



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEDTIDE INC., MORGAN STANLEY ASIA LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED**

### **Introduction**

We report on the historical financial information of Medtide Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-81, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022, 2023 and 2024 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 20, 2025 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### **Directors' responsibility for the Historical Financial Information**

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

### **Reporting accountants' responsibility**

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

This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.



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

***Adjustments***

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

***Dividends***

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*Ernst & Young*  
Certified Public Accountants  
Hong Kong  
June 20, 2025

**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("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.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>REVENUE</b>	5	350,840	336,774	442,226
Cost of sales		<u>(149,771)</u>	<u>(156,603)</u>	<u>(192,452)</u>
<b>Gross profit</b>		201,069	180,171	249,774
Other income and gains	6	22,725	23,144	59,057
Selling and marketing expenses		(22,245)	(28,071)	(42,494)
Administrative expenses		(43,475)	(43,771)	(73,406)
Research and development expenses		(21,020)	(23,144)	(28,748)
Impairment losses on financial assets, net		(1,125)	(600)	(916)
Other expenses	9	(27)	(156)	(285)
Finance costs	8	<u>(1,281)</u>	<u>(224)</u>	<u>(1,141)</u>
<b>Profit before fair value losses on financial liabilities at fair value through profit or loss</b>		134,621	107,349	161,841
Fair value losses on financial liabilities at fair value through profit or loss	30/31	<u>(67,065)</u>	<u>(45,371)</u>	<u>(83,392)</u>
<b>PROFIT BEFORE TAX</b>		67,556	61,978	78,449
Income tax expense	12	<u>(13,576)</u>	<u>(13,073)</u>	<u>(19,276)</u>
<b>PROFIT FOR THE YEAR</b>		<u>53,980</u>	<u>48,905</u>	<u>59,173</u>
<b>Attributable to:</b>				
<b>Owners of the parent</b>		<u>53,980</u>	<u>48,905</u>	<u>59,173</u>
<b>EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	14			
Basic		RMB0.54	RMB0.39	RMB0.47
Diluted		<u>RMB0.54</u>	<u>RMB0.39</u>	<u>RMB0.38</u>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>53,980</u>	<u>48,905</u>	<u>59,173</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>5,209</u>	<u>600</u>	<u>1,252</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>5,209</u>	<u>600</u>	<u>1,252</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>59,189</u>	<u>49,505</u>	<u>60,425</u>
Attributable to:			
Owners of the parent	<u>59,189</u>	<u>49,505</u>	<u>60,425</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Property and equipment	15	258,153	296,418	300,484
Goodwill	18	95,406	95,406	95,406
Other intangible assets	16	47,014	41,090	36,016
Right-of-use assets	17	42,864	39,691	38,082
Financial assets at fair value through profit or loss	19	1,728	1,530	1,634
Time deposits	24	51,634	53,409	–
Prepayments, other receivables and other assets	23	7,157	9,330	7,183
Deferred tax assets	29	139	62	23
Total non-current assets		504,095	536,936	478,828
<b>CURRENT ASSETS</b>				
Inventories	21	79,305	73,005	84,777
Amounts due from related parties	39	2,955	1,659	–
Trade and notes receivables	22	19,800	36,418	57,720
Prepayments, other receivables and other assets	23	7,175	11,621	16,098
Financial assets at fair value through profit or loss	19	332,126	110,082	–
Restricted cash	24	430	435	439
Time deposits	24	10,000	–	143,032
Prepaid income tax		4,218	7,578	4,551
Cash and cash equivalents	24	279,048	531,012	387,183
Total current assets		735,057	771,810	693,800
<b>CURRENT LIABILITIES</b>				
Trade payables	25	12,711	6,731	23,469
Convertible bonds	31	321,000	321,000	–
Other payables and accruals	26	100,391	120,534	53,460
Interest-bearing bank borrowings	27	–	–	40,000
Contract liabilities	28	59,099	49,435	37,444
Lease liabilities	17	2,474	1,846	379
Amounts due to related parties	39	2,333	1,855	1,811
Deferred government grants	32	–	–	6,438
Income tax payable		7,808	118	9,042
Total current liabilities		505,816	501,519	172,043
<b>NET CURRENT ASSETS</b>		229,241	270,291	521,757
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		733,336	807,227	1,000,585

	<i>Notes</i>	<b>As at December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>				
Redemption liabilities on equity shares	30	517,667	542,038	639,805
Deferred government grants	32	–	–	29,072
Lease liabilities	17	1,815	–	764
Deferred tax liabilities	29	11,387	11,305	12,194
Total non-current liabilities		530,869	553,343	681,835
Net Assets		202,467	253,884	318,750
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Paid-in capital	33	121,673	–	–
Share capital	33	–	125,000	125,000
Reserves	34	80,794	128,884	193,750
Total equity		202,467	253,884	318,750

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent							
Notes	Paid-in capital	Capital reserve	Other reserve	Share-based payment reserve	Foreign currency translation reserve	Surplus reserve	Retained profits	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	85,423	449,929	(471,602)	246	(5,198)	32,556	13,784	105,138	
At January 1, 2022	-	-	-	-	-	-	53,980	53,980	
Profit for the year									
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	5,209	-	-	5,209	
Total comprehensive income for the year	-	-	-	-	5,209	-	53,980	59,189	
Capital injection by shareholders	33	36,250	-	-	-	-	-	36,250	
Share-based payment compensation	35	-	-	1,890	-	-	-	1,890	
At December 31, 2022	<u>121,673</u>	<u>449,929*</u>	<u>(471,602)*</u>	<u>2,136*</u>	<u>11*</u>	<u>32,556*</u>	<u>67,764*</u>	<u>202,467</u>	

		Attributable to owners of the parent							
Notes	Paid-in capital	Share capital	Capital reserve	Other reserve	Share-based payment reserve	Foreign currency translation reserve	Surplus reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	121,673	-	449,929	(471,602)	2,136	11	32,556	67,764	202,467
At January 1, 2023	-	-	-	-	-	-	-	48,905	48,905
Profit for the year									
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	-	600	-	-	600
Total comprehensive income for the year	-	-	-	-	-	600	-	48,905	49,505
Share-based payment compensation	35	-	-	-	1,912	-	-	-	1,912
Conversion into a joint stock company	33	(121,673)	125,000	269,050	-	-	(32,556)	(239,821)	-
At December 31, 2023	<u>-</u>	<u>125,000</u>	<u>718,979*</u>	<u>(471,602)*</u>	<u>4,048*</u>	<u>611*</u>	<u>-*</u>	<u>(123,152)*</u>	<u>253,884</u>



## CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	<b>Year ended December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		67,556	61,978	78,449
Adjustments for:				
Finance costs	8	1,281	224	1,141
Bank interest income	6	(914)	(6,920)	(13,560)
Depreciation of property and equipment	15	16,443	20,164	20,743
Depreciation of right-of-use assets	17	3,128	3,224	2,843
Amortization of other intangible assets	16	6,362	6,393	6,503
Provision for inventories		2,508	3,940	2,456
Share-based payment compensation	35	1,890	1,912	4,441
Impairment loss recognized on financial assets under the expected credit losses model, net		1,125	600	916
(Gain)/loss on disposal of property and equipment, net	6/9	(384)	156	228
Fair value change of financial assets at fair value through profit or loss	6	(7,920)	(7,585)	(3,086)
Loss on fair value changes of financial liabilities measured at fair value through profit or loss	30/31	67,065	45,371	83,392
Net exchange differences		(11,944)	(5,065)	(7,316)

	<i>Notes</i>	<b>Year ended December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Increase)/decrease in inventories		(14,323)	2,360	(14,228)
Increase in trade and notes receivables		(5,306)	(17,150)	(22,203)
Increase in prepayments, other receivables and other assets		(3,662)	(4,625)	(553)
Increase in pledged bank deposits		(23)	(5)	–
Increase/(decrease) in trade payables		5,385	(5,980)	16,738
Increase/(decrease) in other payables and accruals		6,332	15,389	(65,467)
Increase in deferred government grants		–	–	35,510
Increase/(decrease) in contract liabilities		8,932	(9,664)	(11,991)
Decrease in amounts due from related parties-trade		122	1,296	–
Increase/(decrease) in amounts due to related parties-trade		<u>2,195</u>	<u>(478)</u>	<u>(44)</u>
Cash generated from operations		<u>145,848</u>	<u>105,535</u>	<u>114,912</u>
Income tax paid		(11,964)	(24,128)	(6,397)
Interest received		<u>914</u>	<u>6,920</u>	<u>11,992</u>
Net cash flows generated from operating activities		<u>134,798</u>	<u>88,327</u>	<u>120,507</u>

	<i>Notes</i>	<b>Year ended December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property and equipment		(92,149)	(55,175)	(21,022)
Proceeds from disposal of property and equipment		4,377	18	121
Purchases of other intangible assets		(45)	(469)	(1,429)
Purchases of financial assets at fair value through profit or loss		(420,228)	(110,000)	(100,000)
Placement of time deposits		(50,000)	–	(142,434)
Withdrawal of time deposits		–	10,000	56,974
Withdrawal of financial assets at fair value through profit or loss		201,418	332,126	210,000
Receipt of the related party's repayment of loan		–	–	1,659
Proceeds from withdrawal of financial assets at fair value through profit or loss		<u>5,695</u>	<u>5,926</u>	<u>1,284</u>
Net cash flows (used in)/generated from investing activities		<u>(350,932)</u>	<u>182,426</u>	<u>5,153</u>

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital injection from shareholders		36,250	–	–
New bank borrowings		–	–	40,000
Repayment of bank borrowings		(87,632)	–	–
Repayment for principal of convertible bonds		–	–	(300,000)
Payment for interests of convertible bonds		–	(21,000)	(6,625)
Repayment of borrowings from related party		(5,312)	–	–
Repayment of lease liabilities		(2,477)	(2,726)	(2,014)
Payments of listing expense		–	–	(6,767)
Interest paid		(914)	–	(1,065)
Net cash flows used in financing activities		<u>(60,085)</u>	<u>(23,726)</u>	<u>(276,471)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of year		538,264	279,048	531,012
Effect of foreign exchange rate changes, net		<u>17,003</u>	<u>4,937</u>	<u>6,982</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>279,048</u></u>	<u><u>531,012</u></u>	<u><u>387,183</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	24	<u>279,048</u>	<u>531,012</u>	<u>387,183</u>
Cash and cash equivalents as stated in the statement of financial position		<u>279,048</u>	<u>531,012</u>	<u>387,183</u>
Cash and cash equivalents as stated in the statement of cash flows		<u><u>279,048</u></u>	<u><u>531,012</u></u>	<u><u>387,183</u></u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>				
Other intangible assets		–	–	1,044
Time deposits	24	51,634	53,409	–
Financial assets at fair value through profit or loss	19	1,728	1,530	1,634
Prepayments, other receivables and other assets	23	–	–	1,619
Investments in subsidiaries	20	730,340	732,239	736,484
Total non-current assets		783,702	787,178	740,781
<b>CURRENT ASSETS</b>				
Prepayments, other receivables and other assets	23	52,108	104,212	56,606
Financial assets at fair value through profit or loss	19	292,557	100,000	–
Time deposits	24	10,000	–	55,189
Cash and cash equivalents	24	38,871	191,010	25,940
Total current assets		393,536	395,222	137,735
<b>CURRENT LIABILITIES</b>				
Convertible bonds	31	321,000	321,000	–
Other payables and accruals	26	22,899	43,332	36,596
Income tax payable		382	11	8
Total current liabilities		344,281	364,343	36,604
NET CURRENT ASSETS		49,255	30,879	101,131
TOTAL ASSETS LESS CURRENT LIABILITIES		832,957	818,057	841,912
<b>NON-CURRENT LIABILITIES</b>				
Redemption liabilities on equity shares	30	517,667	542,038	639,805
Total non-current liabilities		517,667	542,038	639,805
NET ASSETS		315,290	276,019	202,107

	<i>Notes</i>	<b>As at December 31,</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY</b>				
Paid-in capital	33	121,673	–	–
Share capital	33	–	125,000	125,000
Reserves	34	193,617	151,019	77,107
Total equity		<u>315,290</u>	<u>276,019</u>	<u>202,107</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Medtide Inc. (the “Company”) was established in the People’s Republic of China (“PRC”) on June 11, 2020, as a limited liability company. On February 10, 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office of the Company is located at Room 501-11, Building 6, Yin Hai Kechuang Center, Xiasha Street, Qiantang District, Hangzhou City, Zhejiang Province, PRC.

During the Relevant Periods, the principal activity of the Company and its subsidiaries (together, the “Group”) is to provide prominent contract research and development manufacturing organization (CRDMO) services that specializes in synthetic peptide production.

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

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Chinese Peptide Company (中肽生化有限公司) (“Chinese Peptide”)*	(a)	PRC/Mainland China August 27, 2001	RMB57,859,591	100%	–	CRDMO Services
Hangzhou Yuanxi Pharmaceutical Technology Co., Ltd. (杭州源璽醫藥科技有限公司) (“Yuanxi Pharmaceutical”)*	(b)	PRC/Mainland China December 25, 2020	RMB10,000,000	100%	–	CRDMO Services
CPC Scientific, Inc. (“CPC Scientific”)	(b)	United States of America (“USA”) April 27, 2005	USD10,000	–	100%	CRDMO Services

The above table lists the subsidiaries of the Company that the directors of the Company believe principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would result in particulars of excessive length.

\* The English names of these subsidiaries registered in the PRC represent the best efforts made by the management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

Notes:

- (a) The statutory financial statements of Chinese Peptide for the years ended December 31, 2022 and 2023 prepared under PRC GAAP were audited by Hangzhou Junzheng Certified Public Accountants GP (杭州君正會計師事務所(普通合夥)). The statutory financial statements of Chinese Peptide for the year ended December 31, 2024 have not yet been issued as of the date of this report.
- (b) No audited financial statements have been prepared for these companies since their incorporation/registration.

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”), and accounting principles generally accepted in Hong Kong. All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

#### **Basis of consolidation**

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

## **2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>1</sup>
Amendments to IAS 28 and IFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>3</sup>
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>4</sup>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>4</sup>
<i>Annual Improvements to IFRS Accounting Standards - Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>3</sup>

1 Effective for annual periods beginning on or after 1 January 2025

2 No mandatory effective date yet determined but available for adoption

3 Effective for annual periods beginning on or after 1 January 2026

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers the application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and additional disclosure will be included in the financial statements. Except for IFRS 18, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are not expected to have a material impact on the Group's results of operations and financial position.

## 2.3 MATERIAL ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Fair value measurement**

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

**Related parties**

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

**Property and equipment and depreciation**

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

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual depreciation rates used for this purpose are as follows:

Buildings	3.23%
Machinery and equipment	9.7% to 48.5%
Motor vehicles	6.06% to 9.7%
Computer and office equipment	9.7% to 48.5%

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

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

Construction in progress represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

#### **Intangible assets (other than goodwill)**

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

#### ***Software***

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 3 to 10 years. The estimated useful life of 3 to 10 years for software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

#### ***Knowhows***

Knowhows with finite useful lives are measured initially at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 10 years. The estimated useful life of 10 years for knowhows are estimated based on the lifecycle of the products and current market competition.

#### **Research and development costs**

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

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

#### **Leases**

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

#### ***Group as a lessee***

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

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

*(a) Right-of-use assets*

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

Office premises	3 to 5 years
Leasehold land	48 to 50 years

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

*(b) Lease liabilities*

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

**Investments and other financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss ("FVTPL").

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

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

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

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

#### ***Subsequent measurement***

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

##### ***Financial assets at amortized cost (debt instruments)***

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

##### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

#### ***Derecognition of financial assets***

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

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

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

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

**Impairment of financial assets**

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

***General approach***

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

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

***Simplified approach***

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

**Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables, interest-bearing bank borrowings, lease liabilities, amounts due to related parties, convertible bonds and redemption liabilities on equity shares.

#### ***Subsequent measurement***

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

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities. The Group has designated its redemption liabilities on equity shares and convertible bonds as financial liabilities at fair value through profit or loss, details of which are included in note 30 and 31 to the financial statements.

#### ***Financial liabilities at amortized cost***

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

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

#### ***Derecognition of financial liabilities***

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

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

#### ***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis or on a weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### ***Cash and cash equivalents***

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

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

**Income tax**

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

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

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

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

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

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

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

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

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

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

**Government grants**

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

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

**Revenue recognition*****Revenue from contracts with customers***

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

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

The Group generate revenue primarily from peptide CRDMO services (Contract Research, Development, Manufacturing Organization) for biotechnology and pharmaceutical companies provided by fee model of fee-for-service ("FFS") or full-time-equivalent ("FTE").

***(a) CRDMO services***

The majority of revenue are generated through contracts under FFS model. The CRDMO services promised in the FFS contracts usually contain multiple deliverables, which are generally in the form of technical laboratory reports and/or manufactured peptide or oligonucleotides products at different scales, including laboratory scale, pilot scale and cGMP-compliant commercial scale. The Group allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration. Revenue is recognized at a point in time when the Group transfer control of the distinct services to its customer upon receipt or delivery of reports or products in accordance with applicable delivery terms in the FFS contracts.

For the research services provided on a FTE basis, the Group provides its customer with a project team of scientists and technical staff dedicated to the customer's studies for a specific period of time and charges the customer at a fixed rate per employee. For the services under FTE model, the Group has assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the performance obligation of FTE services is satisfied over time and FTE revenue is recognized over the service period.

***(b) Other revenue******Sales of diagnostics products***

Prometheus Bio Inc. and UCP Biosciences Inc., subsidiaries of the Group, were primarily engaged in the sales of diagnostics products. Revenue is recognized at a point in time when these subsidiaries transfer control of the goods to its customer, generally upon delivery of such diagnostics products. Prometheus Bio Inc. and UCP Biosciences Inc. were disposed in March 2021.

***Revenue from other sources***

Rental income is recognized on a time proportion basis over the lease terms.

**Other income**

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

**Contract liabilities**

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

**Share-based payments**

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration and rewards in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details are given in note 35 to the Historical Financial Information. The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

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

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

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

**Other employee benefits*****Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The subsidiary in the US maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the US. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiaries in the US with respect to the retirement benefit plans is to make the specified contributions under the plans.

**Borrowing costs**

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

**Dividends**

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates prevailing at the dates of the transactions.

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

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

#### **Estimation uncertainty**

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

#### ***Provision for expected credit losses on trade receivables***

The loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables is disclosed in note 22 to the Historical Financial Information.

#### ***Net realizable value of inventories***

The Group assesses periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

#### ***Useful lives of other intangible assets***

The Group's management determines the useful lives and related amortization charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of policy changes and keen competitions from competitors, resulting in higher amortization charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortization charges where useful lives are less than previously estimated lives, or will write off or write down obsolete assets that have been abandoned or sold.

#### ***Recognition of deferred tax assets***

Deferred tax assets are recognized in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

#### ***Fair value of financial instruments***

The redemption liabilities on equity shares issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, including discounted cash flow model.

The fair values of redemption liabilities on equity shares of the Group as at December 31, 2022, 2023 and 2024 were RMB517,667,000, RMB542,038,000 and RMB639,805,000 respectively. Further details are set out in note 30 to the Historical Financial Information. Such valuation is based on key parameters about risk-free rate, discounts for lack of marketability ("DLOM") and volatility, which are subject to uncertainty and might materially differ from the actual results.

***Impairment of non-financial assets (other than goodwill)***

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

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at December 31, 2022, 2023 and 2024 were RMB95,406,000, RMB95,406,000 and RMB95,406,000 respectively and no impairment losses were recognized during the Relevant Periods. Details of the impairment testing are set out in note 18.

**4. SEGMENT INFORMATION**

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

**Geographical information*****(a) Revenue from external customers***

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	101,431	74,124	94,576
United States of America	132,309	114,794	243,207
Japan	55,157	73,572	31,187
Europe	45,016	62,591	48,615
Others	16,927	11,693	24,641
	<hr/>	<hr/>	<hr/>
Total	350,840	336,774	442,226
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The revenue information above is based on the locations of the contract entities of our customers.

*(b) Non-current assets*

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	403,009	425,451	418,599
Overseas	48,287	57,041	58,326
Total	<u>451,296</u>	<u>482,492</u>	<u>476,925</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

Revenue from four customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue during the Relevant Periods, is set out below:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	53,998	70,408	30,337
Customer B	36,359	39,864	24,672
Customer C	17,347	18,277	118,595

**5. REVENUE**

An analysis of revenue is as follows:

**Revenue from contracts with customers***(a) Disaggregated revenue information*

Types of goods and services	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CRDMO Services	349,557	336,353	441,873
Others	1,283	421	353
Total	<u>350,840</u>	<u>336,774</u>	<u>442,226</u>

Types of fee models	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
FFS	331,576	326,803	425,322
FTE	17,981	9,550	16,551
Others	1,283	421	353
Total	<u>350,840</u>	<u>336,774</u>	<u>442,226</u>

Timing of revenue recognition	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Services and goods transferred at a point of time	332,461	326,803	425,322
Services transferred over time	18,379	9,971	16,904
Total	<u>350,840</u>	<u>336,774</u>	<u>442,226</u>

The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of each of the respective periods:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:	40,238	44,726	40,541

**(b) Performance obligations**

Information about the Group's performance obligation is summarized and detailed in note 2.3 *Material Accounting Policies* above.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB173,028,000, RMB152,909,000 and RMB408,521,000 as at December 31, 2022, 2023 and 2024, respectively. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each of the Relevant Periods will be recognized within 2 years from the end of the respective periods.

## 6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	<i>Note</i>		
	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Other income</u>			
Government grants			
– income*	1,018	3,461	31,477
– assets**	–	–	3,490
Bank interest income	914	6,920	13,560
	<u>1,932</u>	<u>10,381</u>	<u>48,527</u>
<u>Gains</u>			
Foreign exchange differences, net	11,944	5,065	7,312
Fair value gains on financial assets at FVTPL	7,920	7,585	3,086
Gains on disposal of items of property and equipment	384	–	–
Others	545	113	132
	<u>20,793</u>	<u>12,763</u>	<u>10,530</u>
Other income and gains	<u>22,725</u>	<u>23,144</u>	<u>59,057</u>

\* This represents government grants related to income that is received as compensation for expenses or for the purpose of giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred government grants under other payables and accruals in the statement of financial position.

\*\* The Group had complied with all conditions attaching to the government grants related to assets which were recognized in profit or loss over the useful lives of the relevant assets.

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	58,257	51,923	69,769
Depreciation of property and equipment (note 15)*	16,443	20,164	20,743
Depreciation of right-of-use assets (note 17(1))*	3,128	3,224	2,843
Amortization of other intangible assets (note 16)*	6,362	6,393	6,503
Provision for inventories	2,508	3,940	2,456
Government grants	(1,018)	(3,461)	(34,967)
Bank interest income	(914)	(6,920)	(13,560)
Foreign exchange differences, net	(11,944)	(5,065)	(7,312)
Impairment loss recognized on financial assets under ECL model, net of reversal	1,125	600	916
(Gains)/Losses on disposal of items of property and equipment	(384)	156	228
Fair value gains on financial assets at FVTPL	(7,920)	(7,585)	(3,086)
Lease payments not included in the measurement of lease liabilities (note 17(3))	1,493	1,567	1,515
Listing expense	–	–	25,019
Employee benefit expense (excluding directors', supervisors' and chief executive's remuneration):			
Wages and salaries	86,306	96,299	110,270
Pension scheme contributions	9,176	11,009	13,780
Staff welfare expense	4,668	5,136	4,800
Share-based payment compensation	1,889	1,909	2,311
Total employee benefits expenses	<u>102,039</u>	<u>114,353</u>	<u>131,161</u>

\* Depreciation of property and equipment, depreciation of right-of-use assets and amortization of other intangible assets for each reporting period are set out in "Administrative expenses", "Selling and marketing expenses", "Research and development expenses" and "Cost of sales" in the consolidated statement of profit or loss.

**8. FINANCE COSTS**

An analysis of finance costs is as follows:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank loans	914	–	1,065
Interest on lease liabilities ( <i>note 17(3)</i> )	367	224	76
	<hr/>	<hr/>	<hr/>
Total	1,281	224	1,141
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**9. OTHER EXPENSES**

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Losses on disposal of property and equipment	–	156	228
Others	27	–	57
	<hr/>	<hr/>	<hr/>
Total	27	156	285
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Directors', supervisors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	4,061	5,212	8,649
Performance related bonuses	850	1,500	7,053
Pension scheme contributions	145	144	270
Share-based payment compensation	1	3	2,130
	<hr/>	<hr/>	<hr/>
Total	5,057	6,859	18,102
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Restricted shares were granted to four supervisors of the Company during the years ended December 31, 2022 and 2023 in respect of their services to the Group. Two directors were appointed and granted restricted shares during the year ended December 31, 2024. The fair value of such restricted shares, which has been recognized in profit or loss immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors', supervisors' and chief executive's remuneration disclosures.

**(a) Independent non-executive directors**

There were no independent non-executive directors for the Company during the years ended December 31, 2022 and 2023. In May 2024, Dr. Yu Cheung Hoi, Dr. Zhu Xun and Mr. Xia Xinsheng were appointed as independent non-executive directors of the Company. No fees were paid or payable to the independent non-executive directors during the Relevant Periods.

**(b) Directors, supervisors and the chief executive**

	Notes	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payment compensation RMB'000	Total remuneration RMB'000
<b>Year ended December 31, 2022</b>						
<b>Chief executive and director:</b>						
Dr. Xu Qi	(a)	905	300	15	–	1,220
<b>Directors:</b>						
Dr. Li Xiang	(b)	1,808	300	107	–	2,215
Ms. Li Xiangli	(c)	708	144	17	–	869
Mr. Zhang Qiangming	(d)	–	–	–	–	–
Mr. Wu Yihui	(e)	–	–	–	–	–
<b>Supervisor</b>						
Mr. Li Congyan	(f)	640	106	6	1	753
		<u>4,061</u>	<u>850</u>	<u>145</u>	<u>1</u>	<u>5,057</u>
<b>Year ended December 31, 2023</b>						
<b>Chief executive and director:</b>						
Dr. Xu Qi	(a)	863	186	8	–	1,057
<b>Directors:</b>						
Dr. Li Xiang	(b)	1,664	186	94	–	1,944
Ms. Li Xiangli	(c)	730	109	17	–	856
Mr. Zhang Qiangming	(d)	–	–	–	–	–
Mr. Wu Yihui	(e)	–	–	–	–	–
<b>Supervisors:</b>						
Mr. Li Congyan	(f)	60	–	1	–	61
Ms. Yan Xiya	(g)	668	579	–	1	1,248
Mr. Wu Haigang	(h)	789	340	15	1	1,145
Ms. Fu Hongying	(i)	438	100	9	1	548
		<u>5,212</u>	<u>1,500</u>	<u>144</u>	<u>3</u>	<u>6,859</u>

		Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share-based payment compensation	Total remuneration
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended</b>						
<b>December 31, 2024</b>						
<b>Chief executive and director:</b>						
Dr. Xu Qi	(a)	725	300	–	–	1,025
<b>Directors:</b>						
Dr. Li Xiang	(b)	1,516	558	74	–	2,148
Ms. Li Xiangli	(c)	715	218	18	–	951
Mr. Zhang Qiangming	(d)	–	–	–	–	–
Ms. Cheng Tao	(j)	2,309	4,249	74	730	7,362
Ms. Li Lingmei	(k)	923	210	43	673	1,849
Mr. Wu Yihui	(e)	–	–	–	–	–
<b>Supervisors:</b>						
Ms. Yan Xiya	(g)	925	644	–	465	2,034
Mr. Wu Haigang	(h)	1,051	762	43	194	2,050
Ms. Fu Hongying	(i)	485	112	18	68	683
		<u>8,649</u>	<u>7,053</u>	<u>270</u>	<u>2,130</u>	<u>18,102</u>

*Notes:*

- (a) Dr. Xu Qi was appointed as chief executive officer of the Company since June 2020.
- (b) Dr. Li Xiang was appointed as a director of the Company with effect from January 2022.
- (c) Ms. Li Xiangli was appointed as a director of the Company with effect from January 2022.
- (d) Mr. Zhang Qiangming was appointed as a director of the Company with effect from January 2022 and has resigned as the director of the Company with effect from May 2024.
- (e) Mr. Wu Yihui was appointed as a director of the Company with effect from January 2022 and was re-designated as a non-executive Director in May 2024.
- (f) Mr. Li Congyan was appointed as a supervisor of the Company with effect from January 2022 and has resigned in February 2023.
- (g) Ms. Yan Xiya was appointed as a shareholders' representative supervisor with effect from February 2023.
- (h) Mr. Wu Haigang was appointed as a shareholders' representative supervisor with effect from February 2023.
- (i) Ms. Fu Hongying was appointed as an employee representative supervisor with effect from February 2023.
- (j) Ms. Cheng Tao was appointed as a director of the Company with effect from May 2024 and the amounts listed above represent her total remuneration from January 2024 to December 2024.
- (k) Ms. Li Lingmei was appointed as a director of the Company with effect from May 2024 and the amounts listed above represent her total remuneration from January 2024 to December 2024.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2022, 2023 and 2024 included one, one and three directors and supervisors of the Company, respectively, details of whose remuneration are set out in note 10 to the Historical Financial Information above. Details of the remuneration for the remaining highest paid employees who are neither directors, supervisors nor the chief executive of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	9,829	8,848	2,842
Performance related bonuses	955	736	2,786
Pension scheme contributions	95	80	149
Share-based payment compensation	761	701	–
Total	<u>11,640</u>	<u>10,365</u>	<u>5,777</u>

The number of the five highest paid individuals (excluding one director, one director and three directors and supervisors of the Company) whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HKD1,500,000 to HKD2,000,000	–	1	–
HKD2,000,001 to HKD2,500,000	3	2	1
HKD3,000,001 to HKD3,500,000	–	–	1
HKD4,500,001 to HKD5,000,000	–	1	–
HKD5,000,001 to HKD5,500,000	1	–	–

During the Relevant Periods, restricted shares were granted to certain highest paid employees in respect of their services and contributions to the Group, further details of which are set out in note 35 to the Historical Financial Information. The fair value of such restricted shares, which has been recognized in profit or loss immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above highest paid employees' remuneration disclosures.

**12. INCOME TAX**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

**Mainland China**

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Company and PRC subsidiaries was 25% during the Relevant Periods.

Chinese Peptide was accredited as a “High and New Technology Enterprise” in 2021 and is entitled to the preferential CIT tax rate of 15% from 2021 to 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years. Chinese Peptide renewed its “High and New Technology Enterprise” qualification in 2023 and is entitled to the preferential tax rate of 15% from 2024 to 2026.

**Hong Kong**

The first HK\$2,000,000 of assessable profits of the subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong income tax has been provided as the Group’s Hong Kong entity had no estimated assessable profits during the Relevant Periods.

**USA**

The Company’s subsidiaries incorporated and operated in USA were subject to the federal corporate income tax rate at 21% during the Relevant Periods. These subsidiaries were also subject to the state income tax in California at a rate of 8.84% during the Relevant Periods.

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China	11,944	13,072	18,342
Current – USA	666	6	6
Deferred ( <i>note 29</i> )	966	(5)	928
<b>Total</b>	<b>13,576</b>	<b>13,073</b>	<b>19,276</b>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction in which the Company is domiciled to the tax expense at the effective tax rate is as follows:

	<b>Year ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	67,556	61,978	78,449
Tax at the applicable tax rate of 25%	16,889	15,495	19,612
Tax effect of income not subject to tax	(540)	(107)	(1,059)
Tax effect of expenses not deductible for tax purpose	12,281	6,594	26,072
Different tax rates enacted by local authority	(92)	(12)	(4)
Income tax at concessionary rate	(8,459)	(8,510)	(12,719)
Effect of concessions (research and development and other allowances)	(10,892)	(6,291)	(7,052)
Effect of unused tax losses and deductible temporary differences not recognized as deferred tax assets	4,389	7,313	5,145
Utilization of deductible temporary differences and tax losses not recognized as deferred tax assets	–	(1,409)	(10,719)
Tax charge at the Group's effective tax rate for the year	<u>13,576</u>	<u>13,073</u>	<u>19,276</u>

### 13. DIVIDEND

No dividend has been declared by the Company during the Relevant Periods.

**14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amounts is based on the profits for the year attributable to ordinary equity holders of the parent and the weighted average numbers of shares for the purpose of basic earnings per share for the Relevant Periods are calculated based on the assumption that the Company's conversion into joint stock limited company as set out in note 33 to the Historical Financial Information have been adjusted retrospectively.

The calculation of the diluted earnings per share amounts for the year ended December 31, 2024 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect fair value loss/(gains) on convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	53,980	48,905	59,173
Add: Fair value loss/(gains) on convertible bonds	15,750	15,750	(10,781)
Profit attributable to ordinary equity holders of the parent before fair value loss/(gains) on convertible bonds	<u>69,730*</u>	<u>64,655*</u>	<u>48,392</u>
	Number of shares ('000)		
	Year ended December 31,		
	2022	2023	2024
<b>Ordinary shares</b>			
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	<u>100,477</u>	<u>125,000</u>	<u>125,000</u>
Effect of dilution – weighted average number of ordinary shares:			
Convertible bonds	<u>13,698</u>	<u>13,698</u>	<u>3,424</u>
Total	<u><u>114,175*</u></u>	<u><u>138,698*</u></u>	<u><u>128,424</u></u>

\* Because the diluted earnings per share amounts are increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented and were ignored in the calculation of diluted earnings per share for each of the years ended December 31, 2022 and 2023. Therefore, no adjustment has been made on the basic earnings per share amounts presented for each of the years ended December 31, 2022 and 2023 for the purpose of computation of diluted earnings per share.

## 15. PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Computer and office equipment	Motor vehicles	Construction in progress	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>
<b>December 31, 2022</b>						
At January 1, 2022:						
Cost	134,426	101,135	5,226	5,553	16,541	262,881
Accumulated depreciation	(26,026)	(47,151)	(3,078)	(3,272)	–	(79,527)
Net carrying amount	108,400	53,984	2,148	2,281	16,541	183,354
At January 1, 2022, net of accumulated depreciation	108,400	53,984	2,148	2,281	16,541	183,354
Additions	154	19,469	870	–	74,720	95,213
Disposals	–	(3,901)	(29)	(63)	–	(3,993)
Transfer	3,036	2,558	160	–	(5,754)	–
Depreciation provided during the year	(6,566)	(8,503)	(798)	(576)	–	(16,443)
Exchange realignment	–	–	22	–	–	22
At December 31, 2022, net of accumulated depreciation	105,024	63,607	2,373	1,642	85,507	258,153
At December 31, 2022:						
Cost	137,614	113,615	6,149	5,008	85,507	347,893
Accumulated depreciation	(32,590)	(50,008)	(3,776)	(3,366)	–	(89,740)
Net carrying amount	105,024	63,607	2,373	1,642	85,507	258,153
	Buildings	Machinery and equipment	Computer and office equipment	Motor vehicles	Construction in progress	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>
<b>December 31, 2023</b>						
At January 1, 2023:						
Cost	137,614	113,615	6,149	5,008	85,507	347,893
Accumulated depreciation	(32,590)	(50,008)	(3,776)	(3,366)	–	(89,740)
Net carrying amount	105,024	63,607	2,373	1,642	85,507	258,153
At January 1, 2023, net of accumulated depreciation	105,024	63,607	2,373	1,642	85,507	258,153
Additions	4,395	19,355	1,304	–	32,816	57,870
Disposals	–	(159)	(15)	–	–	(174)
Transfer	1,484	3,463	181	–	(5,128)	–
Depreciation provided during the year	(8,862)	(9,909)	(891)	(502)	–	(20,164)
Exchange realignment	–	–	3	–	730	733
At December 31, 2023, net of accumulated depreciation	102,041	76,357	2,955	1,140	113,925	296,418
At December 31, 2023:						
Cost	143,494	134,183	7,463	5,007	113,925	404,072
Accumulated depreciation	(41,453)	(57,826)	(4,508)	(3,867)	–	(107,654)
Net carrying amount	102,041	76,357	2,955	1,140	113,925	296,418

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Computer and office equipment</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>December 31, 2024</b>						
At January 1, 2024:						
Cost	143,494	134,183	7,463	5,007	113,925	404,072
Accumulated depreciation	(41,453)	(57,826)	(4,508)	(3,867)	-	(107,654)
Net carrying amount	<u>102,041</u>	<u>76,357</u>	<u>2,955</u>	<u>1,140</u>	<u>113,925</u>	<u>296,418</u>
At January 1, 2024, net of accumulated depreciation						
Additions	98	18,260	188	-	5,836	24,382
Disposals	-	(209)	(138)	(2)	-	(349)
Transfer	5,090	1,523	-	-	(6,613)	-
Depreciation provided during the year	(7,669)	(11,788)	(817)	(469)	-	(20,743)
Exchange realignment	-	-	6	-	770	776
At December 31, 2024, net of accumulated depreciation	<u>99,560</u>	<u>84,143</u>	<u>2,194</u>	<u>669</u>	<u>113,918</u>	<u>300,484</u>
At December 31, 2024:						
Cost	148,557	150,070	7,243	4,942	113,918	424,730
Accumulated depreciation	(48,997)	(65,927)	(5,049)	(4,273)	-	(124,246)
Net carrying amount	<u><u>99,560</u></u>	<u><u>84,143</u></u>	<u><u>2,194</u></u>	<u><u>669</u></u>	<u><u>113,918</u></u>	<u><u>300,484</u></u>

**16. OTHER INTANGIBLE ASSETS**

	<b>Knowhows</b>	<b>Software</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>December 31, 2022</b>			
At January 1, 2022:			
Cost	59,100	4,537	63,637
Accumulated amortization	(8,865)	(1,441)	(10,306)
Net carrying amount	<u><u>50,235</u></u>	<u><u>3,096</u></u>	<u><u>53,331</u></u>
Cost at January 1, 2022, net of accumulated amortization			
Additions	-	45	45
Amortization provided during the year	(5,910)	(452)	(6,362)
At December 31, 2022	<u><u>44,325</u></u>	<u><u>2,689</u></u>	<u><u>47,014</u></u>
At December 31, 2022:			
Cost	59,100	4,582	63,682
Accumulated amortization	(14,775)	(1,893)	(16,668)
Net carrying amount	<u><u>44,325</u></u>	<u><u>2,689</u></u>	<u><u>47,014</u></u>

	<u>Knowhows</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>December 31, 2023</b>			
At January 1, 2023:			
Cost	59,100	4,582	63,682
Accumulated amortization	(14,775)	(1,893)	(16,668)
Net carrying amount	44,325	2,689	47,014
Cost at January 1, 2023, net of accumulated amortization			
	44,325	2,689	47,014
Additions	–	469	469
Amortization provided during the year	(5,910)	(483)	(6,393)
At December 31, 2023	<u>38,415</u>	<u>2,675</u>	<u>41,090</u>
At December 31, 2023:			
Cost	59,100	5,051	64,151
Accumulated amortization	(20,685)	(2,376)	(23,061)
Net carrying amount	<u>38,415</u>	<u>2,675</u>	<u>41,090</u>
<b>December 31, 2024</b>			
At January 1, 2024:			
Cost	59,100	5,051	64,151
Accumulated amortization	(20,685)	(2,376)	(23,061)
Net carrying amount	<u>38,415</u>	<u>2,675</u>	<u>41,090</u>
Cost at January 1, 2024, net of accumulated amortization			
	38,415	2,675	41,090
Additions	–	1,429	1,429
Amortization provided during the year	(5,910)	(593)	(6,503)
At December 31, 2024	<u>32,505</u>	<u>3,511</u>	<u>36,016</u>
At December 31, 2024:			
Cost	59,100	6,480	65,580
Accumulated amortization	(26,595)	(2,969)	(29,564)
Net carrying amount	<u>32,505</u>	<u>3,511</u>	<u>36,016</u>

## 17. LEASES

**The Group as a lessee**

During the Relevant Periods, the Group entered into certain long-term lease contracts for office premises and leasehold land. Office premises generally have lease terms between 3 and 5 years, and leasehold land generally have lease terms between 48 and 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

**(1) Right-of-use assets**

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

	<b>Leasehold land</b>	<b>Office premises</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2022	40,304	5,273	45,577
Depreciation charge	(1,105)	(2,023)	(3,128)
Exchange realignment	–	415	415
	<u>39,199</u>	<u>3,665</u>	<u>42,864</u>
As at December 31, 2022	<u>39,199</u>	<u>3,665</u>	<u>42,864</u>
As at January 1, 2023	39,199	3,665	42,864
Depreciation charge	(1,105)	(2,119)	(3,224)
Exchange realignment	–	51	51
	<u>38,094</u>	<u>1,597</u>	<u>39,691</u>
As at December 31, 2023	<u>38,094</u>	<u>1,597</u>	<u>39,691</u>
As at January 1, 2024	38,094	1,597	39,691
Additions	–	1,226	1,226
Depreciation charge	(1,105)	(1,738)	(2,843)
Exchange realignment	–	8	8
	<u>36,989</u>	<u>1,093</u>	<u>38,082</u>
As at December 31, 2024	<u>36,989</u>	<u>1,093</u>	<u>38,082</u>

(2) *Lease liabilities*

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

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year	5,926	4,289	1,846
Additions	–	–	1,226
Accretion of interest recognized during the year	367	224	76
Payments	(2,477)	(2,726)	(2,014)
Exchange adjustment	473	59	9
	<u>4,289</u>	<u>1,846</u>	<u>1,143</u>
Carrying amount at the end of the year	<u>4,289</u>	<u>1,846</u>	<u>1,143</u>
Analyzed into:			
Current portion	2,474	1,846	379
Non-current portion	1,815	–	764
	<u>1,815</u>	<u>–</u>	<u>764</u>

The maturity analysis of lease liabilities is disclosed in note 41 to the Historical Financial information.

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

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	367	224	76
Depreciation of right-of-use assets	3,128	3,224	2,843
Expenses relating to short-term leases and low-value assets*	1,493	1,567	1,515
	<u>4,988</u>	<u>5,015</u>	<u>4,434</u>
Total amount recognized in profit or loss	<u>4,988</u>	<u>5,015</u>	<u>4,434</u>

\* Included in “Administrative expenses”, “Selling and marketing expenses” and “Research and development expenses” in the consolidated statements of profit or loss.

The total cash outflow for leases is set out in note 36 to the Historical Financial Information.

## 18. GOODWILL

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost and net carrying amount at the beginning and end of year	95,406	95,406	95,406

The Group's goodwill acquired through business combination is related to the acquisition of Chinese Peptide and its subsidiaries (the "Chinese Peptide Group") in June 2020 and the goodwill has been allocated to Chinese Peptide Group cash-generating unit (the "Chinese Peptide Group CGU") for impairment testing at the end of each of the Relevant Periods.

The carrying amount of goodwill allocated to Chinese Peptide Group CGU is as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chinese Peptide Group CGU	95,406	95,406	95,406

Goodwill is tested by management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at December 31, 2022, 2023 and 2024, the impairment test is performed for Chinese Peptide Group CGU by engaging an independent valuation firm to estimate its recoverable amount. The recoverable amount has been determined based on a value in use ("VIU") calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projected period are extrapolated using the estimated terminal growth rates. Management leveraged their experience in the industries and provided forecast based on past performance and their expectation of future business plans and external sources of information.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at December 31,		
	2022	2023	2024
Pre-tax discount rate	15.30%	15.31%	15.37%
Revenue (% compound growth rate)	14.97%	14.65%	13.16%
Terminal growth rate	2.30%	2.20%	2.00%

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to Chinese Peptide Group CGU.

Revenue growth rate – The basis used to determine the budgeted revenue is based on management's expectation and expectation of the future market.

Terminal growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to Chinese Peptide Group CGU.

Management of the Company has performed sensitivity test by decreasing 1% of revenue growth rate, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which Chinese Peptide Group CGU recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,		
	2022	2023	2024
Headroom	1,356,424	1,414,047	1,846,704
Impact by decreasing revenue growth rate	(61,374)	(63,779)	(81,731)
Impact by decreasing terminal growth rate	(101,673)	(105,370)	(127,085)
Impact by increasing pre-tax discount rate	(127,969)	(132,972)	(164,713)

No impairment loss in relation to goodwill is recognized for Chinese Peptide Group CGU during the Relevant Periods. Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the key parameters would not cause the carrying amount of the Chinese Peptide Group CGU to exceed its recoverable amount as at December 31, 2022, 2023 and 2024.

#### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

##### The Group

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Structured deposits and wealth management products	332,126	110,082	–
Non-current			
Unlisted equity investment	1,728	1,530	1,634
Total	<u>333,854</u>	<u>111,612</u>	<u>1,634</u>

##### The Company

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Structured deposits and wealth management products	292,557	100,000	–
Non-current			
Unlisted equity investment	1,728	1,530	1,634
Total	<u>294,285</u>	<u>101,530</u>	<u>1,634</u>

As at December 31, 2022 and 2023, the financial assets at fair value through profit or loss in current portion represented floating return structured deposits and wealth management products issued by certain banks, with expected return rates ranging from 1.5% to 4.0% per annum.

The fair value of the unlisted equity investment which is not quoted in an active market is valued by using cost to investment and market approach method, which is mainly based on the price of recent investment and comparable company's market multiple.

## 20. INVESTMENTS IN SUBSIDIARIES

### The Company

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	730,340	732,239	736,484

The investment cost in subsidiaries includes capital contribution by the Company to the subsidiaries and the share-based payments in respect of the restricted shares granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Company's Share Incentive Plan as set out in note 35 to the Historical Financial Information. Since the Company grants restricted share awards directly to the employees of subsidiaries and settles them in its own equity, the share-based payment compensations related to those employees of subsidiaries are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

## 21. INVENTORIES

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw material	28,174	26,249	33,308
Work in progress	10,888	7,046	22,234
Finished goods	40,243	39,710	29,235
Total	79,305	73,005	84,777

## 22. TRADE AND NOTES RECEIVABLES

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	20,744	40,902	62,645
Notes receivable	3,008	–	–
Less: Allowance for credit losses	(3,952)	(4,484)	(4,925)
Net carrying amount	<u>19,800</u>	<u>36,418</u>	<u>57,720</u>

The Group's trading terms with its customers are payment in advance or on credit. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of allowance for expected credit losses, is as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	15,771	35,483	57,460
1 to 2 years	1,017	869	240
2 to 3 years	4	66	20
Total	<u>16,792</u>	<u>36,418</u>	<u>57,720</u>

The movements in the allowance for expected credit losses on trade receivables are as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	2,793	3,952	4,484
Exchange realignment	–	–	8
Impairment losses, net of reversal	1,159	532	433
At the end of the year	<u>3,952</u>	<u>4,484</u>	<u>4,925</u>

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at an amount equal to lifetime ECLs. To measure the expected credit losses, trade receivables have been assessed on individual basis for debtors in severe financial difficulty, or collectively basis by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Set out below is the information about the credit risk exposure on Group's trade receivables on December 31, 2022, 2023 and 2024:

<b>As at December 31, 2022</b>			
	<b>Expected credit loss rate</b>	<b>Total gross carrying amount</b>	<b>Expected credit losses</b>
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Individually assessed:	100.0	2,201	2,201
Collectively assessed:			
Within 1 year	2.3	16,136	365
1 to 2 years	42.2	1,760	743
2 to 3 years	98.8	342	338
Over 3 years	100.0	305	305
<b>Total</b>		<b>20,744</b>	<b>3,952</b>

<b>As at December 31, 2023</b>			
	<b>Expected credit loss rate</b>	<b>Total gross carrying amount</b>	<b>Expected credit losses</b>
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Individually assessed:	100.0	2,201	2,201
Collectively assessed:			
Within 1 year	2.1	36,237	754
1 to 2 years	35.9	1,356	487
2 to 3 years	89.4	623	557
Over 3 years	100.0	485	485
<b>Total</b>		<b>40,902</b>	<b>4,484</b>

<b>As at December 31, 2024</b>			
	<b>Expected credit loss rate</b>	<b>Total gross carrying amount</b>	<b>Expected credit losses</b>
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>
Individually assessed:	100.0	2,201	2,201
Collectively assessed:			
Within 1 year	0.9	58,001	541
1 to 2 years	44.8	435	195
2 to 3 years	98.1	1,056	1,036
Over 3 years	100.0	952	952
<b>Total</b>		<b>62,645</b>	<b>4,925</b>

## 23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

## The Group

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:			
Value-added tax recoverable	–	–	5,228
Prepayments for purchase of items of property and equipment	6,754	8,816	1,709
Deposits	403	514	246
Total	<u>7,157</u>	<u>9,330</u>	<u>7,183</u>
Current:			
Value-added tax recoverable	3,273	4,415	1,948
Prepayments	3,052	6,971	4,761
Advances to employees	504	334	618
Other receivables	391	14	–
Deferred listing expense	–	–	8,907
Impairment	(45)	(113)	(136)
Total	<u>7,175</u>	<u>11,621</u>	<u>16,098</u>

## The Company

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:			
Value-added tax recoverable	–	–	1,619
Current:			
Amounts due from subsidiaries (non-trade)	51,600	102,600	47,400
Value-added tax recoverable	210	1,193	–
Prepayments	285	407	299
Deferred listing expense	–	–	8,907
Advances to employees	13	12	–
Total	<u>52,108</u>	<u>104,212</u>	<u>56,606</u>

## 24. TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

## The Group

*Time deposits*

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits – current*	10,000	–	143,032
Time deposits over one year*	51,634	53,409	–
	<u>51,634</u>	<u>53,409</u>	<u>–</u>
Denominated in:			
RMB	61,634	53,409	55,189
USD	–	–	87,843
	<u>–</u>	<u>–</u>	<u>87,843</u>
Total time deposits	<u>61,634</u>	<u>53,409</u>	<u>143,032</u>

\* Time deposits are made for over three months depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

*Cash and cash equivalents*

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	279,478	531,447	387,622
Less: pledged deposits	(430)	(435)	(439)
	<u>279,048</u>	<u>531,012</u>	<u>387,183</u>
Cash and cash equivalents	<u>279,048</u>	<u>531,012</u>	<u>387,183</u>
Denominated in:			
RMB	58,699	262,361	72,292
USD	220,283	268,371	314,018
HKD	–	211	65
EUR	66	69	808
	<u>66</u>	<u>69</u>	<u>808</u>
Total cash and bank balances	<u>279,048</u>	<u>531,012</u>	<u>387,183</u>

**The Company***Time deposits*

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits – current	10,000	–	55,189
Time deposits over one year	51,634	53,409	–
Denominated in:			
RMB	61,634	53,409	55,189
Total time deposits	61,634	53,409	55,189

*Cash and cash equivalents*

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	38,871	191,010	25,940
Cash and cash equivalents	<u>38,871</u>	<u>191,010</u>	<u>25,940</u>
Denominated in:			
RMB	<u>38,871</u>	<u>191,010</u>	<u>25,940</u>
Total cash and bank balances	<u>38,871</u>	<u>191,010</u>	<u>25,940</u>

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

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

**25. TRADE PAYABLES**

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>12,711</u>	<u>6,731</u>	<u>23,469</u>

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	12,474	6,546	23,328
1 to 2 years	88	16	22
Over 2 years	149	169	119
Total	<u>12,711</u>	<u>6,731</u>	<u>23,469</u>

Trade payables are non-interest-bearing and are normally settled within one months.

## 26. OTHER PAYABLES AND ACCRUALS

### The Group

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred government grants ( <i>note a</i> )			
– income	21,875	42,875	–
– assets	39,000	39,000	–
Payroll and welfare payable	16,914	14,657	23,289
Payables for acquisition of property and equipment	13,201	17,955	14,208
Other payables ( <i>note b</i> )	5,458	4,370	6,933
Other taxes payable	3,163	1,578	1,385
Accrued listing expenses	–	–	7,645
Others	780	99	–
Total	<u>100,391</u>	<u>120,534</u>	<u>53,460</u>

### The Company

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred government grants ( <i>note a</i> )			
– income	21,875	42,875	–
Amounts due to subsidiaries (non-trade)	–	–	28,815
Payroll and welfare payable	241	357	136
Accrued listing expenses	–	–	7,645
Others	783	100	–
Total	<u>22,899</u>	<u>43,332</u>	<u>36,596</u>

*Notes:*

- (a) The Group has received certain government grants related to assets or income.

The grants related to income are in relation to compensation received for interest payments arising from convertible bonds as detailed in note 31 to the Historical Financial Information. RMB21,875,000 and RMB21,000,000 of such compensation had been received by the Group in 2021 and 2023 respectively and recorded as deferred government grant as certain conditions attaching to the compensation have yet to be achieved. Pursuant to the supplementary agreements entered with the governments in March 2024, the grants were subsequently recognized in profit or loss in 2024 with the achievement of the revised conditions attaching to the compensation.

The remaining government grants related to assets have been recorded as other payables and accruals as relevant conditions have yet to be met and were reclassified to deferred government grants as detailed in note 32 to the Historical Financial Information in June 2024 after such conditions are met.

- (b) Other payables are unsecured, non-interest-bearing and repayable on demand.

**27. INTEREST-BEARING BANK BORROWINGS**

	<b>As at December 31, 2024</b>		<i>RMB'000</i>
	<b>Effective interest rate per annum</b>	<b>Maturity</b>	
	%		
Current			
Bank loans – unsecured	2.95	2025/1/24	40,000

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans repayable:			
Within one year	–	–	40,000

**28. CONTRACT LIABILITIES**

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	59,099	49,435	37,444

Contract liabilities represented the obligations to transfer peptide CRDMO services to customers from which the Group has received consideration. The change of contractual liabilities is mainly due to whether the Group delivers services at the end of the year.

## 29. DEFERRED TAX

## The Group

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of financial assets	Provision	Deferred government grants	Loss available for offsetting against future taxable profits	Leases liabilities	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>
At January 1, 2022	431	578	5,850	113	1,245	8,217
Deferred tax credited/ (charged) to profit or loss during the year (note 12)	168	367	–	1,417	(344)	1,608
<b>Gross deferred tax assets at December 31, 2022</b>	<b>599</b>	<b>945</b>	<b>5,850</b>	<b>1,530</b>	<b>901</b>	<b>9,825</b>
At January 1, 2023	599	945	5,850	1,530	901	9,825
Deferred tax credited/ (charged) to profit or loss during the year (note 12)	23	591	–	(348)	(513)	(247)
<b>Gross deferred tax assets at December 31, 2023</b>	<b>622</b>	<b>1,536</b>	<b>5,850</b>	<b>1,182</b>	<b>388</b>	<b>9,578</b>
At January 1, 2024	622	1,536	5,850	1,182	388	9,578
Deferred tax credited/ (charged) to profit or loss during the year (note 12)	107	182	(523)	(1,079)	(148)	(1,461)
<b>Gross deferred tax assets at December 31, 2024</b>	<b>729</b>	<b>1,718</b>	<b>5,327</b>	<b>103</b>	<b>240</b>	<b>8,117</b>

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition for subsidiary	Right-of-use assets	Fair value change of financial assets at FVTPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	2,228	15,050	1,107	113	18,498
Deferred tax (credited)/ charged to profit or loss during the year (note 12)	2,748	(1,275)	(337)	1,439	2,575
<b>Gross deferred tax liabilities at December 31, 2022</b>	<b>4,976</b>	<b>13,775</b>	<b>770</b>	<b>1,552</b>	<b>21,073</b>
At January 1, 2023	4,976	13,775	770	1,552	21,073
Deferred tax (credited)/ charged to profit or loss during the year (note 12)	1,607	(1,171)	(434)	(254)	(252)
<b>Gross deferred tax liabilities at December 31, 2023</b>	<b>6,583</b>	<b>12,604</b>	<b>336</b>	<b>1,298</b>	<b>20,821</b>
At January 1, 2024	6,583	12,604	336	1,298	20,821
Deferred tax (credited)/ charged to profit or loss during the year (note 12)	3,380	(2,600)	(106)	(1,207)	(533)
<b>Gross deferred tax liabilities at December 31, 2024</b>	<b>9,963</b>	<b>10,004</b>	<b>230</b>	<b>91</b>	<b>20,288</b>

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purpose:

	As at December 31		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reflected in the consolidated statements of financial position:			
– Net deferred tax assets	139	62	23
– Net deferred tax liabilities	11,387	11,305	12,194

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

	As at December 31		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deductible temporary differences	21,875	42,875	–
Tax losses	20,542	23,156	43,755
Total	<u>42,417</u>	<u>66,031</u>	<u>43,755</u>

The Group has accumulated tax losses arising in Mainland China of RMB20,542,000, RMB23,156,000 and RMB43,755,000 as at the end of each of the Relevant Periods, respectively. The tax losses in the PRC can be carried forward for five years to offset future taxable profits. The tax losses of those companies in the PRC will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

### 30. REDEMPTION LIABILITIES ON EQUITY SHARES

In December 2020, the Company issued one-year zero-coupon convertible bonds to a third-party investor, Hangzhou Heda New Pharmaceutical Venture Capital Partnership (Limited Partnership) (“Hangzhou Heda Xinyiyao”) 杭州和達新醫藥創業投資合夥企業(有限合夥), for an aggregate principal amount of RMB100,000,000. According to the convertible bond agreement, the conversion period will be within one year after the day the Company received the convertible bonds investment. If the Company complete any new equity financing of over RMB100,000,000 within the conversion period, the conversion price of the convertible bonds will be equal to 85% of the price per share in the latest new equity financing. If the Company fails to complete any new equity financing over RMB100,000,000 within the conversion period, the conversion price of the convertible bonds will be RMB1.0 per share.

In December 2021, the Company entered into an investment agreement with several independent investors (“Series A Shares”). According to the investment agreement, convertible bonds with a nominal values of RMB100,000,000 was converted to 5,228,758 paid-in capital with Series A Shares preference rights of the Company by Hangzhou Heda Xinyiyao. The Company also issued 16,444,444 paid-in capital with Series A Shares preference rights of the Company to certain independent investors including Lanxi Puhua Shuoyang Xiaying Venture Investment Partnership (Limited Partnership) (蘭溪普華碩陽夏星創業投資合夥企業(有限合夥)) (“Puhua Xiaying”), Hangzhou Haibang Boyuan Venture Capital, Partnership (Limited Partnership) (杭州海邦博源創業投資合夥企業(有限合夥)) (“Haibang Boyuan”), Shenzhen Minhe Investment Co., Ltd.\* (深圳市民和投資有限公司), (“Shenzhen Minhe Investment”), Nanjing Outao Information Technology Co., Ltd.\* (南京歐陶信息科技有限公司) (“Nanjing Outao”), Hainan Jingsheng Yiqi Private Equity Investment Fund Partnership (Limited Partnership) (海南景盛一期私募股權投資基金合夥企業(有限合夥)) (“Hainan Jingsheng Yiqi”) for a total cash consideration of RMB370,000,000 or RMB22.50 per share. Hangzhou Heda Xinyiyao, Puhua Xiaying, Haibang Boyuan, Shenzhen Minhe Investment, Nanjing Outao and Hainan Jingsheng Yiqi were collectively referred as “Series A Investors”. The numbers of paid-in capital presented in this paragraph didn’t consider the impact of conversion of paid-in capital to share capital due to conversion to a joint stock limited liability company as detailed in note 33.

The key terms of the Series A Shares are summarized as follows:

#### (a) Redemption features

The investment from the Series A Investors shall be redeemed by the Company and/or management shareholders, at the option of the investors if a qualified IPO or qualified mergers and acquisitions has not been consummated by December 31, 2026 and/or upon the occurrence of the change of controlling shareholder before completion of a qualified IPO without consent of the Series A Investors. The Series A Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 8% per annum calculated on a simple basis.

**(b) Liquidation preferences**

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, holders of the Series A Shares shall be entitled to be paid out of the funds and assets available for distribution to the members of the Company, an amount per share equal to the original issue price for each series equity share at 8% interest rate per annum, excluding any dividends received from the Company.

**(c) Anti-dilution right**

If the Company increases its paid-in capital at a price lower than the price paid by the Series A Investors on a per paid-in capital basis, the Series A Investors have a right to require the management shareholders to transfer a portion of their company equity or require the Company to issue additional paid-in capital for nil consideration to the investors, so that the total amount paid by the Series A Investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

**Presentation and classification**

The Group and the Company have designated the redemption liabilities on equity shares as whole as financial liabilities carried at FVTPL and presented as “redemption liabilities on equity shares” in the consolidated statements of financial position. The change in fair value of the redemption liabilities on equity shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the redemption liabilities on equity shares attributable to changes of own credit risk is not significant. The discounted cash flow was used to determine the fair value of convertible bonds.

Pursuant to the special rights termination agreement dated May 15, 2024 entered into among all current shareholders, all shareholders' special rights granted had be automatically terminated upon listing, except redemption features which had be automatically terminated upon the first submission of the listing application on May 31, 2024, provided that redemption rights shall be automatically and immediately reinstated and restored upon the earlier of (i) the date when the Company's listing application is rejected, returned, or voluntarily withdrawn by the Company; or (ii) the listing has not taken place by December 31, 2026. Considering the contingency relating to the reinstatement and restoration of the redemption features is outside the control of the Company, the redemption liabilities on equity shares is assessed to be continuously measured as financial liabilities carried at FVTPL after entering the termination agreement.

The movements in redemption liabilities on equity shares during the Relevant Periods are set out below:

**The Group and the Company**

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	471,602	517,667	542,038
Changes in fair value	46,065	24,371	97,767
At the end of the year	517,667	542,038	639,805

The Company used the discounted cash flow and back-solve method to determine the underlying share value of the Company and performed an equity allocation based on the Option Pricing model (“OPM model”) to arrive the fair value of the redemption liabilities on equity shares as at the end of each reporting period with reference to valuation report carried out by an independent valuer.

In addition to the underlying share value of the Company determined by the discounted cash flow and back-solve method, other key valuation assumptions used in the OPM model to determine the fair value are as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Risk-free interest rate	2.55%	2.29%	1.08%
DLOM	21.84%	16.58%	10.54%
Volatility	54.32%	56.91%	54.84%

The Group estimated the risk-free interest rate based on the yield of China government bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine DLOM. Volatility was estimated based on annualized standard deviation of daily shares price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

### 31. CONVERTIBLE BONDS

#### Three-year 7.0% RMB300 million convertible bonds

In December 2020, the Company issued three-year 7.0% convertible bonds in an aggregate principal amount of RMB300,000,000 to a third-party investor, Hangzhou Heda Kontide Venture Capital Partnership (Limited partnership) (“Heda Kontide”, 杭州和達康肽創業投資合夥企業(有限合夥)). According to the convertible bond agreement, the conversion period will be 3 years starting from the day the Company received the convertible bonds investment and the conversion period would be subject to 2-year extension if the Company and Heda Kontide reach a consensus. If the subsidiary of the Company, Chinese Peptide, achieved net profits of more than one billion for the year ended December 31, 2023, the conversion price of the convertible bonds will be equal to the price per share in the latest new equity financing. If Chinese Peptide failed to achieve more than one billion net profits for the year ended December 31, 2023 and Heda Kontide will have right to request the Company to redeem all of the convertible bonds. The Company needs to repay interest of the convertible bonds at 7.0% to Heda Kontide not later than December 30 each year. On March 29, 2024, the Company had repaid the principal amount of RMB300,000,000 of convertible bonds to Heda Kontide in full. Pursuant to provisions of the supplemental agreement with the relevant government authority in March 2024, the interest rate of the convertible bonds was reduced to 5.5% due to the decrease in market financing cost in China and the Company fully repaid the outstanding interest amount in June 2024.

#### *Presentation and classification*

The Group and the Company have designated the three-year zero-coupon convertible bonds as whole as financial liabilities carried at FVTPL. The change in fair value of the convertible bonds at FVTPL is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the convertible bonds at FVTPL attributable to changes in credit risk is not significant. The discounted cash flow method was used to determine the fair value of convertible bonds.

The movements in convertible bonds during the Relevant Periods are set out below:

**The Group and the Company**

	<b>300 million convertible bonds</b>
	<i>RMB'000</i>
At January 1, 2022	300,000
Changes in fair value	21,000
At December 31, 2022	321,000
Changes in fair value	21,000
Interest paid	(21,000)
At December 31, 2023	321,000
Repayment of convertible bonds	(300,000)
Changes in fair value	(14,375)
Interest paid	(6,625)
At December 31, 2024	–

**32. DEFERRED GOVERNMENT GRANTS**

	<b>As at December 31, 2024</b>
	<i>RMB'000</i>
Government grants:	
Current	6,438
Non-current	29,072
Total	35,510

The movement in government grants during the Relevant Periods are as follows:

	<b>As at December 31, 2024</b>
	<i>RMB'000</i>
At beginning of January 1, 2024	–
Addition ( <i>note</i> )	39,000
Amount recognised in profit or loss	(3,490)
At end of December 31, 2024	35,510

*Note:* The Group had complied with all conditions attaching to the government grants related to assets and the grants were reclassified to deferred government grants which will be recognized in profit or loss over the useful lives of the relevant assets.

**33. PAID-IN CAPITAL/SHARE CAPITAL**

Pursuant to the shareholders' resolutions dated October 30, 2022, the then existing shareholders of the Company approved the conversion of the Company into a joint stock company with limited liabilities with 125,000,000 shares in a nominal value of RMB1.0 each. The net assets of the Company as of the conversion base date under PRC GAAP audited by an independent auditor were converted at a rate of 1:0.143, into 125,000,000 ordinary shares at RMB1.0 each and issued to the then shareholders of the Company in proportion to their capital contribution to the Company. The remaining amount was converted into capital reserve. Upon the completion of registration with the Administration for Market Regulation of the Hangzhou (杭州市市場監督管理局) on February 10, 2023, the Company was converted into a joint stock company with limited liability, and renamed as Medtide Inc. (泰德醫藥(浙江)股份有限公司).

A summary of movements in the Company's paid-in capital/share capital is as follows:

	<u>Number of Ordinary shares</u>	<u>Paid-in capital/Share capital</u> <i>RMB'000</i>
As at January 1, 2022	N/A	85,423
Capital contribution by shareholders ( <i>note a</i> )	N/A	36,250
As at December 31, 2022 and January 1, 2023	N/A	121,673
Issue of ordinary shares upon conversion into a joint stock company ( <i>note b</i> )	125,000,000	3,327
As at December 31, 2023, January 1, 2024 and December 31, 2024	125,000,000	125,000

*Notes:*

- (a) On November 2, 2021, the Company passed shareholders' resolutions and approved, among other things, the increase of the registered capital of the Company from RMB63,750,000 to RMB100,000,000, the capital contribution by shareholders related to the increase of the registered capital was completed in August 2022.
- (b) On February 10, 2023, the Company was converted into a joint stock company with limited liability.

**34. RESERVES**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

**(a) Capital reserve**

The capital reserve of the Group represents the difference between the par value of the shares issued and the consideration received.

**(b) Share-based payment reserve**

The share-based payment reserve represents the equity-settled share awards as set out in note 35 to the Historical Financial Information.

**(c) Surplus Reserve**

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserve until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

**(d) Other reserve**

The other reserve of the Group represents recognition of redemption liabilities on Series A equity shares as stipulated in note 30 of Historical Financial Information.

## (e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

**The Company**

	<b>Capital reserve</b>	<b>Share-based payment reserve</b>	<b>Other reserve</b>	<b>Surplus reserve</b>	<b>Retained profits/ (Accumulated losses)</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	449,929	246	(471,602)	32,556	244,443	255,572
Loss for the year	-	-	-	-	(63,845)	(63,845)
Total comprehensive loss for the year	-	-	-	-	(63,845)	(63,845)
Share-based payment compensation	-	1,890	-	-	-	1,890
At December 31, 2022 and January 1, 2023	449,929	2,136	(471,602)	32,556	180,598	193,617
Loss for the year	-	-	-	-	(41,183)	(41,183)
Total comprehensive loss for the year	-	-	-	-	(41,183)	(41,183)
Share-based payment compensation	-	1,912	-	-	-	1,912
Conversion into a joint stock company*	269,050	-	-	(32,556)	(239,821)	(3,327)
At December 31, 2023 and January 1, 2024	718,979	4,048	(471,602)	-	(100,406)	151,019
Loss for the year	-	-	-	-	(78,353)	(78,353)
Total comprehensive loss for the year	-	-	-	-	(78,353)	(78,353)
Share-based payment compensation	-	4,441	-	-	-	4,441
At December 31, 2024	<u>718,979</u>	<u>8,489</u>	<u>(471,602)</u>	<u>-</u>	<u>(178,759)</u>	<u>77,107</u>

\* According to the audit report of the Company upon joint stock reform issued by an independent auditor as at August 31, 2022, the net assets of the Company were converted at a rate of 1:0.143, into 125,000,000 ordinary shares at RMB1.0 each and issued to the then shareholders of the Company in proportion to their capital contribution to the Company. The remaining amount was converted into capital reserve.

## 35. SHARE INCENTIVE PLAN

**The Pre-IPO Employee Incentive Scheme**

In December 2020, the shareholders' meeting of the Company passed a resolution to adopt 2020 share incentive plan (the "Pre-IPO Employee Incentive Scheme") in order to attract and retain senior management and employees for the continual operation and development of the Group. The Pre-IPO Employee Incentive Scheme was further amended in November 2021 and November 2022. Pursuant to the adopted and amended Pre-IPO Employee Incentive Scheme, 10,273,500 shares of the Company were transferred to two employee incentive platforms owned by Ms. Li Xiangli, namely Hangzhou Yuanxi Enterprise Management Consulting Partnership (Limited Partnership) 杭州元熙企業管理諮詢合夥企業(有限合夥) and Hangzhou Xiyong Enterprise Management Consulting Partnership (Limited Partnership) 杭州熙永企業管理諮詢合夥企業(有限合夥), from Hangzhou Haiding Technology Co., Ltd. (杭州海鼎科技有限公司, Hangzhou Haiding"), a company wholly owned by Ms. Li Xiangli and her spouse at the price of RMB3.89 per share (equivalent to RMB4.00 paid-in capital before the conversion into a joint stock company).

Each grant of share awards needs to meet service requirements from the date of grant to the later of (1) five years since the grant date (the "Service Period") and (2) one year after successful listing of the Company (the "Lock-up Period"). In the first three years of the Service Period, 30%, 30% and 40% of the total number of share awards shall be released to eligible participants on the first, second and third anniversary date of grant date upon meeting certain individual and the Group's performance targets. The eligible participants would be repaid with original subscription price plus single digit interest if employment were terminated within the Service Period and would be entitled to portion of economic benefits of the released share awards if employment were terminated within the Lock-up Period. After taking into consideration of the best estimation of the listing date, the management determined the vesting period of the relevant restricted shares based on the above performance conditions and service requirements. As such, the share-based payment expenses are amortized during the vesting period.

Details of granted shares during the Relevant Periods are as follows:

<u>Date of grant</u>	<u>Number of restricted shares</u>	<u>Subscription price per share</u>	<u>Fair value per share</u>
March 17, 2022	102,735	RMB3.89	RMB8.77
May 9, 2022	92,462	RMB3.89	RMB10.20
July 14, 2022	236,291	RMB3.89	RMB10.20
January 1, 2024	820,000	RMB4.00	RMB12.83
January 1, 2024	1,280,000	RMB7.50	RMB12.83
March 1, 2024	150,000	RMB7.50	RMB12.83
Total	<u>10,289,015</u>		

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the subscription price. The fair value of the share award granted is measured as the market value at the grant date, which is determined by an external valuer using the discounted cash flows method or recent transaction method, taking into account the terms and conditions upon which the restricted shares were granted.

Set out below are details of the movements of the outstanding restricted shares granted under the Pre-IPO Employee Incentive Scheme throughout the Relevant Periods.

	As at December 31,		
	2022	2023	2024
At the beginning of the year	7,098,989	7,314,733	6,852,425
Granted during the year	431,488	–	2,250,000
Forfeited during the year	(215,744)	(380,120)	(164,376)
Vested during the year	–	(82,188)	–
At the end of the year	<u>7,314,733</u>	<u>6,852,425</u>	<u>8,938,049</u>

During the years ended December 31, 2022, 2023 and 2024, equity-settled Share-based payment compensation expenses of RMB1,890,000, RMB1,912,000 and RMB4,441,000 were charged to profit or loss, respectively.

The weighted average remaining contractual lives for the outstanding restricted shares granted were 3.43 years, 2.25 years and 2.01 years as at the end of each of the Relevant Periods, respectively.

All numbers of shares of the Company and subscription price per share in this note have been adjusted retrospectively as if the Company's conversion into joint stock limited company on February 10, 2023 as set out in note 33 to the Historical Financial Information had been completed at the beginning of the Relevant Period.

### 36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Changes in liabilities arising from financing activities

	Lease liabilities	Bank borrowings	Due to related parties-non trade	Convertible bonds	Accrued listing expenses included in other payables and accruals
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2022</b>	5,926	87,818	5,312	300,000	–
Changes from financing cash flows:					
Payments	(2,477)	(88,546)	(5,312)	–	–
Exchange adjustment	473	(186)	–	–	–
Change in fair value	–	–	–	21,000	–
Accretion of interest recognized during the year	367	914	–	–	–
<b>At December 31, 2022 and January 1, 2023</b>	4,289	–	–	321,000	–
Changes from financing cash flows:					
Payments	(2,726)	–	–	(21,000)	–
Exchange adjustment	59	–	–	–	–
Change in fair value	–	–	–	21,000	–
Accretion of interest recognized during the year	224	–	–	–	–

	Lease liabilities	Bank borrowings	Due to related parties-non trade	Convertible bonds	Accrued listing expenses included in other payables and accruals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At December 31, 2023 and January 1, 2024</b>	1,846	–	–	321,000	–
Changes from financing cash flows:					
Additions	–	40,000	–	–	–
Payments	(2,014)	(1,065)	–	(306,625)	(6,767)
Changes from operating cash flows:					
Payments	–	–	–	–	(19,514)
Exchange adjustment	9	–	–	–	–
Change in fair value	–	–	–	(14,375)	–
Accretion of interest recognized during the year	76	1,065	–	–	–
New lease	1,226	–	–	–	–
Increase in deferred listing expense	–	–	–	–	8,907
Listing expense	–	–	–	–	25,019
<b>At December 31, 2024</b>	<b>1,143</b>	<b>40,000</b>	<b>–</b>	<b>–</b>	<b>7,645</b>

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

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended December 31		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	1,493	1,567	1,515
Within financing activities	2,477	2,726	2,014
Total	<b>3,970</b>	<b>4,293</b>	<b>3,529</b>

**37. COMMITMENTS**

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

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:			
Property and equipment	60,481	45,001	39,912

## 38. RELATED PARTY TRANSACTIONS

## (a) Names and relationships

Name of related parties	Relationship with the Group
Dr. Xu Qi	Director of the Company
Dr. Li Xiang	Director of the Company
UCP Biosciences Inc. (“UCP Biosciences”)*	Controlled by Dr. Xu Qi
Prometheus Bio Inc. (康永生物技術有限公司, “Prometheus Bio”)*	Controlled by Dr. Xu Qi
Hangzhou Haidongqing Technology Co., Ltd. (杭州海東清科技有限公司, “Hangzhou Haidongqing”)	Controlled by Ms. Li Xiangli**
Zhejiang Handing Pharmaceutical Co., Ltd. (浙江漢鼎醫藥有限公司, “Zhejiang Handing”)	Note
Hangzhou Jicheng Pharmaceutical Technology Co., Ltd. (杭州濟城醫藥科技有限公司, “Hangzhou Jicheng”)	Controlled by Dr. Xu Qi
Health Angel International Ltd. (琪康國際有限公司, “Qikang International”)	Controlled by Dr. Xu Qi

\* Prometheus Bio and UCP Biosciences were disposed to an independent third party in March 2023 and therefore is no longer presented as a related party of the Group since then.

\*\* Ms. Li Xiangli is a Director of the Company.

Note: Dr. Li Xiang held approximately 41.45% interest in aggregate in Zhejiang Handing as of December 31, 2023 and held approximately 64.25% interest in aggregate in Zhejiang Handing as of March 14, 2025. Dr. Li Xiang also served as a director and the chairman of Zhejiang Handing.

## (b) Significant related party transactions

The Group had the following material related party transactions during the Relevant Periods.

		Year ended December 31		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Sales to				
Prometheus Bio		882	–	–
Zhejiang Handing		444	852	422
		<u>1,326</u>	<u>852</u>	<u>422</u>
Repayments of borrowings				
Hangzhou Jicheng	(a)	<u>(5,312)</u>	–	–
Repayments of loans to				
Dr. Xu Qi	(b)	–	–	<u>1,659</u>

The directors consider that rendering of services or sales of products to related parties were based on arm's length negotiation between the Group and related parties with reference to market rates.

Notes:

(a) The borrowings were unsecured, borne interest rates ranging from 3% to 4% per annum and were repayable on demand. The Group had fully repaid the borrowings in 2022.

(b) The loan was interest-free and repayable on demand, which were fully repaid by Dr. Xu Qi in 2024.

(c) **Outstanding balances with related parties**

	Nature	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Amounts due from related parties				
Other receivables				
UCP Biosciences	(a) Trade	1,296	*	*
Dr. Xu Qi	(b) Non-trade	1,659	1,659	–
		<u>2,955</u>	<u>1,659</u>	<u>–</u>
Amounts due to related parties				
Contract liabilities				
Prometheus Bio	Trade	52	*	*
Zhejiang Handing	Trade	2,098	1,855	1,811
Other payables				
Prometheus Bio	(c) Non-trade	183	*	*
		<u>2,333</u>	<u>1,855</u>	<u>1,811</u>

The amounts due from related parties are unsecured, interest-free and repayable on demand.

*Notes:*

- (a) The balance represented lease payments paid by the Group on behalf of UCP Biosciences.
- (b) The balance represented advances to Dr. Xu Qi and had been repaid in full in May 2024.
- (c) The balance represented reimbursable expenses paid by Prometheus Bio for the Group. The balance as at December 31, 2022 had been repaid in full in May 2023.
- \* The balance is not presented because UCP Biosciences and Prometheus Bio were no longer related parties since March 2023.

(d) **Compensation of key management personnel of the Group:**

**The Group**

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	9,504	11,248	16,260
Pension scheme contributions	159	167	305
Share-based payment compensation	761	703	2,274
Total compensation paid to key management personnel	<u>10,424</u>	<u>12,118</u>	<u>18,839</u>

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>			
Financial assets at fair value through profit or loss:			
Structured deposits and wealth management products	332,126	110,082	–
Unlisted equity investments	1,728	1,530	1,634
	<u>333,854</u>	<u>111,612</u>	<u>1,634</u>
<b>Total</b>	<b><u>333,854</u></b>	<b><u>111,612</u></b>	<b><u>1,634</u></b>
Financial assets at amortized cost:			
Trade and notes receivables	19,800	36,418	57,720
Financial assets included in prepayments and other receivables	794	528	199
Cash and cash equivalents	279,048	531,012	387,183
Time deposits	61,634	53,409	143,032
Amounts due from related parties	2,955	1,659	–
Restricted cash	430	435	439
	<u>364,661</u>	<u>623,461</u>	<u>588,573</u>
<b>Total</b>	<b><u>364,661</u></b>	<b><u>623,461</u></b>	<b><u>588,573</u></b>
<b>Financial liabilities</b>			
Financial liabilities at fair value through profit or loss:			
Convertible bonds	321,000	321,000	–
Redemption liabilities on equity shares	517,667	542,038	639,805
	<u>838,667</u>	<u>863,038</u>	<u>639,805</u>
<b>Total</b>	<b><u>838,667</u></b>	<b><u>863,038</u></b>	<b><u>639,805</u></b>
Financial liabilities at amortized cost:			
Trade payables	12,711	6,731	23,469
Financial liabilities included in other payables	80,314	104,299	28,786
Lease liabilities	4,289	1,846	1,143
Amounts due to related parties	2,333	1,855	1,811
Interest-bearing bank borrowings	–	–	40,000
	<u>99,647</u>	<u>114,731</u>	<u>95,209</u>
<b>Total</b>	<b><u>99,647</u></b>	<b><u>114,731</u></b>	<b><u>95,209</u></b>

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

**Fair values**

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged bank deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the non-current time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the financial director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, structured deposits and wealth management products provided by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the redemption liabilities on equity shares measured at FVTPL are determined using the option pricing model. Further details are set out in note 30 to the Historical Financial Information.

The discounted cash flow method was used to determine the fair value of convertible bonds. Further details are set out in note 31 to the Historical Financial Information.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

As at December 31, 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Structured deposits and wealth management products	–	332,126	–	332,126
Unlisted equity investments	–	–	1,728	1,728
<b>Financial liabilities</b>				
Convertible bonds	–	321,000	–	321,000
Redemption liabilities on equity shares	–	–	517,667	517,667

As at December 31, 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Structured deposits and wealth management products	–	110,082	–	110,082
Unlisted equity investments	–	–	1,530	1,530
<b>Financial liabilities</b>				
Convertible bonds	–	321,000	–	321,000
Redemption liabilities on equity shares	–	–	542,038	542,038

As at December 31, 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Unlisted equity investments	–	–	1,634	1,634
<b>Financial liabilities</b>				
Redemption liabilities on equity shares	–	–	639,805	639,805

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

## 2022

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity investments	Market approach	DLOM	20.9%	5% increase/decrease in DLOM would result in decrease/increase in fair value by 6.41%
Redemption liabilities on equity shares	Discounted cash flow method	Risk-free interest rate	2.55%	1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by 1.49%/1.97%
		Volatility	54.32%	1% increase/decrease in volatility would result in decrease/increase in fair value by 0.22%/0.21%
		DLOM	21.84%	1% increase/decrease in DLOM would result in decrease/increase in fair value by 1.18%

## 2023

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity investments	Market approach	DLOM	21.1%	5% increase/decrease in DLOM would result in decrease/increase in fair value by 6.44%
		Enterprise value/Sale multiple	7.3	10% increase/decrease in the ratio of EV/Sale would result in increase/decrease in fair value by 10.78%/10.52%

	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range</b>	<b>Sensitivity of fair value to the input</b>
Redemption liabilities on equity shares	Discounted cash flow method	Risk-free interest rate	2.29%	1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by 1.04%/1.26%
		Volatility	56.91%	1% increase/decrease in volatility would result in decrease/increase in fair value by 0.15%/0.14%
		DLOM	16.58%	1% increase/decrease in DLOM would result in decrease/increase in fair value by 1.13%

**2024**

	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range</b>	<b>Sensitivity of fair value to the input</b>
Unlisted equity investments	Market approach	DLOM	23.7%	5% increase/decrease in DLOM would result in decrease/increase in fair value by 6.65%
		Enterprise value/Sale multiple	6.4	10% increase/decrease in the ratio of EV/Sale would result in increase/decrease in fair value by 9.33%/8.96%
Redemption liabilities on equity shares	Discounted cash flow method	Risk-free interest rate	1.08%	1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by 0.66%/0.79%

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
	Volatility	54.84%	1% increase/ decrease in volatility would result in increase/decrease in fair value by 0.01%/0.02%
	DLOM	10.54%	1% increase/ decrease in DLOM would result in decrease/increase in fair value by 1.08%

#### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits, financial assets at fair value through profit or loss and redemption liabilities on equity shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of the directors reviews and agrees policies for managing each of these risks and they are summarized below.

##### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from financing activities by subsidiaries in currencies other than the subsidiaries' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD, HKD and EUR exchange rates, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
December 31, 2022			
If RMB weakens against USD	5	9,551	9,551
If RMB strengthens against USD	(5)	(9,551)	(9,551)
December 31, 2023			
If RMB weakens against USD	5	14,639	14,639
If RMB strengthens against USD	(5)	(14,639)	(14,639)
If RMB weakens against HKD	5	11	11
If RMB strengthens against HKD	(5)	(11)	(11)

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
December 31, 2024			
If RMB weakens against USD	5	20,683	20,683
If RMB strengthens against USD	(5)	(20,683)	(20,683)
If RMB weakens against HKD	5	40	40
If RMB strengthens against HKD	(5)	(40)	(40)
If RMB weakens against EUR	5	3	3
If RMB strengthens against EUR	(5)	(3)	(3)

### Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group also expects that there is no significant credit risk associated with pledged bank deposits, time deposits and cash at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management of the Group does not expect that there will be any significant losses from non-performance by these counterparties.

### Maximum exposure and year-end staging as at December 31, 2022, 2023 and 2024

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and staging classification as at December 31, 2022, 2023 and 2024. The amounts presented are gross carrying amounts for financial assets.

#### At December 31, 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	20,744	20,744
Notes receivables	3,008	–	–	–	3,008
Financial assets included in prepayments, other receivables and other assets	794	–	–	–	794
Amounts due from related parties	2,955	–	–	–	2,955
Time deposits	61,634	–	–	–	61,634
Pledged bank deposits	430	–	–	–	430
Cash and cash equivalents	279,048	–	–	–	279,048
Total	347,869	–	–	20,744	368,613

## At December 31, 2023

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	40,902	40,902
Financial assets included in prepayments, other receivables and other assets	528	–	–	–	528
Amounts due from related parties	1,659	–	–	–	1,659
Time deposits	53,409	–	–	–	53,409
Pledged bank deposits	435	–	–	–	435
Cash and cash equivalents	531,012	–	–	–	531,012
Total	<u>587,043</u>	<u>–</u>	<u>–</u>	<u>40,902</u>	<u>627,945</u>

## At December 31, 2024

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	62,645	62,645
Financial assets included in prepayments, other receivables and other assets	246	–	–	–	246
Time deposits	143,032	–	–	–	143,032
Pledged bank deposits	439	–	–	–	439
Cash and cash equivalents	387,183	–	–	–	387,183
Total	<u>530,900</u>	<u>–</u>	<u>–</u>	<u>62,645</u>	<u>593,545</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the general matrix is disclosed in note 22 to the Historical Financial Information.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

<b>As at December 31, 2022</b>	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Redemption liabilities on equity shares	–	–	658,000	–	658,000
Convertible bonds	–	342,000	–	–	342,000
Lease liabilities	–	1,280	2,805	–	4,085
Trade payables	237	12,474	–	–	12,711
Amounts due to related parities	2,333	–	–	–	2,333
Financial liabilities included in other payables and accruals	80,314	–	–	–	80,314
<b>Total</b>	<b>82,884</b>	<b>355,754</b>	<b>660,805</b>	<b>–</b>	<b>1,099,443</b>
<b>As at December 31, 2023</b>	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Redemption liabilities on equity shares	–	–	658,000	–	658,000
Convertible bonds	–	321,000	–	–	321,000
Lease liabilities	–	1,366	–	–	1,366
Trade payables	185	6,546	–	–	6,731
Amounts due to related parities	1,855	–	–	–	1,855
Financial liabilities included in other payables and accruals	104,299	–	–	–	104,299
<b>Total</b>	<b>106,339</b>	<b>328,912</b>	<b>658,000</b>	<b>–</b>	<b>1,093,251</b>
<b>As at December 31, 2024</b>	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Redemption liabilities on equity shares	–	–	658,000	–	658,000
Lease liabilities	–	447	813	–	1,260
Trade payables	141	23,328	–	–	23,469
Amounts due to related parities	1,811	–	–	–	1,811
Financial liabilities included in other payables and accruals	28,786	–	–	–	28,786
Interest-bearing bank borrowings	–	40,111	–	–	40,111
<b>Total</b>	<b>30,738</b>	<b>63,886</b>	<b>658,813</b>	<b>–</b>	<b>753,437</b>

**Capital management**

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

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

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	<b>As at December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,239,152	1,308,746	1,172,628
Total liabilities	1,036,685	1,054,862	853,878
Asset-liability ratio (note)	84%	81%	73%

*Note:* Asset-liability ratio is calculated by dividing total liabilities by total asset.

**42. EVENTS AFTER THE RELEVANT PERIODS**

No significant events occurred after December 31, 2024.

**43. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group or any of the subsidiaries in respect of any period subsequent to December 31, 2024.