax losses of RMB289,553,000, RMB371,009,000 and RMB386,688,000 respectively available for offset against future profits. The deferred tax assets and the deferred tax liabilities arising from lease contracts of the same subsidiary amounted to RMB954,000, RMB962,000 and RMB746,000 have been offset in the statements of financial position for presentation purposes. Except the deferred tax assets that have been offset, the Group has deductible temporary differences for which deferred tax assets are not recognized of RMB2,463,000, RMB4,990,000 and RMB8,122,000 as at 31 December 2024 and 2025 and June 30, 2026, respectively.

Deferred tax assets have not been recognized in respect of these losses as these have been arisen by the Company and its subsidiaries that have been loss-making for certain period of time, and it is not considered probable that taxable profits in the foreseeable future will be available against which the tax losses.

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The unrecognized tax losses of the Group will be carried forward and expire in years as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
2026	639	639	639
2027	4,907	4,907	3,873
2028	5,121	5,121	5,121
2029	15,234	15,234	11,898
2030	6,394	20,576	20,485
2031	36,496	36,496	37,553
2032	67,067	67,067	67,067
2033	78,185	78,185	78,185
2034	75,510	75,510	75,510
2035	–	67,274	67,274
2036	–	–	19,083
	<u>289,553</u>	<u>371,009</u>	<u>386,688</u>

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

(a) Directors’, Supervisors’, and chief executive’s emoluments

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

	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024				
<i>Executive director and chief executive officer:</i>				
Dr. Mao Wen (毛雯) (Note i)	600	134	75	809
<i>Executive directors:</i>				
Mr. Zhang Yuyan (張煜彥) (Note ii)	722	108	150	980
Mr. Cao Guiping (曹貴平) (Note iii)	600	108	75	783
<i>Non-executive directors:</i>				
Dr. Yu Qin (Note iv)	–	–	–	–
Mr. Deng Feng (Note v)	–	–	–	–
Ms. Cao Yu (曹宇) (Note vi)	–	–	–	–
Mr. He Xing (何邢) (Note vii)	–	–	–	–
<i>Supervisor:</i>				
Mr. Ou Junlin (歐軍林) (Note viii)	600	83	225	908
	<u>2,522</u>	<u>433</u>	<u>525</u>	<u>3,480</u>
Year ended December 31, 2025				
<i>Executive director and chief executive officer:</i>				
Dr. Mao Wen (毛雯) (Note i)	598	135	300	1,033
<i>Executive directors:</i>				
Mr. Zhang Yuyan (張煜彥) (Note ii)	722	108	270	1,100
Mr. Cao Guiping (曹貴平) (Note iii)	616	108	–	724
<i>Non-executive directors:</i>				
Dr. Yu Qin (Note iv)	–	–	–	–
Mr. Deng Feng (Note v)	–	–	–	–
Ms. Cao Yu (曹宇) (Note vi)	–	–	–	–
Mr. He Xing (何邢) (Note vii)	–	–	–	–
Ms. Zeng Yong Mei (Note ix)	–	–	–	–
<i>Supervisor:</i>				
Mr. Ou Junlin (歐軍林) (Note viii)	600	81	300	981
	<u>2,536</u>	<u>432</u>	<u>870</u>	<u>3,838</u>

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	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2026				
<i>Executive director and chief executive officer:</i>				
Dr. Mao Wen (毛雯) (Note i)	370	73	75	518
<i>Executive directors:</i>				
Mr. Zhang Yuyan (張煜彥) (Note ii)	410	59	76	545
Mr. Cao Guiping (曹貴平) (Note iii)	396	54	39	489
<i>Non-executive directors:</i>				
Mr. Deng Feng (Note v)	—	—	—	—
Ms. Cao Yu (曹宇) (Note vi)	—	—	—	—
Mr. He Xing (何邢) (Note vii)	—	—	—	—
Ms. Zeng Yong Mei (Note ix)	—	—	—	—
<i>Independent Non-executive directors:</i>				
Mr. Feng Liu (劉峰) (Note x)	70	—	—	70
Ms. Yun Xiao (肖雲) (Note xi)	70	—	—	70
Mr. Shupai Li (李書湃) (Note xii)	70	—	—	70
	<u>1,386</u>	<u>186</u>	<u>190</u>	<u>1,762</u>
Six months ended June 30, 2025 (unaudited)				
<i>Executive director and chief executive officer:</i>				
Dr. Mao Wen (毛雯) (Note i)	300	67	50	417
<i>Executive directors:</i>				
Mr. Zhang Yuyan (張煜彥) (Note ii)	361	54	60	475
Mr. Cao Guiping (曹貴平) (Note iii)	300	54	—	354
<i>Non-executive directors:</i>				
Dr. Yu Qin (Note iv)	—	—	—	—
Mr. Deng Feng (Note v)	—	—	—	—
Ms. Cao Yu (曹宇) (Note vi)	—	—	—	—
Mr. He Xing (何邢) (Note vii)	—	—	—	—
Ms. Zeng Yong Mei (Note ix)	—	—	—	—
<i>Supervisor:</i>				
Mr. Ou Junlin (歐軍林) (Note viii)	300	40	50	390
	<u>1,261</u>	<u>215</u>	<u>160</u>	<u>1,636</u>

Notes:

- i. Dr. Mao Wen was appointed as the executive director and chief executive officer of the Group on April 22, 2020.
- ii. Mr. Zhang Yuyan was appointed as the executive director of the Group on September 30, 2021.
- iii. Mr. Cao Guiping was appointed as the executive director of the Group on December 28, 2020.
- iv. Dr. Yu Qin was appointed as the non-executive director of the Group on December 29, 2020. And she was resigned as the non-executive director of the Group on July 1, 2025.
- v. Mr. Deng Feng was appointed as the non-executive director of the Group on September 30, 2021.
- vi. Ms. Cao Yu was appointed as the non-executive director of the Group on September 30, 2021.
- vii. Mr. He Xing was appointed as the non-executive director of the Group on April 22, 2020.
- viii. Mr. Ou Junlin was appointed as the supervisor of the Group on April 6, 2023. And he was resigned as the supervisor of the Group on December 18, 2025.
- ix. Ms. Zeng Yong Mei was appointed as the non-executive director of the Group on July 1, 2025 and she was resigned as the non-executive director of the Group on February 5, 2026.
- x. Mr. Feng Liu was appointed as the independent non-executive director of the Group on February 5, 2026.
- xi. Ms. Yun Xiao was appointed as the independent non-executive director of the Group on February 5, 2026.

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- xii. Mr. Shupai Li was appointed as the independent non-executive director of the Group on February 5, 2026.

The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period. The supervisors’ emoluments shown above were paid for their services as supervisors of the Company during the Track Record Period. None of the directors or supervisors of the Company waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid employees

The five highest paid individuals of the Group included three directors, one director, one director and one director of the Company for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining two, four, four and four highest paid individuals for the respective years/periods are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	1,640	3,070	1,261	1,850
Retirement benefit scheme contributions	285	484	275	199
Discretionary bonuses	386	1,204	478	318
	<u>2,311</u>	<u>4,758</u>	<u>2,014</u>	<u>2,367</u>

The number of the five highest paid individuals fell within the following bands is as below:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
			(unaudited)	
Nil to Hong Kong Dollars (“HK\$”)500,000	–	–	1	–
HK\$500,001 to HK\$1,000,000	3	–	4	5
HK\$1,000,001 to HK\$1,500,000	2	5	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the executive director, non-executive directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid nor declared by the Company during the Track Record Period.

15. LOSS PER SHARE

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

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
			(unaudited)	
Loss (RMB'000)				
Loss for the purpose of basic loss per share attributable to owners of the Company	<u>(86,246)</u>	<u>(95,271)</u>	<u>(43,778)</u>	<u>(51,864)</u>
Number of shares ('000)				
Weighted average number of ordinary shares for the purpose of basic loss per share calculation	<u>79,710</u>	<u>83,531</u>	<u>83,003</u>	<u>84,051</u>
Loss per share (RMB)	<u>(1.08)</u>	<u>(1.14)</u>	<u>(0.53)</u>	<u>(0.62)</u>

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No diluted loss per share for the Track Record Period as the conversion of the Company’s outstanding redemption liabilities would result in a decrease in loss per share.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the Track Record Period has been determined on the assumptions that the [REDACTED] as set out in note 31.

16. PROPERTY AND EQUIPMENT

The Group

	Leasehold improvement	Machinery	Office furniture	Electronic and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2024	6,575	12,944	3,113	1,516	–	24,148
Additions	5,320	4,504	29	212	1,376	11,441
Transferred in from construction in progress	1,376	–	–	–	(1,376)	–
Disposals	(637)	(11)	(24)	(29)	–	(701)
At December 31, 2024 . .	12,634	17,437	3,118	1,699	–	34,888
Additions	528	3,835	62	79	3,742	8,246
Transferred in from construction in progress	897	1,609	–	–	(2,506)	–
Disposals	–	(45)	–	(10)	–	(55)
At December 31, 2025 . .	14,059	22,836	3,180	1,768	1,236	43,079
Additions	686	1,910	15	196	137	2,944
Disposals	–	(10)	–	–	–	(10)
Transfers to inventories . .	–	(59)	–	–	–	(59)
At June 30, 2026	14,745	24,677	3,195	1,964	1,373	45,954
DEPRECIATION						
At January 1, 2024	4,367	2,919	1,202	935	–	9,423
Provided for the year . . .	2,456	2,780	595	387	–	6,218
Eliminated on disposals . .	(151)	(4)	(6)	(21)	–	(182)
At December 31, 2024 . .	6,672	5,695	1,791	1,301	–	15,459
Provided for the year . . .	1,846	3,667	587	165	–	6,265
Eliminated on disposals . .	–	(19)	–	(9)	–	(28)
At December 31, 2025 . .	8,518	9,343	2,378	1,457	–	21,696
Provided for the period . .	1,043	2,137	299	60	–	3,539
Eliminated on disposals . .	–	(6)	–	–	–	(6)
Transfers to inventories . .	–	(1)	–	–	–	(1)
At June 30, 2026	9,561	11,473	2,677	1,517	–	25,228
CARRYING AMOUNTS						
At December 31, 2024 . .	5,962	11,742	1,327	398	–	19,429
At December 31, 2025 . .	5,541	13,493	802	311	1,236	21,383
At June 30, 2026	5,184	13,204	518	447	1,373	20,726

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The Company

	Leasehold improvement	Machinery	Office furniture	Electronic and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2024	5,600	10,661	3,033	1,505	–	20,799
Additions	184	2,678	–	43	–	2,905
Disposals	–	–	–	(29)	–	(29)
At December 31, 2024 . .	5,784	13,339	3,033	1,519	–	23,675
Additions	226	2,175	–	67	587	3,055
Transferred in from construction in progress	107	–	–	–	(107)	–
Disposals	–	(3,292)	–	(10)	–	(3,302)
At December 31, 2025 . .	6,117	12,222	3,033	1,576	480	23,428
Additions	86	668	11	196	137	1,098
Transfers to inventories .	–	(59)	–	–	–	(59)
At June 30, 2026	6,203	12,831	3,044	1,772	617	24,467
DEPRECIATION						
At January 1, 2024	4,009	2,572	1,195	929	–	8,705
Provided for the year . . .	1,461	2,174	576	370	–	4,581
Eliminated on disposals .	–	–	–	(21)	–	(21)
At December 31, 2024 . .	5,470	4,746	1,771	1,278	–	13,265
Provided for the year . . .	107	2,389	576	129	–	3,201
Eliminated on disposals .	–	(1,263)	–	(9)	–	(1,272)
At December 31, 2025 . .	5,577	5,872	2,347	1,398	–	15,194
Provided for the period . .	77	1,080	288	42	–	1,487
Transfers to inventories .	–	(1)	–	–	–	(1)
At June 30, 2026	5,654	6,951	2,635	1,440	–	16,680
CARRYING AMOUNTS						
At December 31, 2024 . .	314	8,593	1,262	241	–	10,410
At December 31, 2025 . .	540	6,350	686	178	480	8,234
At June 30, 2026	549	5,880	409	332	617	7,787

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

Leasehold improvement	Shorter of their useful lives and the lease term
Machinery	5-7 years
Office furniture	5 years
Electronic and other equipment	3 years

Impairment of non-financial assets

At the end of each reporting period within the Track Record Period, the Group has assessed whether there are any indicators of impairment for its non-financial assets, including property and equipment, right-of-use assets, and intangible assets, by reviewing both internal and external sources of information. As at December 31, 2024, December 31, 2025, and June 30, 2026, no impairment indicators were identified notwithstanding that the Group recorded a loss. This conclusion is supported by the following factors: (i) the Company’s operations are in line with management’s expectations and strategic plans; (ii) all non-financial assets are in good condition and normal use; (iii) there has been no occurrence of obsolescence or physical damage to these assets during the periods presented, nor is any such event expected to happen in the near future. As a result, there was no impairment indicator and no impairment assessment was performed during the Track Record period.

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17. RIGHT-OF-USE ASSETS

The Group

	Leasehold properties
	<i>RMB'000</i>
Carrying amount	
At December 31, 2024	5,921
At December 31, 2025	5,146
At June 30, 2026	3,881
Depreciation charge	
For the year ended December 31, 2024	2,343
For the year ended December 31, 2025	2,545
For the six months ended June 30, 2026	1,265

	Leasehold properties			
	For the year ended December 31,		For the six month ended June 30,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Expense relating to short-term leases	72	102	19	56
Total cash outflow for leases	155	942	19	56
Additions to right-of-use assets	6,401	1,770	—	—
Termination of lease contract	619	—	—	—

During the Track Record Period, the Group leased various properties for its operations. Lease contracts are entered into for fixed term from 3 to 5 years. The lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the Track Record Period, the Group regularly entered into short-term leases for office premises. As at December 31, 2024 and 2025 and June 30, 2026, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB6,654,000, RMB5,225,000 and RMB4,972,000 are recognized as of December 31, 2024 and 2025 and June 30, 2026, respectively, with related right-of-use assets of RMB5,921,000, RMB5,146,000 and RMB3,881,000. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Details of the lease maturity analysis of lease liabilities are set out in Notes 27 and 34.

The Company

	Leasehold properties
	<i>RMB'000</i>
Carrying amount	
At December 31, 2024	5,078
At December 31, 2025	3,174
At June 30, 2026	2,222
Depreciation charge	
For the year ended December 31, 2024	1,801
For the year ended December 31, 2025	1,904
For the six months ended June 30, 2026	952

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	Leasehold properties		
	For the year ended December 31,		For the six month ended June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	–	33	56
Total cash outflow for leases	–	873	56
Additions to right-of-use assets	5,713	–	–

Restrictions or covenants on leases

As at December 31, 2024 and 2025 and June 30, 2026, The Company’s lease liabilities of RMB5,792,000, RMB3,190,000 and RMB3,234,000 are recognized with related right-of-use assets of RMB5,078,000, RMB3,174,000 and RMB2,222,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

18. INTANGIBLE ASSETS

The Group and the Company

	Software	Patent	Total
	RMB'000	RMB'000	RMB'000
COST			
At January 1, 2024	1,259	1,000	2,259
Additions	210	–	210
Disposals	–	(1,000)	(1,000)
At December 31, 2024	1,469	–	1,469
Additions	320	–	320
At December 31, 2025	1,789	–	1,789
Additions	623	–	623
At June 30, 2026	2,412	–	2,412
Amortization			
At January 1, 2024	502	83	585
Charge for the year	407	223	630
Disposals	–	(306)	(306)
At December 31, 2024	909	–	909
Charge for the year	350	–	350
At December 31, 2025	1,259	–	1,259
Charge for the period	248	–	248
At June 30, 2026	1,507	–	1,507
Carrying values			
At December 31, 2024	560	–	560
At December 31, 2025	530	–	530
At June 30, 2026	905	–	905

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	2-3 years
Patent	3 years

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ACCOUNTANTS’ REPORT

19. INTEREST IN AN ASSOCIATE

The Group and the Company

Associate	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted	600	600	500
Share of loss	(93)	(336)	(380)
	<u>507</u>	<u>264</u>	<u>120</u>

Details of the Group’s associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest and voting rights held by the Group			Principle activities
			As at December 31,		As at June 30,	
			2024	2025	2026	
Suzhou Yingchuang Medical Technology Co., Ltd.* (蘇州影創醫療科技有限公司) (note)	The PRC	Suzhou	30%	30%	25%	Research, development and sales of medical devices

Note: Suzhou Yingchuang Medical Technology Co., Ltd. was registered on September 19, 2024. On January 22, the Company disposed of its 5% equity interest in Suzhou Yingchuang to an individual third party for a cash consideration of RMB100,000.

* English name is for identification purpose only

20. INVESTMENTS IN SUBSIDIARIES

The Company

Subsidiaries	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Cost of investments, unlisted	40,237	49,294	76,465
Impairment loss of a subsidiary (Note)	(6,050)	(6,050)	(6,050)
	<u>34,187</u>	<u>43,244</u>	<u>70,415</u>

Note: The investments in subsidiaries are assessed for impairment loss whenever there is an indication that may be impaired. The Company recognized full impairment loss related to investment in Changsha Novlead Biotechnology Co., Ltd.* (長沙諾什生物科技股份有限公司), one of its subsidiaries with net liabilities position and ceased substantive business operations, during the year ended December 31, 2024. Save for Changsha Novlead Biotechnology Co., Ltd., no impairment indicators were identified for investments in all other subsidiaries, considering that (i) these subsidiaries constitute the Group’s core operating entities; (ii) there have been no material adverse changes to their operating environment, management stability and corporate governance structures; and (iii) the Group has no plans to discontinue, restructure or dispose of any such subsidiaries.

* English name is for identification purpose only

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21. OTHER NON-CURRENT ASSETS

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental deposits	400	400	400	360	360	360
Prepayment for acquisition of property and equipment	3,426	1,505	2,234	1,521	694	1,584
	<u>3,826</u>	<u>1,905</u>	<u>2,634</u>	<u>1,881</u>	<u>1,054</u>	<u>1,944</u>

22. INVENTORIES

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	6,807	6,790	11,153	4,250	829	643
Work in progress	571	964	1,978	120	31	–
Finished goods	4,157	6,995	5,548	3,102	3,917	2,691
	<u>11,535</u>	<u>14,749</u>	<u>18,679</u>	<u>7,472</u>	<u>4,777</u>	<u>3,334</u>

23. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	7,482	6,843	–	7,391	5,667
Less: Allowance for credit loss	–	(77)	(71)	–	(74)	(57)
	<u>–</u>	<u>7,405</u>	<u>6,772</u>	<u>–</u>	<u>7,317</u>	<u>5,610</u>
Prepayments to suppliers	4,280	7,072	9,680	3,194	2,750	2,924
Deferred issue costs	–	2,352	3,810	–	2,352	3,810
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments for issue costs	–	–	311	–	–	311
Deposits	241	401	2,049	257	337	1,989
Other receivables	389	388	962	333	334	894
	<u>4,910</u>	<u>17,618</u>	<u>25,087</u>	<u>3,784</u>	<u>13,090</u>	<u>17,041</u>

As at 1 January 2024, the carrying amount of the Group’s and the Company’s trade receivables net of allowance for ECL from contracts with customers amounted to RMB784,000 and nil, respectively.

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The Group allows a credit period ranging from 30 to 60 days to its certain customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on revenue recognition dates:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	–	7,392	6,757	–	7,317	5,608
91-180 days	–	13	2	–	–	2
180-365 days	–	–	13	–	–	–
	–	7,405	6,772	–	7,317	5,610
	=	=	=	=	=	=

Details of impairment assessment of trade and other receivables of the Group and the Company are set out in note 34.

Trade receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollar (“USD”)	–	5,197	5,369	–	5,197	5,369
	=	=	=	=	=	=

24. CASH AND CASH EQUIVALENTS/TIME DEPOSITS

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	17	17	17	17	17	17
Bank balances	47,115	48,359	52,247	37,941	38,174	31,129
Time deposits	127,580	111,017	78,956	127,580	111,017	68,701
	174,712	159,393	131,220	165,538	149,208	99,847
	=	=	=	=	=	=
Cash and cash equivalents	69,100	48,376	52,264	59,926	38,191	31,146
Time deposits with maturity over three months	105,612	111,017	78,956	105,612	111,017	68,701
	174,712	159,393	131,220	165,538	149,208	99,847
	=	=	=	=	=	=
Time deposits and bank balances and cash Analysed as:						
Non-current	73,398	66,701	46,836	73,398	66,701	46,836
Current	101,314	92,692	84,384	92,140	82,507	53,011
	174,712	159,393	131,220	165,538	149,208	99,847
	=	=	=	=	=	=

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The carrying amounts of the Group’s and the Company’s bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting period are as follows:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD	4,367	6,523	6,447	4,367	6,194	5,365

The Group’s and the Company’s cash and cash equivalents and time deposits carry interest at market rates per annum ranging as follows:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
Time deposits	2.70%-4.10%	1.80%-3.25%	1.70%-3.15%	2.70%-4.10%	1.80%-3.25%	1.80%-3.15%
Cash and cash equivalents	0.05%-1.15%	0.01%-0.41%	0.01%-0.10%	0.05%-0.10%	0.03%-0.41%	0.03%-0.10%

25. TRADE AND OTHER PAYABLES

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	1,092	4,692	2,034	792	3,262	228
Accrued staff costs and benefits	7,536	9,793	9,100	6,382	7,344	7,076
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued service fee . . .	4,440	2,146	572	4,401	1,749	521
Accrued issue costs . .	—	1,820	—	—	1,820	—
Payables to staff	1,733	1,100	1,446	1,326	797	1,368
Accrued royalty fee . .	583	812	867	583	812	867
Other taxes payables . .	321	642	231	269	573	145
Deposits from customers	170	370	780	170	280	550
Other payables	263	39	15	263	—	—
	16,138	28,917	16,067	14,186	24,140	11,777

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The credit period on purchases of goods or services of the Group and the Company is generally within 90 days. The following is an aged analysis of trade payables presented based on goods or services receipt date at the end of the reporting period:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	845	4,286	1,404	560	2,976	19
91-180 days	141	73	16	126	18	9
180-365 days	35	241	398	35	180	29
1 to 2 years	69	21	129	69	17	84
2 to 3 years	2	71	87	2	71	87
	<u>1,092</u>	<u>4,692</u>	<u>2,034</u>	<u>792</u>	<u>3,262</u>	<u>228</u>

The carrying amounts of the Group’s and the Company’s trade and other payables denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting period are as follows:

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	<u>12</u>	<u>2,630</u>	<u>–</u>	<u>12</u>	<u>2,630</u>	<u>–</u>

26. BANK BORROWINGS

The Group and the Company

	As at December 31,		As at June 30,
	2024	2025	2026
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Bank borrowings			
– Unsecured and unguaranteed	<u>23,018</u>	<u>10,004</u>	<u>34,918</u>
The carrying amounts of the above borrowings are repayable*:			
– within one year	<u>23,018</u>	<u>10,004</u>	<u>34,918</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group and the Company’s borrowings are as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	23,018	10,004	29,915
Variable-rate borrowings	<u>–</u>	<u>–</u>	<u>5,003</u>

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The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group and the Company’s borrowings are as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	%	%	%
Effective interest rates:			
Fixed-rate borrowings	2.50-2.90	2.11-2.20	2.11-2.20
Variable-rate borrowings	—	—	LPR-0.77

27. LEASE LIABILITIES

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:						
– Within one year	2,475	2,243	3,593	2,003	2,003	3,234
– Within a period of more than one year but not exceeding two years	2,393	1,626	209	2,003	1,187	—
– Within a period of more than two years but not exceeding five years	1,786	553	584	1,786	—	—
– More than five years	—	803	586	—	—	—
	<u>6,654</u>	<u>5,225</u>	<u>4,972</u>	<u>5,792</u>	<u>3,190</u>	<u>3,234</u>
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>2,475</u>	<u>2,243</u>	<u>3,593</u>	<u>2,003</u>	<u>2,003</u>	<u>3,234</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>4,179</u>	<u>2,982</u>	<u>1,379</u>	<u>3,789</u>	<u>1,187</u>	<u>—</u>

The Group’s weighted average incremental borrowing rates applied to lease liabilities range from 3.85% to 4.75% per annum as at December 31, 2024, 3.60% to 4.20% per annum as at December 31, 2025 and June 30, 2026.

The Company’s weighted average incremental borrowing rates applied to lease liabilities range from 3.85% to 4.75% per annum as at December 31, 2024, 3.85% per annum as at December 31, 2025 and June 30, 2026.

28. PROVISIONS

The Group

	Warranty provision	Provision for onerous contract	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2024	1,581	—	1,581
Additional provision for the year	1,138	—	1,138
Utilisation of provision	(1,383)	—	(1,383)
At December 31, 2024	<u>1,336</u>	<u>—</u>	<u>1,336</u>
Additional provision for the year	2,242	500	2,742
Utilisation of provision	<u>(1,430)</u>	<u>—</u>	<u>(1,430)</u>

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	Warranty provision	Provision for onerous contract	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2025	2,148	500	2,648
Additional provision for the period	1,973	–	1,973
Utilisation of provision	(859)	–	(859)
At June 30, 2026	3,262	500	3,762

The Company

	Warranty provision	Provision for onerous contract	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2024	1,535	–	1,535
Additional provision in the year	1,002	–	1,002
Utilisation of provision	(1,300)	–	(1,300)
At December 31, 2024	1,237	–	1,237
Additional provision for the year	1,673	500	2,173
Utilisation of provision	(1,314)	–	(1,314)
At December 31, 2025	1,596	500	2,096
Additional provision for the period	1,220	–	1,220
Utilisation of provision	(410)	–	(410)
At June 30, 2026	2,406	500	2,906

The warranty provision represents management’s best estimate of the Group’s liability under 1-year assurance-type warranty granted on medical devices, based on prior experience and industry averages for defective products.

29. CONTRACT LIABILITIES

	The Group			The Company		
	As at December 31,	As at June 30,		As at December 31,	As at June 30,	
	2024	2025	2026	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities . . .	1,225	5,161	3,515	1,145	1,537	2,081

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be provided.

As at January 1, 2024, the Group’s and the Company’s contract liabilities amounted to RMB1,270,000 and RMB1,187,000, respectively.

The contract liabilities of the Group as at January 1, 2024, 2025 and 2026, amounted to RMB1,270,000, RMB1,066,000 and RMB4,745,000 were recognized as revenue during the years ended December 31, 2024 and 2025 and six months ended June 30, 2026, respectively.

The contract liabilities of the Company as at January 1, 2024, 2025 and 2026, amounted to RMB1,187,000, RMB990,000 and RMB1,293,000 were recognized as revenue during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, respectively.

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30. REDEMPTION LIABILITIES

The Company was established in the PRC in April 2018, with an initial registered capital of RMB3,000,000.

In February 2020, the Company entered into an investment agreement with series Angel investors, pursuant to which the Company issued and allotted approximately 750,000 shares, to series Angel investors, at a consideration of RMB10,000,000.

In December 2020, the Company entered into an investment agreement with series A investors, pursuant to which the Company issued and allotted approximately 1,022,728 shares at a consideration of RMB30,000,000.

In October 2021, the Company entered into an investment agreement with series B investors, pursuant to which the Company issued and allotted approximately 1,703,509 shares at a consideration of RMB120,000,000.

In September 2022, the Company entered into an investment agreement with series B+ investors, pursuant to which the Company issued and allotted 1,174,054 Shares at a consideration of RMB110,000,000.

From February 2024 to August 8, 2024, the Company entered into investment agreements with series C investors, pursuant to which the Company issued and allotted an aggregate of 754,830 shares at a total consideration of RMB148,000,000.

As of December 31, 2024, the cash consideration was fully settled, except for the remaining 255,010 shares with a consideration of RMB50,000,000, which were registered and settled in March 2025.

The agreements granted the following special rights to series A to C investors.

Redemption right

Investors have a right to require the Company to redeem their investment if (i) the Company failed to qualified an [REDACTED] (the “[REDACTED]”), before December 31, 2027; (ii) the Company and its existing shareholders have committed a major breach to the agreements; (iii) the Company and its existing shareholders have committed a significant violation of laws and regulations, which has an adverse impact on the Company or results in the Company being unable to complete the [REDACTED].

The redemption amount is calculated as the original investment principal from investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year).

Anti-dilution right

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

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

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, the Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares. The liquidation price shall be including: (i) the original investment from the Investors plus a yield at 8% per annum (the “priority liquidation amount”); and (ii) the remaining distributable assets after the payment of the priority liquidation amount shall distribute in accordance with the share ratios to Investors.

Upon the closure of the investment, at the Group’s consolidated statements of financial position, the Group recognized the contractual obligation to the investors as financial liabilities measured at amortized cost using the effective interest rate method over the period from the closure date to the maturity date of December 31, 2027.

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Pursuant to a shareholders’ agreement entered into among the Company and the Shareholders of the Company dated February 2, 2026, which superseded the previous shareholders agreements, the redemption rights granted by the Company were terminated before the first filing of the [REDACTED] by the Company with the Stock Exchange, while all other special rights will be terminated upon [REDACTED] (“Termination of Special Rights”).

The special rights shall be automatically reinstated upon the earliest of the occurrence of any of the following redemption right restoring events: (i) the [REDACTED] was not approved within 24 months by the regulatory authority or before December 31, 2027; (ii) the Company withdrew the [REDACTED], (iii) the [REDACTED] was returned or rejected, or (iv) the Company did not refile the [REDACTED] within six months after the lapse of the [REDACTED]. In this regard, the directors of the Company are of the opinion that the Company is not probable to be obliged to settle the redemption liabilities before December 31, 2027.

The Group and the Company

The movements of this redemption liabilities are as follows:

	Total
	RMB’000
At January 1, 2024	303,254
Recognition of financial instruments with preferred rights at amortized cost	98,000
Charged to finance costs	28,679
At December 31, 2024	429,933
Recognition of financial instruments with preferred rights at amortized cost	50,000
Charged to finance costs	39,543
At December 31, 2025	519,476
Charged to finance costs	21,302
At June 30, 2026	540,778

31. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

	Paid-in capital	Number of shares	Share capital
	RMB’000		RMB’000
Issued and fully paid:			
As at January 1, 2024	7,309	—	—
Issue of Series C shares (Note i)	500	—	—
At December 31, 2024	7,809	—	—
Issue of Series C shares (Note i)	255	—	—
Capital injection in relation to the share incentive plan (Note ii)	341	—	—
As at December 31, 2025	8,405	—	—
Conversion into a joint stock company (Note iii)	(8,405)	8,405,122	8,405
As at June 30, 2026	—	8,405,122	8,405

Notes:

- i From February 2024 to August 8, 2024, the Company entered into investment agreements with series C investors, pursuant to which the Company issued and allotted an aggregate of 754,830 shares at a total consideration of RMB148,000,000. As at December 31, 2024, 500,000 shares with a total consideration of RMB98,000,000 were registered and received, among which RMB500,000 was credited to the Company’s paid-in capital and the remaining balance was credited as capital reserve. The remaining 254,830 shares with a total consideration of RMB50,000,000 were registered and received in March 2025, among which RMB255,000 was credited to the Company’s paid-in capital and the remaining balance was credited as capital reserve.
- ii In October 2025, the Company received capital injection amounted RMB341,000 in relation to the 2020 Share Incentive Plan which was credited to the Company’s paid-in capital.

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- iii On January 8, 2026, the Company was converted into a joint stock limited liability company. The net assets of the Company as at the conversion base date, which is October 31, 2025, were converted into 8,405,122 ordinary shares with a par value of RMB1 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company’s share premium.

Pursuant to the resolutions of the Shareholders dated February 5, 2026, the Shares were [REDACTED] on a [REDACTED] basis immediately prior to the [REDACTED] (“[REDACTED]”), and the nominal value of the Shares was changed from RMB1.0 each to RMB[REDACTED] each. Immediately after the [REDACTED], the registered share capital of the Company was RMB8,405,122 with [REDACTED] Shares in a nominal value of RMB[REDACTED] each.

32. SHARE-BASED PAYMENT TRANSACTIONS

A share incentive plan (the “2020 Share Incentive Plan”) was approved on December 10, 2020 and became effective on the same day. The purpose of the Share Incentive Plan was to provide incentives to employees and directors (the “Restricted Person”) in order to promote the success of the business of the Group.

The 2020 Share Incentive Plan was implemented through an employee stock ownership platform (the “Shareholding Platforms”) named Jingning Noring Team Biotechnology Partnership Enterprise (Limited Partnership) (“Jingning Noring”) (景寧諾令團隊生物科技合夥企業(有限合夥)). Pursuant to the 2020 Share Incentive Plan, certain employees were granted share options to acquire ordinary shares of the Company via Jingning Noring, while certain directors and senior management were granted restricted shares comprising the Company’s ordinary shares held by Jingning Noring, which are subject to applicable restrictions.

(1) Share options under 2020 Share Incentive Plan

Subject to the terms and conditions as set out in the 2020 Share Incentive Plan, the share options shall vest in four equal tranches of 25% each, on the first, second, third and fourth anniversaries of the relevant grant date, respectively. Exercise of vested share options is subject to the grantee’s continued employment with the Group, compliance with the Company’s rules and policies, and achievement of the Company’s prescribed performance targets. On January 20, 2026, all outstanding share options granted under the 2020 Share Incentive Plan were cancelled to streamline the Group’s share incentive plan.

Details of the share options outstanding throughout the Track Record Period are as follows:

	Number of share options	Weighted average exercise price RMB
For the year ended 31 December 2024		
Employees:		
Outstanding at 1 January 2024	220,376	15.19
Granted during the year	36,132	56.41
Outstanding at 31 December 2024	256,508	21.00
Exercisable at the end of the year	209,512	14.75
For the year ended 31 December 2025		
Employees:		
Outstanding at 1 January 2025	256,508	21.00
Granted during the year	3,000	78.40
Outstanding at 31 December 2025	259,508	21.66
Exercisable at the end of the year	235,577	17.97
For the six months ended June 30, 2025		
Employees:		
Outstanding at 1 January 2025	256,508	21.00
Granted during the period	3,000	78.40
Outstanding at 30 June 2025	259,508	21.66
Exercisable at the end of the period	235,577	17.97
For the six months ended June 30, 2026		
Employees:		
Outstanding at 1 January 2026	259,508	21.66
Cancelled during the period	(259,508)	21.66
Outstanding at 30 June 2026	—	—

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Fair value of share options granted

The Group used back-solve method to determine the underlying equity fair value of the Company. Binomial Option Pricing Model was used to determine the fair value of share options at the date of grant under ESOP Plan. The fair value of share options was determined to be in the range from RMB9.40 to RMB48.93, by referring to the equity fair value of the Company ranged from RMB14.31 to RMB80.83. The foresaid fair value of the share options at date of grant was valued by directors of the Company with reference to valuation carried out by AVISTA Valuation Advisory Limited (“AVISTA”), an independent qualified valuer. The address of AVISTA is Suites 2401-06, 24/F, Everbright Centre, No 108 Gloucester Road, Wan Chai, Hong Kong. Key assumptions into the model for share options were exercise price ranged from RMB2.67 to RMB92.41, expected volatility ranged from 41.90% to 45.26%, risk-free rate ranged from 1.63% to 3.28%, expected life of 10 years and expected dividend yield of 0.00%.

The directors of the Company estimated the risk-free interest rate based on the yield of the China Corporate Bonds with a maturity life close to the life of the share options. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognized in profit and loss, with a corresponding adjustment to the share-based payments reserve.

For the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, the Group’s total share-based payment expenses recognized in the consolidated statement of profit or loss and other comprehensive income in relation to share option granted by the Company is RMB1,493,000, RMB1,423,000 and RMB1,443,000, respectively.

(2) **Restricted shares under 2020 Share Incentive Plan**

Subject to the terms and conditions as set out in the 2020 Share Incentive Plan, the vesting of the RSs granted is conditional upon the fulfillment of requisite service conditions and the lapse of one year after the completion of a qualified [REDACTED]. If an employee’s employment is terminated during the vesting period, such employee shall transfer all unvested RSs to the person or entity designated by the general partner of Jingning Noring at the original grant price plus 8% per annum simple interest.

Pursuant to the 2020 Share Incentive Plan, a total of 330,474 restricted shares were granted in 2026, of which 175,885 were newly granted to selected employees and 154,589 were granted to employees as compensation for the cancellation of their share options under the 2020 Share Incentive Plan.

The following table summarized the movement of the Group’s unvested restricted shares:

	Number of restricted shares	Weighted average exercise price
		RMB
As at January 1, 2024, December 31, 2024, December 31, 2025	1,468,643	1.71
Granted	330,474	15.46
As at June 30, 2026	1,799,117	4.24

Fair value of restricted shares granted

The Group used back-solve method to determine the underlying equity fair value of the Company. The fair value of RS at date of grant was determined to be in the range from RMB4.31 to RMB140.39 by taking into account of the fair value of the equity of the Company ranged from RMB14.31 to RMB141.39 per share and the purchase price of RS ranged from RMB1.00 to RMB78.40. The foresaid fair value of RS at date of grant was valued by directors of the Company with reference to valuation reports carried out by AVISTA. Major inputs used for the determination of the fair value of ordinary shares were expected volatility ranged from 43.28% to 48.58% and risk-free rate ranged from 1.37% to 3.08%.

During the years ended December 31, 2024 and 2025 and six months ended June 30, 2026, the Group has recognized no expenses in respect of the restricted shares, as the [REDACTED]-related vesting conditions had not been satisfied.

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33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt which includes borrowings and lease liabilities, net of cash and cash equivalents and equity, comprising paid-in/share capital and reserves.

The management of the Group review the capital structure on an ongoing basis. As part of this review, the management consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the issue of new capital, as well as the issue of new debt or the redemption of existing debt.

34. FINANCIAL INSTRUMENTS

A. Categories of financial instruments

	The Group			The Company		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets						
Amortized cost	175,342	167,587	141,095	166,915	162,923	117,061
Financial liabilities						
Amortized cost	456,209	535,681	579,971	458,986	536,548	580,756

B. Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include trade and other receivables, amounts due from subsidiaries, time deposits, cash and cash equivalents, trade and other payables, redemption liabilities, bank borrowings and amount due to subsidiaries. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

Most of the Group’s revenue, expenditures as well as capital expenditures are also denominated in RMB, which is the functional currency of the Company and relevant subsidiaries. The Company has sales and purchases denominated in USD other than the functional currency which expose the Company to foreign currency risk. The Group’s exposure to foreign currency risk is arising mainly from certain bank balances, certain trade receivables and certain trade payables which are denominated in foreign currencies. Except for the below items denominated in foreign currencies, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period.

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

	The Group						The Company					
	Assets			Liabilities			Assets			Liabilities		
	As at December 31,		As at June 30,	As at December 31,		As at June 30,	As at December 31,		As at June 30,	As at December 31,		As at June 30,
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD . . .	4,367	11,720	11,816	12	2,630	–	4,367	11,391	10,734	12	2,630	–

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Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against relevant currency, there would be an equal and opposite impact on pre-tax loss for the year/period.

	The Group			The Company		
	Increase in post-tax loss			Increase in post-tax loss		
	For the year ended December 31,		For the six months ended June 30,	For the year ended December 31,		For the six months ended June 30,
	2024	2025	2026	2024	2025	2026
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD	218	455	591	218	438	537

(b) Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (Note 26), lease liabilities (Note 27) and redemption liabilities (Note 30). The Group currently does not have an interest rate hedging policy. The management of the Group monitors the Group’s exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (Note 26), bank balances and time deposits.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate borrowings are used represents management’s assessment of the reasonably possible change in interest rates. Bank balances and time deposits are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group’s post-tax loss for the year/period would increase/decrease by nil, nil and RMB250,000 for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, respectively.

Credit risk and impairment assessment

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

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

Trade receivables

In order to minimize the credit risk, the management has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, receivable balances are monitored on an ongoing basis. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

The Group performed impairment assessment under ECL model on trade receivables individually and collectively. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are assessed collectively, grouped based on similar loss patterns, taking into consideration the past default experience of the debtors and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of the reporting period. Details of the quantitative disclosures are set out below in this note.

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The Group writes off trade receivables and amounts due from subsidiaries when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Other receivables

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

Amounts due from subsidiaries

The ECL on amounts due from subsidiaries are assessed individually based on the probability of defaults of amounts due from subsidiaries, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort.

Time deposits and cash and cash equivalents

The credit risk on time deposits and cash and cash equivalents are limited because the counterparties are reputable banks with high credit ratings assigned by credit-rating agencies.

The table below detail the credit risk exposures of the Group’s financial assets which are subject to ECL assessment:

The Group

			December 31, 2024	December 31, 2025	June 30, 2026
	Notes	12-month or lifetime ECL	Gross carrying amount	Gross carrying amount	Gross carrying amount
			RMB’000	RMB’000	RMB’000
Financial assets at amortized cost					
Trade receivables	23	Lifetime ECL (collective assessment)	–	7,482	6,843
Other receivables and deposits	23	12m ECL	630	789	3,103
Cash and cash equivalents . . .	24	12m ECL	69,100	48,376	52,264
Time deposits	24	12m ECL	105,612	111,017	78,956

The Company

			December 31, 2024	December 31, 2025	June 30, 2026
	Notes	12-month or lifetime ECL	Gross carrying amount	Gross carrying amount	Gross carrying amount
			RMB’000	RMB’000	RMB’000
Financial assets at amortized cost					
Trade receivables	23	Lifetime ECL (collective assessment)	–	7,391	5,667
Other receivables and deposits	23	12m ECL	590	671	2,975
Amounts due from subsidiaries		lifetime ECL (not credit-impaired)	787	5,727	8,629
Cash and cash equivalents . . .	24	12m ECL	59,926	38,191	31,146
Time deposits with maturity over three months	24	12m ECL	105,612	111,017	68,701

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

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Provision matrix — debtors’ ageing

As part of the Group’s credit risk management, the Group uses debtors’ ageing to assess the impairment for its customers in relation to its operation because these customers have common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	Gross carrying amount as at					
	December 31, 2024		December 31, 2025		June 30, 2026	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables	Average loss rate	Trade receivables
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Within 90 days	—	—	1%	7,467	1%	6,825
91 days to 1 year	—	—	15%	15	15%	18

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

The Group

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB’000	RMB’000	RMB’000
As at January 1, 2024	30	—	30
Impairment losses (reversed) recognized, net of reversal	(6)	135	129
Transfer to credit-impaired	(24)	24	—
Write-offs	—	(159)	(159)
As at December 31, 2024	—	—	—
Impairment losses recognized, net of reversal	77	—	77
As at December 31, 2025	77	—	77
Impairment losses reversed, net of reversal	(6)	—	(6)
As at June 30, 2026	71	—	71

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The Company

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2024	30	–	30
Impairment losses (reversed) recognized, net of reversal	(6)	135	129
Transfer to credit-impaired	(24)	24	–
Write-offs	–	(159)	(159)
At December 31, 2024	–	–	–
Impairment losses recognized, net of reversal	74	–	74
At December 31, 2025	74	–	74
Impairment losses reversed, net of reversal	(17)	–	(17)
As at June 30, 2026	57	–	57

Liquidity Risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s and the Company’s operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

The Group

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2024							
Trade and other payables	N/A	3,258	–	–	–	3,258	3,258
Redemption liabilities	8.36	–	–	546,915	–	546,915	429,933
Bank borrowings	2.68	23,312	–	–	–	23,312	23,018
Lease liabilities	4.08	3,543	2,379	993	–	6,915	6,654
		30,113	2,379	547,908	–	580,400	462,863
At December 31, 2025							
Trade and other payables	N/A	6,201	–	–	–	6,201	6,201
Redemption liabilities	8.44	–	610,896	–	–	610,896	519,476
Bank borrowings	2.18	10,182	–	–	–	10,182	10,004
Lease liabilities	3.96	4,604	1,196	666	777	7,243	5,225
		20,987	612,092	666	777	634,522	540,906
At June 30, 2026							
Trade and other payables	N/A	4,275	–	–	–	4,275	4,275
Redemption liabilities	8.44	–	610,896	–	–	610,896	540,778
Bank borrowings	2.18	35,231	–	–	–	35,231	34,918
Lease liabilities	3.96	3,974	222	666	666	5,528	4,972
		43,480	611,118	666	666	655,930	584,943

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The Company

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2024						
Trade and other payables	N/A	2,551	–	–	2,551	2,551
Amount due to subsidiaries	N/A	3,484	–	–	3,484	3,484
Redemption liabilities	8.36	–	–	546,915	546,915	429,933
Bank borrowings	2.68	23,312	–	–	23,312	23,018
Lease liabilities	3.85	3,014	2,003	993	6,010	5,792
		<u>32,361</u>	<u>2,003</u>	<u>547,908</u>	<u>582,272</u>	<u>464,778</u>
At December 31, 2025						
Trade and other payables	N/A	4,339	–	–	4,339	4,339
Amount due to subsidiaries	N/A	2,729	–	–	2,729	2,729
Redemption liabilities	8.44	–	610,896	–	610,896	519,476
Bank borrowings	2.18	10,182	–	–	10,182	10,004
Lease liabilities	3.85	4,006	993	–	4,999	3,190
		<u>21,256</u>	<u>611,889</u>	<u>–</u>	<u>633,145</u>	<u>539,738</u>
At June 30, 2026						
Trade and other payables	N/A	2,146	–	–	2,146	2,146
Amount due to subsidiaries	N/A	2,914	–	–	2,914	2,914
Redemption liabilities	8.44	–	610,896	–	610,896	540,778
Bank borrowings	2.18	35,231	–	–	35,231	34,918
Lease liabilities	3.85	3,497	–	–	3,497	3,234
		<u>43,788</u>	<u>610,896</u>	<u>–</u>	<u>654,684</u>	<u>583,990</u>

C. Fair value measurements of financial instruments

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Lease liabilities	Redemption liabilities	Accrued/ prepayments for issue costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2024	28,021	2,583	303,254	–	333,858
Financing cash flows	(5,840)	(83)	98,000	–	92,077
<i>Non-cash change:</i>					
Finance costs	837	155	28,679	–	29,671
Release of lease-related government subsidies	–	(1,785)	–	–	(1,785)
New lease entered	–	6,401	–	–	6,401
Termination of lease	–	(617)	–	–	(617)

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	Bank borrowings	Lease liabilities	Redemption liabilities	Accrued/ prepayments for issue costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024 .	23,018	6,654	429,933	—	459,605
Financing cash flows . . .	(13,522)	(840)	50,000	(532)	35,106
<i>Non-cash change:</i>					
Finance costs	508	233	39,543	—	40,284
Release of lease-related government subsidies . .	—	(2,592)	—	—	(2,592)
New lease entered	—	1,770	—	—	1,770
Issue cost accrued	—	—	—	2,352	2,352
As at December 31, 2025	10,004	5,225	519,476	1,820	536,525
Financing cash flows . . .	24,593	—	—	(3,589)	21,004
<i>Non-cash change:</i>					
Finance costs	321	75	21,302	—	21,698
Release of lease-related government subsidies . .	—	(328)	—	—	(328)
Issue cost accrued	—	—	—	1,458	1,458
As at June 30, 2026	34,918	4,972	540,778	(311)	580,357
As at January 1, 2025 . . .	23,018	6,654	429,933	—	459,605
Financing cash flows . . .	5,691	—	50,000	—	55,691
<i>Non-cash change:</i>					
Finance costs	310	95	18,750	—	19,155
Release of lease-related government subsidies . .	—	(236)	—	—	(236)
As at June 30, 2025 (unaudited)	29,019	6,513	498,683	—	534,215

36. RETIREMENT BENEFIT PLANS

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

The total costs charged to profit or loss, amounting to RMB4,183,000, RMB4,378,000 and RMB2,241,000 for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, respectively, representing contributions paid to the retirement benefits scheme by the Group.

37. RELATED PARTY DISCLOSURES

Name	Relationship
Eaglenos Sciences, Inc.* (南京晶捷生物科技有限公司)	A shareholder of the Company

* English name is for identification purpose only.

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The Group has following transactions with related parties:

(a) Related party transactions

	Year ended December 31,		Six months ended
	2024	2025	June 30,
	RMB'000	RMB'000	2026
Sales of consumer health products			
Eaglenos Sciences, Inc.	62	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Purchase of raw materials			
Eaglenos Sciences, Inc.	—	1	5
	<u>—</u>	<u>—</u>	<u>—</u>

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended December 31,		Six months ended
	2024	2025	June 30,
	RMB'000	RMB'000	2026
Salaries and other benefits	3,365	2,536	1,910
Retirement benefit scheme contributions	572	432	283
Discretionary bonuses	786	870	303
	<u>4,723</u>	<u>3,838</u>	<u>2,496</u>

38. CONTINGENT LIABILITIES

As at December 31, 2024 and 2025 and June 30, 2026, the Group did not have any material contingent liabilities.

39. RESERVES OF THE COMPANY

	Paid-in capital/share capital	Capital Reserves	Other Reserves	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	7,309	266,099	(260,000)	2,514	(178,223)	(162,301)
Loss and total comprehensive expense for the year	—	—	—	—	(87,783)	(87,783)
Issue of Series C shares (Note 31)	500	97,500	—	—	—	98,000
Equity-settled share-based payments (Note 32)	—	—	—	1,493	—	1,493
Redemption liabilities (Note 30)	—	—	(98,000)	—	—	(98,000)
At December 31, 2024	<u>7,809</u>	<u>363,599</u>	<u>(358,000)</u>	<u>4,007</u>	<u>(266,006)</u>	<u>(248,591)</u>
At January 1, 2025	7,809	363,599	(358,000)	4,007	(266,006)	(248,591)
Loss and total comprehensive expense for the year	—	—	—	—	(87,043)	(87,043)
Issue of Series C shares (Note 31)	255	49,745	—	—	—	50,000

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	Paid-in capital/share capital	Capital Reserves	Other Reserves	Share-based payments reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital injection in relation to the share incentive plan (Note 31)	341	—	—	—	—	341
Equity-settled share-based payments (Note 32)	—	—	—	1,423	—	1,423
Redemption liabilities (Note 30)	—	—	(50,000)	—	—	(50,000)
At December 31, 2025	<u>8,405</u>	<u>413,344</u>	<u>(408,000)</u>	<u>5,430</u>	<u>(353,049)</u>	<u>(333,870)</u>
At January 1, 2026	8,405	413,344	(408,000)	5,430	(353,049)	(333,870)
Loss and total comprehensive expense for the period	—	—	—	—	(53,777)	(53,777)
Equity-settled share-based payments (Note 32)	—	—	—	1,443	—	1,443
Cancellation of share options (Note 32)	—	6,873	—	(6,873)	—	—
At June 30, 2026	<u>8,405</u>	<u>420,217</u>	<u>(408,000)</u>	<u>—</u>	<u>(406,826)</u>	<u>(386,204)</u>
At January 1, 2025	7,809	363,599	(358,000)	4,007	(266,006)	(248,591)
Loss and total comprehensive expense for the year	—	—	—	—	(38,819)	(38,819)
Issue of Series C shares (Note 31)	255	49,745	—	—	—	50,000
Equity-settled share-based payments (Note 32)	—	—	—	730	—	730
Redemption liabilities (Note 30)	—	—	(50,000)	—	—	(50,000)
At June 30, 2025 (unaudited) . .	<u>8,064</u>	<u>413,344</u>	<u>(408,000)</u>	<u>4,737</u>	<u>(304,825)</u>	<u>(286,680)</u>

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company’s principal subsidiaries as at December 31, 2024 and 2025, June 30, 2026 and the date of this report are as follows:

Name of subsidiaries	Place/country and date of establishment/ Incorporation	Registered Capital	Equity interest attributable to owners of the Company as at				Principal activities
			December 31, 2024	December 31, 2025	June 30, 2026	Date of this report	
			%	%	%	%	
Guangxi Nuogang Biotechnology Co., Ltd.* (廣西諾港生 物科技有限 公司) (Note ii)	PRC August 31, 2023	RMB3,000,000	100.0	100.0	100.0	100.0	Manufacture and Sale of Medical Devices
Novlead Biotechnology (Yangzhou) Co., Ltd.* (諾令生物科 技(揚州)有 限公司) (Note ii) . .	PRC February 19, 2024	RMB15,000,000	100.0	100.0	100.0	100.0	Manufacture and Sale of Medical Devices

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Notes:

- i. The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.
 - ii. No audited statutory financial statements have been issued by these subsidiaries for the years ended December 31, 2024 and 2025 as of the date of this report.
- * *English name is for identification purpose only.*

41. CAPITAL COMMITMENTS

	As at December 31,		As at June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property and equipment	2,223	960	1,129

42. SUBSEQUENT FINANCIAL STATEMENTS

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