

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHAANXI MICOT PHARMACEUTICAL TECHNOLOGY CO., LTD., CCB INTERNATIONAL CAPITAL LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of Shaanxi Micot Pharmaceutical Technology Co., Ltd. (陝西麥科奧特醫藥科技股份有限公司) (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-47 which comprises the consolidated statements of financial position of the Group as at December 31, 2024 and 2025, the statements of financial position of the Company as at December 31, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 15, 2026 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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 assessment, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

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


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

Adjustments

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

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend has been declared or paid by the Company and its subsidiaries in respect of the Track Record Period.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
June 15, 2026

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31 December	
		2024	2025
		RMB'000	RMB'000
Other income	6	4,002	2,301
Other gains and losses, net	7	2,670	43,268
Administrative expenses		(18,812)	(23,490)
Research and development expenses		(107,022)	(130,089)
Listing expenses		-	(9,901)
Finance costs	8	(37,646)	(67,003)
Loss before tax	9	(156,808)	(184,914)
Income tax expense	10	(24)	-
Loss for the year		(156,832)	(184,914)
Other comprehensive income for the year			
<i>Item that will be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		9	2
Total comprehensive expense for the year		(156,823)	(184,912)

		For the year ended 31 December	
	NOTE	<u>2024</u>	<u>2025</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year attributable to:			
- Owners of the Company		(154,632)	(182,507)
- Non-controlling interests		<u>(2,200)</u>	<u>(2,407)</u>
		<u>(156,832)</u>	<u>(184,914)</u>
Total comprehensive expense for the year attributable to:			
- Owners of the Company		(154,623)	(182,505)
- Non-controlling interests		<u>(2,200)</u>	<u>(2,407)</u>
		<u>(156,823)</u>	<u>(184,912)</u>
Loss per share (RMB)			
- Basic and diluted	14	<u>(0.66)</u>	<u>(0.75)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,	
		2024	2025
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Plant and equipment	15	9,216	6,622
Right-of-use assets	16	2,842	18,775
Term deposits	18	30,300	31,020
Other receivables	19	18,923	11,283
Restricted bank deposits		-	1,560
		<u>61,281</u>	<u>69,260</u>
CURRENT ASSETS			
Prepayments and other receivables	19	5,513	24,186
Financial assets at fair value through profit or loss ("FVTPL")	20	54,611	95,209
Amount due from a related party	23(d)	652	1,087
Restricted bank deposits		-	863
Term deposits	18	60,540	60,300
Cash and cash equivalents	18	64,661	80,556
		<u>185,977</u>	<u>262,201</u>
CURRENT LIABILITIES			
Trade and other payables	21	45,580	82,627
Bank borrowings	22	1,760	48,100
Amount due to the Controlling Shareholder (as defined in Note 1)	23(a)	28,333	-
Lease liabilities	24	2,259	1,399
Redemption liabilities	25	-	134,281
		<u>77,932</u>	<u>266,407</u>
NET CURRENT ASSETS (LIABILITIES)..		<u>108,045</u>	<u>(4,206)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>169,326</u>	<u>65,054</u>

		As at December 31,	
	<i>NOTES</i>	<u>2024</u>	<u>2025</u>
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings	22	42,253	–
Lease liabilities	24	280	202
Redemption liabilities	25	–	1,024,737
		<u>42,533</u>	<u>1,024,939</u>
NET ASSETS (LIABILITIES)		<u>126,793</u>	<u>(959,885)</u>
CAPITAL AND RESERVES			
Paid-in capital/ share capital	29	4,985	5,474
Reserves (deficits)		<u>106,826</u>	<u>(977,934)</u>
Equity (deficits) attributable to owners of the Company		111,811	(972,460)
Non-controlling interests		<u>14,982</u>	<u>12,575</u>
TOTAL EQUITY (DEFICITS)		<u>126,793</u>	<u>(959,885)</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31,	
		2024	2025
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Plant and equipment	15	3,221	2,736
Right-of-use assets	16	1,295	2,405
Investments in subsidiaries	17	256,778	311,478
Term deposits	18	30,300	31,020
Other receivables	19	13,647	5,404
		<u>305,241</u>	<u>353,043</u>
CURRENT ASSETS			
Prepayments and other receivables	19	2,981	23,609
Financial assets at FVTPL	20	20,056	95,209
Amount due from subsidiaries	23(c)	23,756	33,690
Restricted bank deposits		-	863
Term deposits	18	60,540	60,300
Cash and cash equivalents	18	57,696	41,733
		<u>165,029</u>	<u>255,404</u>
CURRENT LIABILITIES			
Trade and other payables	21	30,999	61,217
Bank borrowings	22	1,760	48,100
Amount due to the Controlling Shareholder	23(a)	28,333	-
Amount due to a subsidiary	23(b)	-	26,500
Lease liabilities	24	1,165	1,119
Redemption liabilities	25	-	134,281
		<u>62,257</u>	<u>271,217</u>
NET CURRENT ASSETS (LIABILITIES)		<u>102,772</u>	<u>(15,813)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>408,013</u>	<u>337,230</u>
NON-CURRENT LIABILITIES			
Bank borrowings	22	42,253	-
Lease liabilities	24	-	202
Redemption liabilities	25	-	1,024,737
		<u>42,253</u>	<u>1,024,939</u>
NET ASSETS (LIABILITIES)		<u>365,760</u>	<u>(687,709)</u>
CAPITAL AND RESERVES			
Paid-in capital/share capital	29	4,985	5,474
Reserves (deficits)		360,775	(693,183)
TOTAL EQUITY (DEFICITS)		<u>365,760</u>	<u>(687,709)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Paid-in capital/ Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Shares issued for share incentive scheme	Subtotal	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	4,985	73,268	1,500	(244)	(594,905)	(300)	(515,696)	17,182	(498,514)
Loss for the year	-	-	-	-	(154,632)	-	(154,632)	(2,200)	(156,832)
Other comprehensive income for the year	-	-	-	9	-	-	9	-	9
Total comprehensive income (expense) for the year . . .	-	-	-	9	(154,632)	-	(154,623)	(2,200)	(156,823)
Conversion into a joint stock company (Note 29) . .	-	(267,399)	(1,500)	-	268,899	-	-	-	-
Reclassification from redemption liabilities (Note 25)	-	782,130	-	-	-	-	782,130	-	782,130
At December 31, 2024	4,985	587,999	-	(235)	(480,638)	(300)	111,811	14,982	126,793
Loss for the year	-	-	-	-	(182,507)	-	(182,507)	(2,407)	(184,914)
Other comprehensive income for the year	-	-	-	2	-	-	2	-	2
Total comprehensive income (expense) for the year . . .	-	-	-	2	(182,507)	-	(182,505)	(2,407)	(184,912)
Capital injection from shareholders (Note 29) . . .	489	235,011	-	-	-	-	235,500	-	235,500
Recognition of redemption liabilities (Note 25)	-	(1,137,266)	-	-	-	-	(1,137,266)	-	(1,137,266)
At December 31, 2025	5,474	(314,256)	-	(233)	(663,145)	(300)	(972,460)	12,575	(959,885)

Note:

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the entities established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the group entities) to statutory reserve (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the entity.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December	
	2024	2025
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	(156,808)	(184,914)
Adjustments for:		
Interest income	(3,235)	(2,008)
Gain on fair value changes from financial assets at FVTPL	(2,028)	(865)
Depreciation of plant and equipment	4,853	3,463
Depreciation of right-of-use assets	3,535	3,111
Gain on early termination of a lease	(414)	-
Foreign exchange gains	(228)	(480)
Finance costs	37,646	67,003
Gain on non-substantial modification of redemption liabilities	-	(42,081)
Operating cash flows before movements in working capital	(116,679)	(156,771)
Decrease (increase) in an amount due from a related party	49	(435)
Increase in prepayments and other receivables	(1,970)	(8,598)
Increase in trade and other payables	10,890	28,674
Cash used in operations	(107,710)	(137,130)
Income tax paid	(32)	-
NET CASH USED IN OPERATING ACTIVITIES . . .	(107,742)	(137,130)
INVESTING ACTIVITIES		
Interest received	10,095	1,528
Payments of right-of-use assets	-	(16,076)
Purchase of plant and equipment	(1,302)	(878)
Purchase of financial assets at FVTPL	(634,900)	(391,500)
Redemption on maturity of financial assets at FVTPL	690,910	351,767
Placement of term deposits	(90,000)	(60,000)
Withdrawal of term deposits	80,000	60,000
Placement of restricted bank deposit	-	(2,423)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	54,803	(57,582)

	For the year ended 31 December	
	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>
FINANCING ACTIVITIES		
Proceeds from issue of shares (<i>Note 25</i>)	-	235,500
Payments for accrued issue costs (<i>Note 33</i>)	-	(1,330)
Purchase of additional interest in a subsidiary from the Controlling Shareholder	-	(28,333)
Proceeds from subscription price of restricted share units	-	7,268
Drawdown of bank borrowings	25,463	5,147
Repayment of bank borrowings	(650)	(1,060)
Interest paid for bank borrowings	(669)	(985)
Repayment of lease liabilities	(2,819)	(3,906)
Interest paid for lease liabilities	(202)	(66)
NET CASH FROM FINANCING ACTIVITIES	21,123	212,235
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(31,816)	17,523
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	95,942	64,661
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	535	(1,628)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	64,661	80,556

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was established in the PRC on January 19, 2007 as a limited liability company. On December 9, 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC, with its name changed from Shaanxi Micot Technology Co., Ltd.* (陝西麥科奧特科技有限公司) to Shaanxi Micot Pharmaceutical Technology Co., Ltd. (陝西麥科奧特醫藥科技股份有限公司).

The controlling shareholder (the “Controlling Shareholder”) of the Company is Dr. Wang Bing. Dr. Wang Bing is also the founder of the Company.

The respective address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” in the Prospectus.

The Group is a biotechnology company specializing in the discovery, development and commercialization of bi-/multi-specific peptide drugs for the treatment of metabolic diseases as well as cardiovascular and cerebrovascular diseases. Particulars and principal activities of the subsidiaries are disclosed in Note 35.

The statutory financial statements of the Company for the year ended December 31, 2024 were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC and were audited by Shaanxi Branch of China Audit Asia Pacific Certified Public Accountants LLP* 中審亞太會計師事務所 (特殊普通合夥) 陝西分所, Certified Public Accountants registered in the PRC. The statutory financial statements for the year ended December 31, 2025 have not yet been issued.

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

* *English name for identification purpose only*

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

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

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the material accounting policy information set out in Note 4 below.

As at December 31, 2025, the Group and the Company had net current liabilities of RMB4,206,000 and RMB15,813,000 and net liabilities of RMB959,885,000 and RMB687,709,000, respectively. The net current liabilities and net liabilities primarily arise from the redemption liabilities recognized for the shares with preferential rights amounting to RMB134,281,000 and RMB1,024,737,000 classified under current and non-current liabilities, respectively, as at December 31, 2025, of which the key terms are detailed in Note 25.

As disclosed in Note 25, all preferential rights including the redemption right shall be suspended upon the submission of the listing application to the Stock Exchange and be reinstated if the Company fails to complete the application. Based on the working capital forecast of the Group for the next twelve months, taking into account (1) the financial resources available to the Group, including cash and cash equivalents, term deposits, restricted bank deposits and structured bank deposits on hand, (2) a non-refundable upfront payment amounting to RMB200,000,000 received in February 2026 pursuant to the license agreement (Note 37), and (3) the extension of the redemption date to June 30, 2027 upon the submission of the listing application to the Stock Exchange in September 2025, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from December 31, 2025. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025, throughout the Track Record Period.

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

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

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 20	Regulatory Assets and Regulatory Liabilities ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

⁴ Effective for annual periods beginning on or after January 1, 2029.

Except for the new IFRS Accounting Standard set out below, the directors of the Company anticipate that the application of all the other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

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

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements (including aggregation and disaggregation of items within statement of financial position and statement of comprehensive income) of the Group, but in terms of recognition and measurement, IFRS 18 is not expected to have significant impact on the financial performance and positions of the Group.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in subsidiaries

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

Leases

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including non-lease building components, unless such allocation cannot be made reliably.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

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

Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value.

Lease liabilities

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

The lease payments include fixed payments.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Foreign currencies

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

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

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

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Government grants

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share awards/share options granted to employees and others providing similar services

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

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

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

When shares awards granted are vested, the amount previously recognized in shares issued for share incentive scheme will be transferred to capital reserve.

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

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

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss.

Plant and equipment

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

Plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other plant and equipment, commences when the assets are ready for their intended use.

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

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

Impairment on plant and equipment and right-of-use assets

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

The recoverable amount of plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and

consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

Cash and cash equivalents

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

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

- (i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or designated as fair value through other comprehensive income are measured at FVTPL.

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

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables, amount due from a related party, amounts due from subsidiaries, restricted bank deposits, terms deposits, and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for trade-related amounts due from subsidiaries.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports and financial analysts reports, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower; and
- (b) a breach of contract, such as a default or past due event.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including bank borrowings, trade and other payables, lease liabilities and amount due to the Controlling Shareholder are subsequently measured at amortized cost using the effective interest method.

Redemption liabilities

A contract that contains an obligation to purchase the Group's equity instruments for cash gives rise to a financial liability for the present value of the redemption amount, even if the Group's obligation to purchase is conditional on the counterparty exercising a right to redeem. The redemption liabilities are initially recognized as financial liabilities at the present value of the redemption amount, with the corresponding amount charged against capital reserves within equity. Subsequently, the redemption liabilities are measured at amortized cost with interest charged in finance costs. If the Group's obligation to purchase is terminated, the carrying amount of the financial liability is reclassified to equity.

Derivative financial instruments

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

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate.

Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENT

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

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

Critical judgement in applying accounting policies

The following is the critical judgement that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenditures

Development expenses incurred on the Group's product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets 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 pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determines that the Group's product pipelines do not meet the above said capitalization criteria. During the Track Record Period, all the development costs are expensed when incurred.

6. OTHER INCOME

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Interest income on bank deposits	3,235	2,008
Government grants (Note)	767	293
	<u>4,002</u>	<u>2,301</u>

Note: The government grants mainly comprise industry-related subsidies and incentives received upon fulfilling the conditions for compensation of research and development expenses and other costs or losses already incurred, or as immediate financial support with no future related costs and not related to any assets.

7. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Gain on non-substantial modification of redemption liabilities . . .	-	42,081
Gain on early termination of a lease	414	-
Gain on fair value changes from financial assets at FVTPL	2,028	865
Net foreign exchange gains	228	480
Others	-	(158)
	<u>2,670</u>	<u>43,268</u>

8. FINANCE COSTS

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Interest expense on:		
– bank borrowings	669	985
– lease liabilities	202	66
– redemption liabilities	36,775	65,952
	<u>37,646</u>	<u>67,003</u>

9. LOSS BEFORE TAX

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Loss before tax for the year has been arrived at after charging:		
Auditor's remuneration	30	30
Depreciation of plant and equipment	4,853	3,463
Depreciation of right-of-use assets	3,535	3,111
Total depreciation	<u>8,388</u>	<u>6,574</u>
Staff costs		
Directors' and chief executive's remuneration (<i>Note 11</i>)	3,390	3,344
Other staff costs		
– salaries and other benefit	33,370	43,743
– retirement benefits	2,575	3,334
Total staff costs	<u>39,335</u>	<u>50,421</u>

10. INCOME TAX EXPENSE

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")		
– current tax	26	–
– over provision in prior years	(2)	–
Deferred tax (<i>Note 26</i>)	–	–
	<u>24</u>	<u>–</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the group entities established in the PRC (other than those as described below) is 25% during the Track Record Period.

Certain subsidiaries of the Company qualified as a Small and Micro Enterprise, and relevant taxable income was calculated at a reduced base of 25% and EIT was levied at the preferential rate of 20% during the Track Record Period.

The Group had no estimated assessable profit that was subject to Hong Kong Profits Tax during Track Record Period.

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

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Loss before tax	(156,808)	(184,914)
Tax credit at the applicable income tax rate of 25%	(39,202)	(46,229)
Over provision in prior years	(2)	-
Tax effect of expenses not deductible for tax purposes	7,199	16,574
Tax effect of income not taxable for tax purposes	-	(10,520)
Tax effect of super deduction on research and development expenses	(17,285)	(13,556)
Income tax at concessionary rate	(32)	-
Tax effect of tax losses not recognized	49,346	53,731
Income tax expense	24	-

11. DIRECTORS', CHIEF EXECUTIVE'S' AND EMPLOYEES' EMOLUMENTS

Directors' and Chief Executive's emoluments

Details of the emoluments paid to the individuals who were appointed as the executive and non-executive directors of the Company for the service provided to the Group during the Track Record Period are as follows:

	Salaries, allowance and benefits in kind	Performance- related bonuses	Retirement benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2024				
Executive directors:				
Dr. Wang Bing (<i>Note i</i>)	1,600	442	38	2,080
Dr. Yu Weiping	1,208	102	-	1,310
Non-executive directors:				
Dr. Wang Mei	-	-	-	-
Mr. Wang Yiqiang	-	-	-	-
Mr. Ju Hangsheng	-	-	-	-
Dr. Song Gaoguang	-	-	-	-
Mr. Lin Xianghong	-	-	-	-
	2,808	544	38	3,390

	Salaries, allowance and benefits in kind	Performance- related bonuses	Retirement benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025				
Executive directors:				
Dr. Wang Bing (Note i)	1,605	401	38	2,044
Dr. Yu Weiping	1,200	100	–	1,300
Non-executive directors:				
Dr. Wang Mei	–	–	–	–
Mr. Wang Yiqiang (Note ii)	–	–	–	–
Mr. Ju Hangsheng (Note ii)	–	–	–	–
Dr. Song Gaoguang	–	–	–	–
Mr. Lin Xianghong (Note ii)	–	–	–	–
Mr. You Xiangdong (Note iii)	–	–	–	–
Dr. Wang Nayi (Note iii)	–	–	–	–
	<u>2,805</u>	<u>501</u>	<u>38</u>	<u>3,344</u>

Notes:

i Dr. Wang Bing is an executive director and the Chief Executive Officer of the Company throughout the Track Record Period. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer of the Company.

The emoluments of executive directors shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The performance related bonuses were determined by the management of the Group by reference to the performance.

ii. Mr. Wang Yiqiang, Mr. Lin Xianghong and Mr. Ju Hangsheng resigned as non-executive directors of the Company on 28 August 2025.

iii. Mr. You Xiangdong and Dr. Wang Nayi were appointed as non-executive directors of the Company on 28 August 2025.

Dr. Wang Mei did not receive any emoluments from the Group during the Track Record Period. Mr. Wang Yiqiang, Mr. Ju Hangsheng, Dr. Song Gaoguang, Mr. Lin Xianghong, Mr. Youxiangdong and Dr. Wang Nayi did not receive emoluments during the Track Record Period, and they also held positions in the corporate shareholders of the Company ("Shareholder's Entities"), and their emoluments were borne by the respective Shareholder's Entities for the services rendered to those entities. In the opinion of the directors of the Company, it is not practicable to allocate their remuneration to the Group.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

12. FIVE HIGHEST PAID EMPLOYEES

Five individuals with the highest emoluments

The five highest paid employees of the Group during the Track Record Period included two and two directors, details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year of the remaining three and three highest paid employees who are not directors of the Company are as follows:

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Salaries, wages and allowance	3,532	4,792
Performance related bonuses	273	878
Retirement benefits	190	188
	<u>3,995</u>	<u>5,858</u>

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	For the year ended December 31,	
	2024	2025
	<i>Number of employees</i>	<i>Number of employees</i>
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	-	1
	<u>3</u>	<u>3</u>

No emoluments were paid by the Group to the directors or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

13. **DIVIDENDS**

No dividend was declared or paid by the Company and its subsidiaries during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

14. **LOSS PER SHARE**

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

	For the year ended December 31,	
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(154,632)</u>	<u>(182,507)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>234,250</u>	<u>242,950</u>

The Company was converted from a limited liability company to a joint stock company with limited liability on December 5, 2024, 4,985,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. For the purpose of calculating basic loss per share, the number of shares in issue was deemed to be the weighted average number of ordinary shares, excluding the 300,000 shares held for share incentive scheme as disclosed in Note 28, as if the Company's conversion into a joint stock limited liability company and share subdivision as disclosed in Note 37 had occurred on January 1, 2024.

For the purpose of calculation of diluted loss per share for the years ended December 31, 2024 and 2025, the potential ordinary shares and the effect of the redemption liabilities were not included as their inclusion would result in a decrease in loss per share.

15. PLANT AND EQUIPMENT

The Group

	Machinery and equipment	Motor vehicles	Computer equipment and software	Office equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At January 1, 2024	20,796	1,337	2,557	735	5,227	154	30,806
Additions	568	-	624	7	-	103	1,302
Transfer	257	-	-	-	-	(257)	-
Exchange adjustments	12	-	1	-	-	-	13
At December 31, 2024	21,633	1,337	3,182	742	5,227	-	32,121
Additions	640	-	232	6	-	-	878
Exchange adjustments	(21)	-	(1)	-	-	-	(22)
At December 31, 2025	22,252	1,337	3,413	748	5,227	-	32,977
Depreciation							
At January 1, 2024	10,035	1,268	2,021	465	4,257	-	18,046
Provided for the year	3,558	-	544	119	632	-	4,853
Exchange adjustments	6	-	-	-	-	-	6
At December 31, 2024	13,599	1,268	2,565	584	4,889	-	22,905
Provided for the year	2,746	-	412	85	220	-	3,463
Exchange adjustments	(12)	-	(1)	-	-	-	(13)
At December 31, 2025	16,333	1,268	2,976	669	5,109	-	26,355
Carrying values							
At December 31, 2024	8,034	69	617	158	338	-	9,216
At December 31, 2025	5,919	69	437	79	118	-	6,622

The Company

	Machinery and equipment	Motor vehicles	Computer equipment and software	Office equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At January 1, 2024	9,488	1,337	2,038	505	5,227	18,595
Additions	543	-	624	7	-	1,174
At December 31, 2024	10,031	1,337	2,662	512	5,227	19,769
Additions	588	-	232	6	-	826
At December 31, 2025	10,619	1,337	2,894	518	5,227	20,595
Depreciation						
At January 1, 2024	6,296	1,268	1,691	356	4,257	13,868
Provided for the year	1,538	-	434	76	632	2,680
At December 31, 2024	7,834	1,268	2,125	432	4,889	16,548
Provided for the year	672	-	378	41	220	1,311
At December 31, 2025	8,506	1,268	2,503	473	5,109	17,859
Carrying values						
At December 31, 2024	2,197	69	537	80	338	3,221
At December 31, 2025	2,113	69	391	45	118	2,736

The above items of plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives at the following:

Machinery and equipment	5 years
Motor vehicles	4 years
Computer equipment and software	3 years
Office equipment	5 years
Leasehold improvement	5 years or the shorter of the relevant lease terms

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold land	Leased properties	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Carrying amount			
As at December 31, 2024	-	2,842	2,842
As at December 31, 2025	15,915	2,860	18,775
Depreciation charge			
For the year ended December 31, 2024	-	3,535	3,535
For the year ended December 31, 2025	161	2,950	3,111

	For the year ended December 31,	
	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>
Expense relating to short-term leases	181	27
Total cash outflow for leases.	(3,202)	(20,075)

The Company

	Leased properties
	<u>RMB'000</u>
Carrying amount	
As at December 31, 2024	1,295
As at December 31, 2025	2,405
Depreciation charge	
For the year ended December 31, 2024	2,036
For the year ended December 31, 2025	1,858

	For the year ended December 31,	
	2024	2025
	<u>RMB'000</u>	<u>RMB'000</u>
Expense relating to short-term leases	149	27
Total cash outflow for leases.	(2,324)	(2,871)

For the Track Record Period, the Group and the Company lease properties for its operations and research activities. Lease contracts are entered into for fixed term of 1 year to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

The Group and the Company regularly entered into short-term leases for machinery and equipment. As at December 31, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Cost of investments	256,778	311,478

18. CASH AND CASH EQUIVALENTS/TERM DEPOSITS/RESTRICTED BANK DEPOSITS

The Group

Cash and cash equivalents include demand deposits and short-term deposits (with original maturity of three months or less) for the purpose of meeting the Group's short term cash commitments.

As at December 31, 2024 and 2025, cash and cash equivalents carry interest at market rates ranging from 0.05% to 0.65% and 0.01% to 0.65% per annum, respectively. The term deposits are within a term from 1 year to 3 years and carry interest rates ranging from 1.80% to 2.40% and 1.20% to 2.40% per annum, respectively. The restricted bank deposits are within a term from 1 year to 8 years and carry interest at rates ranging from 0.70% to 1.1% per annum as at 31 December 2025.

The Company

Cash and cash equivalents include demand deposits and short-term deposits (with original maturity of three months or less) for the purpose of meeting the Company's short term cash commitments.

As at December 31, 2024 and 2025, cash and cash equivalents carry interest at market rates ranging from 0.05% to 0.65% and 0.05% to 0.65% per annum, respectively. The term deposits are within a term from 1 year to 3 years and carry interest rates ranging from 1.80% to 2.40% and 1.20% to 2.40% per annum, respectively. The restricted bank deposits are within a term of 1 year and carry interest rates ranging from 0.7% to 0.8% per annum as at 31 December 2025.

Details of the impairment assessment are set out in Note 32.

19. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Deferred issue costs	-	2,435
Prepaid listing expenses	-	8
Other receivables	204	374
Rental deposits for right-of-use assets	281	281
Prepayments for research and development services	4,900	9,150
Value added tax ("VAT") recoverable	18,723	22,604
Other prepayments	328	617
	24,436	35,469
Less: Amounts recoverable within one year shown under current assets	(5,513)	(24,186)
Amounts shown under non-current assets	18,923	11,283

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Deferred issue costs	-	2,435
Prepaid listing expenses	-	8
Other receivables	122	284
Rental deposits for right-of-use assets	81	81
Prepayments for research and development services	2,524	8,898
VAT recoverable	13,647	16,725
Others	254	582
	16,628	29,013
Less: Amounts recoverable within one year shown under current assets	(2,981)	(23,609)
Amounts shown under non-current assets	<u>13,647</u>	<u>5,404</u>

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Structured bank deposits (Note)	<u>54,611</u>	<u>95,209</u>

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Structured bank deposits (Note)	<u>20,056</u>	<u>95,209</u>

Note: The balance of structured bank deposits has a flexible maturity period of no more than six months. The yield rate stipulated in the contract is floating and linked to the performance of the underlying assets, such as gold market price and certain exchange rates.

21. TRADE AND OTHER PAYABLES

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Trade payables and accruals for research and development expenses	33,371	53,690
Payroll payable	6,491	8,818
Other tax payables	408	676
Government grant collected on behalf of employees	3,157	3,053
Accrued listing expenses	-	4,226
Accrued issue costs	-	1,105
Cash received under the Share Incentive Scheme (Note)	-	7,268
Others	2,153	3,791
	<u>45,580</u>	<u>82,627</u>

Note: The balance represents the cash received for the subscription price of the restricted share units granted under the Share Incentive Scheme (as defined in Note 28) to certain employees and key management personnel. Since the restricted share units granted haven't yet vested, the subscription price received may be returned to the grantees if they cease employment prior to the satisfaction of the vesting conditions, in which case the Company has the right to repurchase the relevant restricted share units.

The average credit term of trade payables is generally ranged between 15 to 90 days.

The following is an aging analysis of trade payables presented based on the invoice date and accruals which have not yet been billed at the end of each reporting period:

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
1-90 days	1,158	630
91-365 days	1,575	319
1-2 years	4,351	20
2-3 years	440	1,925
Over 3 years	207	644
	<u>7,731</u>	<u>3,538</u>
Not yet billed	25,640	50,152
	<u>33,371</u>	<u>53,690</u>

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Trade payables and accruals for research and development expenses	25,664	46,132
Payroll payable	4,422	6,280
Other tax payables	205	534
Accrued listing expenses	-	4,226
Accrued issue costs	-	1,105
Others	708	2,940
	<u>30,999</u>	<u>61,217</u>

The normal credit term of trade payables is generally ranged between 15 to 90 days.

The following is an aging analysis of trade payables presented based on the invoice date and accruals which have not yet been billed at the end of each reporting period:

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
1-90 days	418	535
91-365 days	1,575	102
1-2 years	467	20
2-3 years	440	1
Over 3 years	44	480
	<u>2,944</u>	<u>1,138</u>
Not yet billed	22,720	44,994
	<u>25,664</u>	<u>46,132</u>

22. **BANK BORROWINGS**
The Group and the Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Bank borrowings		
– Unsecured and unguaranteed	44,013	48,100

The carrying amount of the above borrowings are analyzed based on contractual repayment date as follows:

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
The carrying amounts of the borrowing are repayable:		
Within one year	1,760	48,100
Within a period of more than one year but not exceeding two years	42,253	–
	<u>44,013</u>	<u>48,100</u>
Less: Amounts due within one year shown under current liabilities	(1,760)	(48,100)
Amounts shown under non-current liabilities	<u>42,253</u>	<u>–</u>

The ranges of effective interest rate of the Group and the Company's bank borrowings are as follows:

	As at December 31,	
	2024	2025
Effective interest rate per annum:		
– Variable-rate borrowings	2.30%-2.50%	1.85%-1.95%

The Group's and the Company's variable-rate borrowings carry interest at 115 basis points below the one-year loan prime rate in the PRC. Interest rate is reset every twelve months.

In respect of bank borrowings with carrying amount of RMB44,013,000 and RMB48,100,000 as at December 31, 2024, and 2025, respectively, the Company may be required to make immediate repayment of bank borrowings if any of the following events occurs during the borrowing term:

- A change in the ownership structure or the controlling shareholder;
- A transfer of ownership of the pipeline(s);
- Fails to complete an initial public offering by December 31, 2025 and trigger share redemption obligation under the relevant agreements as at December 31, 2024. An extension was subsequently obtained in 2025, extending the initial public offering deadline to June 30, 2026.

The Company has complied with the relevant covenants on or before the end of each reporting period.

23. AMOUNT(S) DUE FROM (TO) THE CONTROLLING SHAREHOLDER/(A) SUBSIDIARY/ SUBSIDIARIES/A RELATED PARTY

(a) Amount due to the Controlling Shareholder

The Group and the Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Dr. Wang Bing	28,333	-

Note: The balance as at January 1, 2024 is RMB28,333,000. On August 22, 2023, the Company entered into an agreement with Dr. Wang Bing, the Controlling Shareholder of the Company, to acquire his equity interest in Xi'an Biocare for a total consideration of RMB58,300,000. The outstanding amount of RMB28,333,000 as at December 31, 2024 has been paid in cash during the year ended December 31, 2025.

The balances as at December 31, 2024 is non-trade related, unsecured, unguaranteed, repayable on demand and non-interest bearing.

(b) Amount due to a subsidiary

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
麥科奧特(蘇州)醫藥有限公司 (Micot (Suzhou) Pharmaceutical Co., Ltd*) ("Suzhou Pharmaceutical")	-	26,500

Note: The balance as at January 1, 2024 is nil. The balance as at December 31, 2025 is non-trade related, unsecured, unguaranteed, repayable on demand and non-interest bearing.

* English name for identification purpose only

(c) Amounts due from subsidiaries

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Trade in nature (Note a)		
上海西泰利生物醫藥科技有限公司 (Shanghai Xitaili Biomedical Technology Co., Ltd.*) ("Shanghai Xitaili")	12,303	18,103
Xi'an Biocare	8,598	9,732
	20,901	27,835
Non-trade in nature (Note b)		
麥科奧特(蘇州)科技有限公司(Micot (Suzhou) Technology Co., Ltd.*) ("Suzhou Technology")	-	3,000
Xi'an Biocare	2,855	2,855
	2,855	5,855
	23,756	33,690

Notes:

(a) The total balance as at January 1, 2024 is amounted to RMB30,945,000. The balances as at December 31, 2024, and 2025 are trade related, unsecured, interest free and the credit period granted is 30 days.

(b) The total balance as at January 1, 2024 is amounted to RMB2,855,000. The balance as at December 31, 2024, and 2025 are non-trade related, unsecured, interest free and repayment on demand.

Its maximum amounts outstanding during the years ended December 31, 2024 and 2025 are RMB2,855,000 and RMB5,855,000, respectively.

* English name for identification purpose only

The following is an aging analysis of trade related amounts due from subsidiaries presented based on the dates of services delivery at the end of each reporting period:

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
1-30 days	974	3,869
30-365 days	3,551	3,065
1-2 years	16,376	4,525
2-3 years	-	16,376
	<u>20,901</u>	<u>27,835</u>

(d) Amount due from a related party

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
西安眾瑞澤康企業管理諮詢有限公司 (Xi'an Zhongrui Zekang Enterprise Management Consulting Co., Ltd.)* ("Zhongrui Zekang")	<u>652</u>	<u>1,087</u>

Note: The balance as at January 1, 2024 is RMB701,000. Zhongrui Zekang is the general partner of the Employee Incentive Platform (as defined in Note 28), collecting the employees' payments of exercise or subscription prices for the share options/shares under the share incentive scheme on behalf of the Company. The balances as at December 31, 2024 and 2025 are non-trade related, unsecured, interest free and repayment on demand.

Its maximum amounts outstanding during the years ended December 31, 2024 and 2025 are RMB709,000 and RMB1,087,000, respectively.

The amount due from Zhongrui Zekang had been settled as of the date of this prospectus.

24. LEASE LIABILITIES

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Within one year	2,259	1,399
Within a period of more than one year but not more than two years	<u>280</u>	<u>202</u>
	2,539	1,601
Less: Amount due for settlement within one year shown under current liabilities	<u>(2,259)</u>	<u>(1,399)</u>
Amount shown under non-current liabilities	<u>280</u>	<u>202</u>

The weighted average incremental borrowing rates applied to the Group's lease liabilities range from 2.50% to 4.65% per annum as at December 31, 2024, and 3.50% to 4.45% per annum as at December 31, 2025.

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Within one year	1,165	1,119
Within a period of more than one year but not more than two years	-	202
	1,165	1,321
Less: Amount due for settlement within one year shown under current liabilities	(1,165)	(1,119)
Amount shown under non-current liabilities	-	202

The weighted average incremental borrowing rates applied to lease liabilities range from 2.50% to 4.45% per annum as at December 31, 2024 and 3.50% to 4.45% per annum as at December 31, 2025.

25. REDEMPTION LIABILITIES

The Group and the Company

Since the date of incorporation, the Company has completed several rounds of financing by issuing shares with preferential rights to investors (the "Investors"). Details of shares with preferential rights are set out below.

	Date of agreement	Subscription price per share	Number of ordinary shares issued	Total consideration RMB or equivalent to RMB
Series A	July 30, 2019	RMB166.6667/ United States Dollar ("USD") 23.5833	690,000	115,000,000
Series B	February 21, 2021	RMB365.8537/USD56.1582	984,000	360,000,000
Series B1	August 30, 2021	RMB470.6889	138,095	65,000,000
Series C	January 16, 2023	RMB550.6957	172,509	95,000,000
Series D	June 27, 2025/ September 19, 2025/ September 24, 2025/ September 26, 2025	RMB481.4819	489,115	235,500,000
			2,473,719	870,500,000

The key terms of preferential rights are as follows:

(a) Redemption right

The Investors have the right to require the Company and/or the founder to redeem their investments for cash upon certain events, including (i) a non-completion of a qualified initial public offering of the Company by June 30, 2027 (extended from June 30, 2026 after the Company submitted its listing application to the Stock Exchange in September 2025 and the application is still under review); or (ii) a change of control of the ultimate controller; or (iii) if the Company, existing shareholders, or the ultimate controller seriously violate the provision of the transaction documents; or (iv) if the representations, warranties, and covenants made by the Company, its existing shareholders, or ultimate controllers to the Investors to be found to contain materially false, misleading, or omitted information, and such inaccuracies cause a material adverse effect on the Company; or (v) if the ultimate controller or the Company becomes involved in any disputes due to the infringement of third-party intellectual property rights related to certain research and development projects, causing significant adverse effects on the Company or leading to substantial compensation.

In addition to the foregoing events, certain Series D investor has the right to require the Company and/or the founder to redeem its investment upon certain events including if the Company fails to obtain the construction permit for the Company's construction project in Taizhou Bay Economic and Technological Development Zone within 10 months after acquiring the land use right in that area. Such event results in the Company's redemption liabilities to this investor being classified as current liabilities.

The redemption amount is the original investment principal from the investors, plus a simple interest of 8% per annum calculated on for Series D investors, or 12% per annum for Series A, Series B, Series B1 and Series C investors.

(b) *Liquidation preference*

In the event of a legal liquidation (refers to the liquidation, dissolution or winding up of the Company) or a deemed liquidation (refers to the change of control of the Company or the sale of all or substantially all properties of the Company), after paying the liquidation expenses, employee salaries, social insurance, statutory severance payments, unpaid taxes, and all creditors' claims and claims that may be preferred by applicable law, the higher of (1) the original investment principal, plus a simple interest of 8% per annum calculated on for Series D investors, or 12% per annum for Series A, Series B, Series B1 and Series C investors, (2) the distributable liquidation property can be distributed according to the equity proportion at that time, and in the priority order of Series D, Series C, Series B1, Series B to Series A.

No dividend was paid to the Investors during the Track Record Period.

(c) *Anti-dilution right*

If the Company issues new shares at a price lower than the price paid by the Investors, the Investors shall have the right to require: (1) the Company to issue new shares at a nominal price of RMB1 or the lowest consideration permitted by law, (2) the founder to transfer shares at the lowest consideration permitted by law, or (3) the Company to settle the difference in cash to investors, so that the equity portion held by the Investors can reach that can be subscribed according to the adjusted subscription price per unit.

All preferential rights shall be terminated on the date immediately before the date of the submission of the listing application to the Hong Kong Stock Exchange and be reinstated and restored in the event of rejection, return and/or termination of the listing application. Provided the redemption rights shall be reinstated upon the occurrence of certain agreed uncontrollable events, all redemption liabilities were still being recognized.

Termination and regrant of preferential rights

The Company and the Series A, B, B1 and C investors entered into a preferential rights termination agreement on April 29, 2024, pursuant to which the Company's obligation for the redemption rights, anti-dilution rights and liquidation preference rights held by these investors shall be terminated since April 30, 2024 while the founders' obligation remained effective. On June 27, 2025, the Company and the Investors entered into shareholding agreements for Series D financing (the "Series D Shareholding Agreements"), pursuant to which the preferential rights including the redemption rights, anti-dilution rights and liquidation preference rights were regranted to investors of Series A, Series B, Series B1 and Series C, effective June 27, 2025. Consequently, the Company's corresponding obligation was reinstated as of that date. Meanwhile, the preferential rights for the Series D investors became effective in July 2025 upon the closing of the Series D financing. The Company has not provided any guarantee in relation to the preferential rights, and as the Company has no obligations in this regard, no liabilities from any preferential right have been recorded between April 30, 2024 and June 27, 2025.

Presentation and classification

The redemption rights and liquidation preference rights granted to the Investors constitute as the Company's obligations to repurchase its own equity instruments for cash. These obligations were recognized as redemption liabilities which are initially measured at fair value (representing the present value of the expected maximum cash flows for settling the related obligations if these rights are exercised by the Investors) and subsequently measured at amortized cost. The Company applied a redemption discount rate ranged from 12.37% to 16.12% to determine the initial recognition amount of the redemption liabilities. The anti-dilution right is accounted for as a derivative financial instrument measured at FVTPL. Its fair value was considered insignificant.

Pursuant to the preferential rights termination agreement entered into by the Company and the Series A, B, B1 and C investors on April 29, 2024, the redemption liabilities of RMB782,130,000 were reclassified and credited against the capital reserve within equity, accordingly.

On June 27, 2025, pursuant to the Series D Shareholding Agreements, the preferential rights including the redemption rights, liquidation preference rights and anti-dilution rights were regranted to investors of Series A, Series B, Series B1 and Series C. The redemption liabilities were recognized at fair value on the date of modification from equity instruments, with the corresponding amount charged against capital reserve within equity. The redemption liabilities are subsequently measured at amortized cost.

The movement of the redemption liabilities is set out as below:

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
At January 1	745,048	-
Recognition	-	1,137,266
Charge to finance costs	36,775	65,952
Reclassification to equity	(782,130)	-
Modification of redemption liabilities (Note i)	-	(42,081)
Foreign exchange losses (gains)	307	(2,119)
At December 31	-	1,159,018
Less: Amount due for settlement within one year shown under current liabilities (Note ii)	-	(134,281)
Amount shown under non-current liabilities	-	1,024,737

Notes:

- i According to the Series D shareholders agreement, upon the submission of the listing application to the Stock Exchange in September 2025, the redemption date has extended from June 30, 2026 to June 30, 2027. The extension of the redemption date does not constitute a substantial modification and the Company adjusted the amortized cost of the financial liabilities by discounting the modified cash flows using the original effective interest rate and recognizes the changes in other gain and losses at the modification date.
- ii. As disclosed in (a) above, due to that the redemption event for certain Series D investor might occur within 12 months after the year end, the Company's redemption liabilities to this investor have been classified as current liabilities.

26. DEFERRED TAX ASSETS/LIABILITIES

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

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Deferred tax assets	704	767
Deferred tax liabilities	(704)	(767)
	-	-

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

	Right-of-	Lease	Fair value	Tax	Total
	use assets	liabilities	changes of	losses	
	RMB'000	RMB'000	financial	RMB'000	RMB'000
			assets at		
			FVTPL		
			RMB'000		
At January 1, 2024	(2,010)	1,860	(99)	249	-
Credit (charge) to profit or loss	1,299	(1,224)	85	(160)	-
At December 31, 2024	(711)	636	(14)	89	-
(Charge) credit to profit or loss	(5)	(235)	(38)	278	-
At December 31, 2025	(716)	401	(52)	367	-

At December 31, 2024 and 2025, the Group has unused tax losses of RMB888,803,000 and RMB1,103,265,000 respectively, available to offset against future profits. At December 31, 2024 and 2025, unused tax losses of RMB356,000 and RMB1,468,000 had been recognized as deferred tax assets, while RMB888,447,000 and RMB1,101,797,000 had not been recognized as deferred tax assets due to the unpredictability of future profit streams. For these unrecognized tax losses, pursuant to the relevant laws and regulations in the PRC, these tax losses will be carried forward and expired in years as follows:

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
2025	462	-
2026	24,268	23,691
2027	39,623	39,088
2028	60,231	60,231
2029	126,636	126,636
2030	49,849	81,005
2031	143,408	143,408
2032	175,687	175,687
2033	107,698	107,698
2034	151,896	151,896
2035	-	183,562
Indefinite	8,689	8,895
	888,447	1,101,797

Note: In accordance with the relevant laws and regulations in the PRC, the Company and its subsidiary, Xi'an Biocare, as technology-based SMEs, are entitled to a carryforward period of up to ten years for unrecognized tax losses. Subsidiaries registered in the United States are permitted an indefinite carryforward period for unrecognized tax losses, in accordance with applicable local laws and regulations. For all other subsidiaries, the carryforward period for unrecognized tax losses is five years.

The Company

	Right-of-	Lease	Fair value	Tax losses	Total
	use assets	liabilities	changes of		
	RMB'000	RMB'000	financial	RMB'000	RMB'000
			assets at		
			FVTPL		
			RMB'000		
At January 1, 2024	(761)	743	(98)	116	-
Credit (charge) to profit or loss	437	(452)	84	(69)	-
At December 31, 2024	(324)	291	(14)	47	-
(Charge)credit to profit or loss	(278)	39	(38)	277	-
At December 31, 2025	(602)	330	(52)	324	-

At December 31, 2024 and 2025, the Company has unused tax losses of RMB608,763,000 and RMB790,488,000 respectively, available to offset against future profits. At December 31, 2024 and 2025, unused tax losses of RMB188,000 and RMB1,296,000 had been recognized as deferred tax assets, while RMB608,575,000 and RMB789,192,000 had not been recognized as deferred tax assets due to the unpredictability of future profit streams. For these unrecognized tax losses, pursuant to the relevant laws and regulations in the PRC, these tax losses will be carried forward and expired in years as follows:

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

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
2026	573	-
2027	4,826	4,291
2028	2,485	2,485
2029	52,291	52,291
2030	43,086	43,086
2031	131,175	131,175
2032	138,759	138,759
2033	88,119	88,119
2034	147,261	147,261
2035	-	181,725
	608,575	789,192

27. RETIREMENT BENEFIT PLANS

The employees of the Group are members of the state-managed retirement benefits schemes operated by government. The Group is required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognized in profit or loss of RMB2,613,000 and RMB3,372,000 for the years ended December 31, 2024 and 2025, respectively.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Group and the Company

Share Incentive Scheme

The Company's employee share incentive scheme (the "Share Incentive Scheme") was adopted pursuant to a resolution passed by the board of directors meeting on June 11, 2020 for the primary purpose of providing incentives to eligible employees and the parties working for the interests of the Group (collectively the "grantees"). According to the resolution, a limited partnership, Xi'an Zhongrui Hongyuan Information Technology Partnership (Limited Partnership)* (西安眾瑞弘元信息科技合夥企業(有限合夥)) (the "Employee Incentive Platform"), was established and 300,000 shares of the registered capital of the Company were transferred from the founder and founder's family members to the platform. The incentives are granted to the eligible grantees in the form of share options or restricted shares to subscribe the interests of the Employee Incentive Platform.

* English name for identification purpose only

Each of the incentive awards needs to meet service requirement from the grant date to the later of (1) four or five years since the grant date (the "Service Period") and (2) successful IPO of the Company. In the Service Period, 60% and 20% of the total number of awards shall be released to the eligible grantees on second anniversary date and each of the third to fourth anniversary dates of the grant date upon meeting certain individual performance targets or 40% and 20% of the total number of awards shall be released to eligible grantees on the second anniversary date and each of the third to fifth anniversary dates of the grant date upon meeting certain individual performance targets. The eligible grantees may be repaid with original exercise/subscription price plus single digit interest, at the Company's sole discretion, if employment were terminated within the Service Period or before the successful listing of the Company. After taking into account the best estimation of the listing date, the management determined the share-based payment expenses should be recognized when the successful listing is probable and amortized during vesting period which is from the grant date to the later of the Service Period and estimated listing date.

Modification of Share Incentive Scheme

Pursuant to a resolution passed by the shareholders meeting on August 28, 2025, the Share Incentive Scheme was amended and all the share options and restricted shares granted have been transferred to restricted share units (the "RSUs") with the grantees, quantities, subscription price and vesting term unchanged. Accordingly, the modification is a replacement of the original incentives. Since the modification is not beneficial to the grantees and there is no incremental fair value due to the modification, the Company continued to recognize the services received over the original vesting period.

Share options/RSUs

The movements of the share options granted to the directors, consultant and employees of the Group and the Company during the year ended December 31, 2024 are as follows:

Type of option holders	Date of grant	Exercise price	Outstanding at January 1, 2024	Granted during the year	Forfeited during the year	Outstanding at December 31, 2024
Executive director: Dr. Yu Weiping	July 3, 2020	RMB0	89,982	-	-	89,982
			89,982	-	-	89,982
Consultants	July 3, 2020	RMB25	14,080	-	-	14,080
			14,080	-	-	14,080
Employees:	July 3, 2020	RMB20-25	20,696	-	(2,400)	18,296
	July 3, 2022	RMB70.6	9,666	-	-	9,666
	July 3, 2023	RMB82.6	4,721	-	(2,270)	2,451
			35,083	-	(4,670)	30,413
			139,145	-	(4,670)	134,475

Upon the modification in 2025, the options have been transferred to RSUs with the same quantities. The movements of the share options/RSUs granted to the directors, consultants and employees of the Group and the Company during the year ended December 31, 2025 are as follows:

Type of option/ RSU holders	Date of grant	Exercise price/ Subscription price	Outstanding at January 1, 2025	Granted during the period	Forfeited during the period	Outstanding at December 31, 2025
Executive director: Dr. Yu Weiping	July 3, 2020	RMB0	89,982	-	-	89,982
			89,982	-	-	89,982
Consultants	July 3, 2020	RMB25	14,080	-	-	14,080
	September 18, 2025	RMB72.77	-	623	-	623
			14,080	623	-	14,703
Employees:	July 3, 2020	RMB20-25	18,296	-	(2,028)	16,268
	July 3, 2022	RMB70.60	9,666	-	(1,945)	7,721
	July 3, 2023	RMB82.60	2,451	-	(228)	2,223
	May 13, 2025	RMB82.60	-	12,584	-	12,584
	September 18, 2025	RMB72.77	-	62,105	-	62,105
			30,413	74,689	(4,201)	100,901
			134,475	75,312	(4,201)	205,586

Share options

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The inputs into the binomial model were as follows:

Grant date	As at July 3,			As at
	2020	2022	2023	May 13, 2025
Fair value of underlying ordinary shares (RMB per share)	241	451	457	441
Exercise price (RMB)	0-25	70.6	82.6	82.6
Risk-free interest rate	2.61%	2.60%	2.33%	1.50%-1.54%
Expected volatility	56.75%	59.59%	62.08%	65.28%-66.58%
Dividend yield	-	-	-	-
Exercise multiples	2.2-2.8	2.2	2.2	2.2
Life of options (years)	5	4	4	4-5
Fair value of options (RMB per option)	219-241	386	382	366-371

RSUs

For the RSUs granted on September 18, 2025, the grant date fair value was RMB371.74 per share determined by reference to the fair value of the Company's ordinary shares priced using the equity allocation model and the subscription prices.

Restricted shares

In addition to the above, on July 3, 2020, 11,998 restricted shares were granted to two consultants, who provide services similar to employees, at subscription prices of RMB25 per share and RMB0.0002 per share. The grant date fair value of restricted shares was RMB216 and RMB241 per share determined by reference to the fair value of the Company's ordinary shares priced using the equity allocation model and the subscription prices.

As at December 31, 2024 and 2025, 300,000 shares held by Employee Incentive Platform under the Share Incentive Scheme were recognized as treasury shares by the Company and had been deducted from shareholders' equity as shown in the consolidated statements of changes in equity under "Shares issued for share incentive scheme". The exercise price or subscription price received by the Company amounted to RMB7,268,000 has been recognized under other payables as the Company may repurchase the granted shares if they were subsequently forfeited or not vested.

No share-based payment expenses in respect of the share options and restricted shares have been recognized during the Track Record Period as the successful listing has not been determined to be probable during the Track Record Period.

29. PAID-IN CAPITAL/SHARE CAPITAL

The Group and the Company

	Paid-in capital	Number of shares	Share capital
	RMB'000		RMB'000
Issued and fully paid:			
At January 1, 2024	4,985	-	-
Conversion into a joint stock company (Note a)	(4,985)	4,984,604	4,985
At December 31, 2024	-	4,984,604	4,985
Issuance of Series D shares (Note b)	-	489,115	489
At December 31, 2025	-	5,473,719	5,474

Notes:

- (a) Pursuant to the shareholders' resolutions and the promoters' agreement dated December 5, 2024, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, which is April 30, 2024, including paid-in capital, capital reserve, statutory reserve and accumulated losses were converted into 4,985,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserves. The Company was converted into a joint-stock limited liability company under PRC Company Law, and changed its name to Shaanxi Micot Pharmaceutical Technology Co., Ltd. (陕西麥科奧特醫藥科技股份有限公司) on December 9, 2024.

(b) The Company completed Series D financing in 2025. The paid-in capital and share capital at the end of reporting date include those attributable to Series A to D financing as disclosed in Note 25.

30. RESERVES OF THE COMPANY

	Capital reserve	Statutory reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024	131,334	1,500	(436,067)	(303,233)
Loss and total comprehensive expense for the year	-	-	(118,122)	(118,122)
Reclassification from redemption liabilities (Note 25)	782,130	-	-	782,130
Conversion into a joint stock company	(267,399)	(1,500)	268,899	-
At December 31, 2024	646,065	-	(285,290)	360,775
Loss and total comprehensive expense for the year	-	-	(151,703)	(151,703)
Recognition of redemption liabilities (Note 25)	(1,137,266)	-	-	(1,137,266)
Capital injection from shareholders	235,011	-	-	235,011
At December 31, 2025	<u>(256,190)</u>	<u>-</u>	<u>(436,993)</u>	<u>(693,183)</u>

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings, lease liabilities, redemption liabilities, net of cash and cash equivalents and equity of the Group, comprising issued share capital, reserves and non-controlling interests.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the issue of new shares and new debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,	
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Financial assets measured at FVTPL	54,611	95,209
Financial assets measured at amortized cost	156,638	176,041
	<u>211,249</u>	<u>271,250</u>
	As at December 31,	
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities		
Financial liabilities measured at amortized cost	85,387	1,222,831

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Financial assets		
Financial assets measured at FVTPL	20,056	95,209
Financial assets measured at amortized cost	172,495	167,971
	<u>192,551</u>	<u>263,180</u>

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities measured at amortized cost	75,998	1,243,027
	<u>75,998</u>	<u>1,243,027</u>

(b) **Financial risk management objectives and policies**

The Group's and the Company's major financial instruments include cash and cash equivalents, term deposits, restricted bank deposits, financial assets at FVTPL, other receivables, redemption liabilities, trade and other payables, amount due from a related party, amount due to the Controlling Shareholder, bank borrowings and amounts due from/to subsidiaries of the Company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Group and the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Market risk

The Group's and the Company's activities expose it primarily to market risk (currency risk and interest rate risk), credit risk and liquidity risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

(i) *Currency risk*

Certain financial assets and liabilities are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Assets		
USD	30,439	28,087
	<u>30,439</u>	<u>28,087</u>
Liabilities		
USD	-	117,539
	<u>-</u>	<u>117,539</u>

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Assets		
USD	30,417	28,081
	<u>30,417</u>	<u>28,081</u>
Liabilities		
USD	-	117,539
	<u>-</u>	<u>117,539</u>

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 2% increase and decrease in RMB against USD, the foreign currencies with which the Group and the Company may have a material exposure. 2% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis uses outstanding foreign currencies denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 2% change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in loss where RMB strengthens 2% against USD. For a 2% weakening of RMB against USD, there would be an equal and opposite impact on the profit or loss for the respective years.

The Group

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Profit or loss	457	(1,342)

The Company

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Profit or loss	456	(1,342)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to term deposits, redemption liabilities and lease liabilities. The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowings. As the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and variable-rate bank borrowings is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

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

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

Other receivables and amount due from a related party

For other receivables and amount due from a related party, with the aggregate gross carrying amounts of RMB1,137,000 and RMB1,742,000 for the Group, and RMB203,000 and RMB365,000 for the Company as at December 31, 2024 and 2025, respectively, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. During the Track Record Period, the Group assessed the ECL on other receivables and amount due from a related party are insignificant and thus no loss allowance is recognized.

Amounts due from subsidiaries

For amounts due from subsidiaries with gross carrying amounts of RMB23,756,000 and RMB33,690,000 for the Company as at December 31, 2024 and 2025, respectively, the ECL on amounts due from subsidiaries are assessed individually based on the probability of defaults of amounts due from subsidiaries, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. During the Track Record Period, the Company assessed the ECL on amounts due from subsidiaries is insignificant and thus no loss allowance is recognized.

Bank balance, term deposits and restricted bank deposits

For bank balance, term deposits and restricted bank deposits with the aggregate gross carrying amounts of RMB155,501,000 and RMB174,299,000 for the Group, and RMB148,536,000 and RMB133,916,000 for the Company as at December 31, 2024 and 2025, respectively, the credit risk on bank balances and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances and term deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances and term deposits is considered to be insignificant and therefore no loss allowance was recognized.

Liquidity risk

In the management of the liquidity risk, the Group and the Company closely monitor its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group and the Company to meet in full its financial obligations as they fall due for the foreseeable future. The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group and the Company rely on bank borrowings as a significant source of liquidity. The Group and the Company had unutilized bank facilities of approximately RMB5,147,000 and RMB59,200,000 as at December 31, 2024 and 2025, respectively.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

The Group

As at December 31, 2024						
	Interest rate	On demand or within 3 months	3 months to 1 year	1 year to 2 years	Total	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	-	13,041	-	-	13,041	13,041
Amount due to the Controlling Shareholder	-	28,333	-	-	28,333	28,333
Bank borrowings	2.30%-2.50%	673	1,087	43,382	45,142	44,013
Lease liabilities	2.50%-4.65%	1,115	1,186	282	2,583	2,539
		<u>43,162</u>	<u>2,273</u>	<u>43,664</u>	<u>89,099</u>	<u>87,926</u>
As at December 31, 2025						
	Interest rate	On demand or within 3 months	3 months to 1 year	1 year to 2 years	Total	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	-	15,713	-	-	15,713	15,713
Bank borrowings	1.85%-1.95%	48,396	-	-	48,396	48,100
Lease liabilities	3.50%-4.45%	649	775	204	1,628	1,601
Redemption liabilities	12.37%-16.12%	-	143,919	1,094,666	1,238,585	1,159,018
		<u>64,758</u>	<u>144,694</u>	<u>1,094,870</u>	<u>1,304,322</u>	<u>1,224,432</u>

The Company

As at December 31, 2024						
Interest rate	On demand or within 3 months	3 months to 1 year	1 year to 2 years	Total	Carrying amounts	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	-	3,652	-	-	3,652	3,652
Amount due to the Controlling Shareholder	-	28,333	-	-	28,333	28,333
Bank borrowings	2.30%-2.50%	673	1,087	43,382	45,142	44,013
Lease liabilities	2.50%-4.45%	832	339	-	1,171	1,165
		<u>33,490</u>	<u>1,426</u>	<u>43,382</u>	<u>78,298</u>	<u>77,163</u>

As at December 31, 2025						
Interest rate	On demand or within 3 months	3 months to 1 year	1 year to 2 years	Total	Carrying amounts	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables	-	9,409	-	-	9,409	9,409
Amount due to a subsidiary	-	26,500	-	-	26,500	26,500
Bank borrowings	1.85%-1.95%	48,396	-	-	48,396	48,100
Lease liabilities	3.50%-4.45%	367	775	204	1,346	1,321
Redemption liabilities	12.37%-16.12%	-	143,919	1,094,666	1,238,585	1,159,018
		<u>84,672</u>	<u>144,694</u>	<u>1,094,870</u>	<u>1,324,236</u>	<u>1,244,348</u>

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The Group

Financial assets	Fair value at		Fair value hierarchy	Valuation techniques and key inputs
	December 31,			
	2024	2025		
	RMB'000	RMB'000		
Financial assets at FVTPL	54,611	95,209	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the contract and available market information.

The Company

Financial assets	Fair value at		Fair value hierarchy	Valuation techniques and key inputs
	December 31,			
	2024	2025		
	RMB'000	RMB'000		
Financial assets at FVTPL . . .	20,056	95,209	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the contract and available market information.

(ii) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their respective fair values at the end of each reporting period.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	Lease liabilities	Cash received in respect of restricted-shares	Amount due to the Controlling Shareholder	Redemption liabilities	Accrued issue cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	19,200	7,433	-	28,333	745,048	-	800,014
Financing cash flows	24,144	(3,021)	-	-	-	-	21,123
New leases entered	-	287	-	-	-	-	287
Reclassification to capital reserve	-	-	-	-	(782,130)	-	(782,130)
Early termination of a lease	-	(2,362)	-	-	-	-	(2,362)
Foreign exchange adjustments	-	-	-	-	307	-	307
Finance costs recognized	669	202	-	-	36,775	-	37,646
	<u>44,013</u>	<u>2,539</u>	<u>-</u>	<u>28,333</u>	<u>-</u>	<u>-</u>	<u>74,885</u>
At December 31, 2024	44,013	2,539	-	28,333	-	-	74,885
Financing cash flows	3,102	(3,972)	7,268	(28,333)	-	(1,330)	(23,265)
New leases entered	-	2,968	-	-	-	-	2,968
Recognition of redemption liabilities	-	-	-	-	1,137,266	-	1,137,266
Deferred issue costs recognized	-	-	-	-	-	2,435	2,435
Gain on non-substantial modification of redemption liabilities	-	-	-	-	(42,081)	-	(42,081)
Foreign exchange adjustments	-	-	-	-	(2,119)	-	(2,119)
Finance costs recognized	985	66	-	-	65,952	-	67,003
	<u>48,100</u>	<u>1,601</u>	<u>7,268</u>	<u>-</u>	<u>1,159,018</u>	<u>1,105</u>	<u>1,217,092</u>
At December 31, 2025	48,100	1,601	7,268	-	1,159,018	1,105	1,217,092

34. RELATED PARTIES' TRANSACTIONS

Other than the transactions and balances with related parties disclosed in Note 23, the Group has the following transactions and balances with the related parties during the Track Record Period.

Compensation of key management personnel

The remuneration of directors and other member of key management personnel of the Group during the Track Record Period was as follows:

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Salaries and allowance	5,619	8,392
Discretionary bonuses	1,186	1,834
Retirement benefits	206	300
	<u>7,011</u>	<u>10,526</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

During the Track Record Period and as at the date of this report, the Company has direct and indirect shareholding interests in the following subsidiaries:

	Place/date of establishment	Issued and fully paid capital/ registered capital	Shareholding interest attributable the Company as at			Principal activities
			December 31,		As at the date of this report	
			2024	2025		
			%	%	%	
Directly held:						
Shanghai Xitaili (Note a)	PRC November 22, 2022	RMB28,683,333/ RMB33,683,333	89.06	89.06	89.06	Medical and cellular technology research and development ("R&D"), technical services, and sales of medical equipment
Suzhou Pharmaceutical (Note a)	PRC September 2, 2022	RMB10,000,000/ RMB10,000,000	100	100	100	Medical and engineering technology R&D, technology services and transfers, and sales of medical equipment
Micot (Suzhou) Technology Co., Ltd.* (麥科奧特(蘇州) 科技有限公司) ("Suzhou Technology") (Note a)	PRC August 20, 2020	RMB80,000,000/ RMB80,000,000	100	100	100	Medical research and experimental development; technology services, development, consultation, exchange, transfer, and promotion
Xi'an Biocare (Note a)	PRC August 11, 2017	RMB48,000,000/ RMB60,000,000	100	100	100	Biopharmaceutical R&D, manufacturing, and commercial distribution
Micot Taizhou (Note a)	PRC May 16, 2025	RMB45,700,000/ RMB50,000,000	N/A	100	100	Medical R&D, and drug production, clinical trial services and distribution
Micot (Hong Kong) Technology Limited (麥科奧特(香港) 科技有限公司) ("Micot HK") (Note c)	Hong Kong October 29, 2021	HK\$10,000/ HK\$10,000	100	100	100	Pharmaceuticals and medical devices R&D, production, promotion and distribution
Indirectly held:						
Micot (U.S.) Technology Co., Ltd (麥科奧特(美國) 科技有限公司) (Note b)	The U.S. November 29, 2021	USD20,000/ USD20,000	100	100	100	Overseas R&D and operations

	Place/date of establishment	Issued and fully paid capital/ registered capital	Shareholding interest attributable the Company as at			Principal activities
			December 31,		As at the date of this report	
			2024	2025		
			%	%	%	
Micot (U.S.) Biopharmaceutics Co., Ltd (麥科奧特(美國)醫藥有限公司) (Note b)	The U.S. September 21, 2022	USD1,000/ USD1,000	100	100	100	Overseas R&D and operations

Notes:

- (a) No statutory financial statements were required for the subsidiaries in the PRC since there are no statutory audit requirements in the PRC.
- (b) No audited financial statements of these subsidiaries have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- (c) The statutory financial statements of Micot HK for the years ended December 31, 2024 and 2025 are not yet due to be issued.

* English name for identification purpose only

Details of a non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests for the year ended		Accumulated non-controlling interests	
		December 31,		December 31,		As at December 31,	
		2024	2025	2024	2025	2024	2025
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Xitaili	PRC	10.94	10.94	(2,200)	(2,407)	14,982	12,575
				(2,200)	(2,407)	14,982	12,575

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Current assets	9,209	5,845
Non-current assets	2,688	2,060
Current liabilities	35,890	47,907
Equity attributable to owners of the Company	(38,975)	(52,577)
Non-controlling interests	14,982	12,575

	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Other income	20	43
Other gains and losses	39	--
Expenses	(20,177)	(22,052)
Loss for the year	<u>(20,118)</u>	<u>(22,009)</u>
Loss attributable to owners of the Company	<u>(17,918)</u>	<u>(19,602)</u>
Loss attributable to the non-controlling interests	<u>(2,200)</u>	<u>(2,407)</u>
	For the year ended December 31,	
	2024	2025
	RMB'000	RMB'000
Net cash outflow from operating activities	<u>(31,161)</u>	<u>(7,106)</u>
Net cash outflow from investing activities	<u>(25)</u>	<u>(50)</u>
Net cash inflow from financing activities	<u>9,000</u>	<u>6,000</u>
Net cash outflow	<u>(22,186)</u>	<u>(1,156)</u>

36. MAJOR NON-CASH TRANSACTIONS

The Group and the Company

During the years ended December 31, 2024 and 2025, the Group entered into new lease agreements for the use of leased properties for 2 years. On the lease commencements, the Group recognized right-of-use assets and lease liabilities of RMB287,000 each in 2024, and RMB2,968,000 each in 2025, respectively.

In addition, during the year ended December 31, 2024, the Group early terminated a lease, resulting in the derecognition of right-of-use assets of RMB1,949,000 and lease liabilities of RMB2,362,000. A gain of RMB414,000 was recognized in the profit or loss (Note 7).

37. SUBSEQUENT EVENTS

Save as elsewhere disclosed in this report, events and transactions took place subsequent to December 31, 2025 are detailed as below:

- a) On February 4, 2026, the Company entered into an agreement with Everest Medicines (China) Co., Ltd. (雲頂新羅醫藥科技有限公司) (“Everest”), pursuant to which the Company irrevocably granted Everest an exclusive license to commercialize MT1013 in China and Asia-Pacific (excluding Japan). MT1013 has entered Phase III clinical trial in China and the relevant development expenses will be covered by the Group.

The Company received a non-refundable upfront payment of RMB200,000,000 in February 2026 and recognized it as a contract liability.

- b) Pursuant to the resolutions of the shareholders meeting dated April 2, 2026, the shares had been split on a one-for-fifty basis, and the nominal value of the shares had been changed from RMB1.0 each to RMB0.02 each, details of which are set out in the section headed “History, Development and Corporate Structure — Share Subdivision before the Listing” in the Prospectus.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to December 31, 2025.