FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider all of the information provided in this document.

OVERVIEW

We are a biopharmaceutical company focused on innovation in Natural Medicines from inception, with capabilities spanning discovery, development, industrialization and commercialization of high-barrier, innovative therapies. We are clinically driven and focus on major therapeutic areas including metabolic diseases, malignant tumors, and inflammatory and immune diseases. Our goal is to develop globally differentiated therapies that can address complex disease biology and deliver meaningful clinical outcomes.

During the Track Record Period, we generated our revenue from sales of our commercialized product *Sangbo'en*. In 2024, we recorded revenue of RMB208.0 million. Our revenue increased by 27.9% from RMB162.1 million in the nine months ended September 30, 2024 to RMB207.3 million in the nine months ended September 30, 2025.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Our Ability to Successfully Develop Our Drug Candidates

The success of our business, financial condition and results of operations depends on our ability to advance our drug development programs, demonstrate satisfactory safety and efficacy in clinical trials, and obtain the necessary regulatory approvals. As of the Latest Practicable Date, our Core Products were in clinical stage. For details on the development status of our drug candidates, see "Business — Overview — Our Product Pipeline." We expect that our business will continue to grow along with our ongoing investments in research and development to advance clinical-stage drug candidates and expand therapeutic indications, as well as our endeavors to develop additional drug candidates in the future.

Our Ability to Effectively Maintain Competitiveness of Our Commercialized Product in the Industry

Our ability to sustain and grow our business depends on the competitiveness of our commercialized product *Sangbo'en* and our capacity to maintain or expand its market presence. The pharmaceutical industry where we operate is evolving and competitive. We face competition from other pharmaceutical companies, and our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficacy, safety, convenience, pricing and supply stability, which may affect customer procurement decisions and therefore affect the sales performance of *Sangbo'en*.

In 2024, we recorded revenue generated from sales of *Sangbo'en* of RMB208.0 million. Our revenue increased by 27.9% from RMB162.1 million in the nine months ended September 30, 2024 to RMB207.3 million in the nine months ended September 30, 2025. The robust sales performance of *Sangbo'en* benefited from our strong technical expertise, high product quality, and enhanced marketing and promotion efforts. The future performance of *Sangbo'en* will continue to depend on its ability to sustainably and effectively compete within the market.

Our Ability to Effectively Manage Our Cost Structure

Our results of operations are significantly affected by our cost structure. Our cost structure during the Track Record Period primarily consisted of cost of sales and operating expenses. Our cost of sales consists primarily of manufacturing costs, raw material costs and direct labor costs, the fluctuations in which may directly affect our gross profit margin. Our operating expenses include selling and distribution expenses, research and development costs, as well as administrative expenses. Selling and distribution expenses constituted a significant portion of our operating expenses during the Track Record Period, reflecting our continuous efforts in promoting and distributing *Sangbo'en* through our sales network across China.

As the clinical trials of our drug candidates continue to progress and as we continue to enrich our pipeline, our research and development costs will continue to increase in relation to preclinical studies and clinical trials, raw materials procurement, headcount expansion. At the same time, as we expand our market presence and scale up sales, we expect to continuously optimize our cost structure and improve gross profit margin by lowering the proportion of selling and distribution expenses and improving productivity.

Our Ability to Continuously Fund Our Operations

During the Track Record Period, we primarily funded our operations through a combination of cash generated from sales of *Sangbo'en*, equity and debt financing, and existing cash and cash equivalents. Going forward, as we continue to expand our business and advance the development and commercialization of our drug candidates, we expect to fund our operations primarily through cash generated from the sales of *Sangbo'en*, existing cash and cash equivalents, bank loans, and net [REDACTED] from the [REDACTED]. However, with the continuing growth of our business and expansion of our pipeline, additional funding may be required through public or private equity offerings, debt financing, or other sources. Any changes in our ability to secure adequate funding could impact our cash flow and overall financial performance.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). For ordinary shares issued to pre-[REDACTED] investors, pursuant to the supplemental agreements entered into between our Company and the pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by our Company, including redemption rights, liquidation preferences and anti-dilution rights, which were void ab initio as described in Note 26 to the Accountants' Report in Appendix I to this document, having taking into account the legal and regulatory framework of our Company's jurisdiction and the governing law of the supplementary agreements, our Directors considered that it is appropriate to present the pre-[REDACTED] Investments as equity during the Track Record Period. For details of financial impacts, see Note 26 to the Accountants' Report in Appendix I to this document.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. Our material accounting policy information, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this document.

NON-IFRS MEASURES

To supplement our historical financial information, which is presented in accordance with IFRS Accounting Standards, we also use adjusted net loss (non-IFRS measure) and adjusted net EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS Accounting Standards. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe such non-IFRS measures provide useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted net loss (non-IFRS measure) as loss for the year/period adjusted by adding back [REDACTED] and share-based payment expenses. We exclude such items in adjusted net loss (non-IFRS measure) primarily because (i) [REDACTED] are expenses related to the [REDACTED], and (ii) share-based payment expenses are non-cash in nature and represent the employee benefit expenses incurred in connection with our award to management and key employees. We define adjusted EBITDA (non-IFRS measure) as adjusted net loss (non-IFRS measure) adding back income tax expenses, interest costs, depreciation and amortization, and less interest income under other income and gains. The adjustments had been consistently made during the Track Record Period.

	Year ended December 31,	Nine months ended September 30,	
	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year/period	**(109,518)**	**(67,426)**	**(45,717)**
Add:			
Share-based payment expenses	20,708	16,985	6,508
[REDACTED]	—	—	[REDACTED]
Adjusted net loss (non-IFRS measure)	**(88,810)**	**(50,441)**	**(36,854)**

	Year ended December 31,	Nine months ended September 30,	
	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Add:			
Income tax expenses	572	561	326
Interest costs	10,540	8,074	6,220
Depreciation	22,989	17,392	16,433
Amortization	11,943	8,952	8,900
Less:			
Interest income	1,602	1,296	1,276
Adjusted EBITDA (non-IFRS measure)	**(44,368)**	**(16,758)**	**(6,251)**

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The table below sets forth a summary of our results of operations in absolute amount and as percentages of our total revenue for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Revenue	**207,953**	**100.0**	**162,075**	**100.0**	**207,333**	**100.0**
Cost of sales	(57,969)	(27.9)	(45,659)	(28.2)	(53,667)	(25.9)
Gross profit	**149,984**	**72.1**	**116,416**	**71.8**	**153,666**	**74.1**
Other income and gains	16,172	7.8	9,143	5.6	10,068	4.9
Selling and distribution expenses	(148,046)	(71.2)	(99,932)	(61.7)	(125,742)	(60.6)
Administrative expenses	(54,397)	(26.2)	(43,437)	(26.8)	(34,297)	(16.5)
Research and development costs	(58,010)	(27.9)	(38,260)	(23.6)	(41,486)	(20.0)
(Impairment losses)/reversal of impairment losses on financial assets, net	(1,275)	(0.6)	(312)	(0.2)	926	0.4
Other expenses	(2,834)	(1.4)	(2,409)	(1.5)	(2,306)	(1.1)
Finance costs	(10,540)	(5.1)	(8,074)	(5.0)	(6,220)	(3.0)
Loss before tax	**(108,946)**	**(52.4)**	**(66,865)**	**(41.3)**	**(45,391)**	**(21.9)**
Income tax expense	(572)	(0.3)	(561)	(0.3)	(326)	(0.2)
Loss and total comprehensive loss for the year/period	**(109,518)**	**(52.7)**	**(67,426)**	**(41.6)**	**(45,717)**	**(22.1)**

Revenue

During the Track Record Period, we generated our revenue from sales of *Sangbo'en*. Our revenue increased by 27.9% from RMB162.1 million in the nine months ended September 30, 2024 to RMB207.3 million in the nine months ended September 30, 2025, primarily attributable to an increase in the sales volume of *Sangbo'en* as a result of expansion of our customer base.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Manufacturing costs	38,495	66.4	30,708	67.3	34,243	63.8
Raw material costs	12,816	22.1	9,632	21.1	13,493	25.1
Direct labor costs	6,658	11.5	5,319	11.6	5,931	11.1
Total	**57,969**	**100.0**	**45,659**	**100.0**	**53,667**	**100.0**

Our cost of sales increased by 17.5% from RMB45.7 million in the nine months ended September 30, 2024 to RMB53.7 million in the nine months ended September 30, 2025, in line with sales of *Sangbo'en* in the same period.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB150.0 million in 2024, and our gross profit margin for the year was 72.1%. Our gross profit increased by 32.0% from RMB116.4 million in the nine months ended September 30, 2024 to RMB153.7 million in the nine months ended September 30, 2025, in line with sales of *Sangbo'en* in the same period. Our gross profit margin increased from 71.8% in the nine months ended September 30, 2024 to 74.1% in the nine months ended September 30, 2025, primarily due to a decrease in the average unit costs as we progressively benefited from economies of scale.

Other Income and Gains

Our other income primarily consists of (i) government grants by local governments mainly to support our research and development activities and business operation, (ii) bank interest income, (iii) additional deduction for input value-added tax ("**VAT**"), and (iv) others. Our gains primarily consist of (i) fair value gains on financial assets at fair value through profit or loss, and (ii) gain on disposal of financial assets at fair value through profit or loss.

The following table sets forth a breakdown of our other income and gains, both in absolute amounts and as percentages of our total other income and gains for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Other income						
Government grants	12,251	75.8	6,087	66.6	7,608	75.6
Bank interest income	1,602	9.9	1,296	14.2	1,276	12.7
Additional deduction for input VAT	1,168	7.2	850	9.3	676	6.7
Others	1,099	6.8	910	9.9	380	3.7
Total other income	**16,120**	**99.7**	**9,143**	**100.0**	**9,940**	**98.7**

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Gains						
Fair value gains on financial assets at fair value through profit or loss	52	0.3	—	—	—	—
Gain on disposal of financial assets at fair value through profit or loss	—	—	—	—	128	1.3
Total gains	**52**	**0.3**	**—**	**—**	**128**	**1.3**
Total	**16,172**	**100.0**	**9,143**	**100.0**	**10,068**	**100.0**

Our other income and gains increased by 10.1% from RMB9.1 million in the nine months ended September 30, 2024 to RMB10.1 million in the nine months ended September 30, 2025, primarily due to an increase in government grants subsidized by local governments in connection with our research and development activities.

Selling and Distribution Expenses

The table below sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as percentages of our total selling and distribution expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Marketing expenses	83,053	56.1	50,817	50.9	88,854	70.7
Staff costs	60,488	40.9	46,288	46.3	34,631	27.5
Travelling and office expenses	3,923	2.6	2,433	2.4	2,012	1.6
Others	582	0.4	394	0.4	245	0.2
Total	**148,046**	**100.0**	**99,932**	**100.0**	**125,742**	**100.0**

Our selling and distribution expenses increased by 25.8% from RMB99.9 million in the nine months ended September 30, 2024 to RMB125.7 million in the nine months ended September 30, 2025, primarily due to an increase in marketing expenses as a result of expanded sales coverage and enhanced academic promotion activities.

Administrative Expenses

The table below sets forth a breakdown of our administrative expenses, both in absolute amounts and as percentages of our total administrative expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Staff costs	37,987	69.8	30,758	70.8	20,078	58.5
Taxes and surcharges	2,081	3.8	1,494	3.4	3,450	10.1
Travelling and office expenses	4,667	8.6	3,963	9.1	3,279	9.6
Depreciation and amortization	4,427	8.1	3,369	7.8	3,163	9.2
Professional service fees	3,422	6.3	2,418	5.6	2,998	8.7
Others	1,813	3.4	1,435	3.3	1,329	3.9
Total	**54,397**	**100.0**	**43,437**	**100.0**	**34,297**	**100.0**

Our administrative expenses decreased by 21.0% from RMB43.4 million in the nine months ended September 30, 2024 to RMB34.3 million in the nine months ended September 30, 2025, primarily due to a decrease in staff costs as we recorded less share-based compensation following the completion of amortization of certain share-based compensation upon expiration of the relevant vesting periods.

Research and Development Costs

Our research and development costs represent 22.3%, 21.1% and 20.6% of our total operating expenses in 2024 and the nine months ended September 30, 2024 and 2025, respectively. The following table sets forth a breakdown of our research and development costs, both in absolute amounts and as percentages of our total research and development costs for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Staff costs	23,156	39.9	16,929	44.3	16,848	40.6
Clinical trial and technical service expenses	17,456	30.1	8,776	22.9	12,538	30.2
Raw materials costs	4,063	7.0	3,182	8.3	3,795	9.1
Depreciation and amortization	5,079	8.8	4,031	10.5	3,710	9.0
Others	8,256	14.2	5,342	14.0	4,595	11.1
Total	**58,010**	**100.0**	**38,260**	**100.0**	**41,486**	**100.0**

Our research and development costs increased by 8.4% from RMB38.3 million in the nine months ended September 30, 2024 to RMB41.5 million in the nine months ended September 30, 2025, primarily due to an increase in clinical trial and technical service expenses for our Core Products.

Our research and development costs attributable to our Core Products were RMB35.6 million, RMB23.1 million and RMB26.4 million in 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing 61.3%, 60.5% and 63.7% of our total research and development costs for the same period, respectively.

During the Track Record Period, all our research and development costs were expensed and not capitalized. We expect our research and development costs to grow along with advancement of our clinical programs and continued research and development of our preclinical and future drug candidates.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

We recorded net impairment losses on financial assets of RMB1.3 million in 2024. Our net impairment losses on financial assets of RMB0.3 million in the nine months ended September 30, 2024 changed to net reversal of impairment losses on financial assets of RMB0.9 million in the nine months ended September 30, 2025, primarily due to changes in aging profile.

Other Expenses

Our other expenses primarily consist of (i) donation expenses, representing our annual donation to the Beijing Natural Science Foundation Committee Office for its fundamental studies, and (ii) others.

The following table sets forth a breakdown of our other expenses by nature, both in absolute amounts and as percentages of our total other expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Donation expenses	2,228	78.6	2,228	92.5	2,020	87.6
Others	606	21.4	181	7.5	286	12.4
Total	**2,834**	**100.0**	**2,409**	**100.0**	**2,306**	**100.0**

Our other expenses was RMB2.8 million in 2024. Our other expenses remained relatively stable in the nine months ended September 30, 2024 and 2025.

Finance Costs

The following table sets out a breakdown of our finance costs, both in absolute amounts and as percentages of our total finance costs for the periods indicated:

	Year ended December 31,		Nine months ended September 30,			
	2024		2024		2025	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
			(Unaudited)		*(Unaudited)*	
Interest on bank and other borrowings	10,176	96.5	7,749	96.0	6,142	98.7
Interest on other payables and accruals	266	2.5	252	3.1	—	—
Interest on lease liabilities	98	1.0	73	0.9	78	1.3
Total	**10,540**	**100.0**	**8,074**	**100.0**	**6,220**	**100.0**

Our finance costs decreased by 23.0% from RMB8.1 million in the nine months ended September 30, 2024 to RMB6.2 million in the nine months ended September 30, 2025, primarily due to a decline in interest on bank and other borrowings in line with (i) a decrease in the balance of bank borrowings, and (ii) lower bank borrowings interest rate within the same period.

Income Tax Expense

Under the EIT, and Implementation Regulation of the EIT Law, the EIT rate of our PRC subsidiaries was 25% during the Track Record Period. Our Company and our subsidiary Guangxi Wehand-Bio were accredited as the "High and New Technology Enterprise" ("**HNTE**") during the Track Record Period and entitled to a preferential tax rate of 15%.

We recorded income tax expense of RMB0.6 million, RMB0.6 million and RMB0.3 million in 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our income tax expense decreased from RMB0.6 million in the nine months ended September 30, 2024 to RMB0.3 million in the nine months ended September 30, 2025.

Our effective tax rates in 2024 and the nine months ended September 30, 2024 and 2025, calculated as our income tax expense divided by our loss before taxation, were –0.5%, –0.8% and –0.7%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no dispute or unresolved tax issue with the relevant tax authorities.

Loss and Total Comprehensive Loss for the Year/Period

As a result of the foregoing, we recorded loss and total comprehensive loss for the year of RMB109.5 million in 2024 and our loss and total comprehensive loss for the period decreased from RMB67.4 million in the nine months ended September 30, 2024 to RMB45.7 million in the nine months ended September 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we primarily funded our operations through a combination of cash generated from sales of *Sangbo'en*, equity and debt financing, and existing cash and cash equivalents. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, expanding our drug candidate portfolio, as well as the marketing and promotion of *Sangbo'en*. Our management closely monitors uses of cash and cash balances and strives to maintain healthy liquidity for our operations. Going forward, we expect our liquidity requirements will be satisfied by a combination of cash generated from the sales of *Sangbo'en*, existing cash and cash equivalents, bank loans, and net [REDACTED] from the [REDACTED]. With the continuing growth of our business and expansion of our pipeline, additional funding may be required through equity financing or other sources.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,	Nine months ended September 30,	
	2024	2024	2025
	RMB'000	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Net cash flow used in operating activities	(87,057)	(64,924)	(22,531)
Net cash flow used in investing activities	(101,454)	(29,990)	(9,725)
Net cash flow from/(used in) financing activities	155,910	(2,734)	83,064
Net (decrease)/increase in cash and cash equivalents	**(32,601)**	**(97,648)**	**50,808**
Cash and cash equivalents at beginning of the year/period	144,048	144,048	111,447
Cash and cash equivalents at end of year/period	**111,447**	**46,400**	**162,255**

Operating Activities

In the nine months ended September 30, 2025, our net cash flow used in operating activities amounted to RMB22.5 million, primarily due to our loss before tax of RMB45.4 million, as adjusted for (i) non-cash or non-operating items such as depreciation of property, plant and equipment of RMB15.8 million, amortization of intangible assets of RMB8.9 million, and equity-settled share-based payment expenses of RMB6.5 million; (ii) effects of movement in working capital such as an increase in inventories of RMB9.8 million and an increase in trade receivables of RMB7.9 million; and (iii) other cash items such as interest received of RMB0.5 million.

In 2024, our net cash flow used in operating activities amounted to RMB87.1 million, primarily due to our loss before tax of RMB108.9 million, as adjusted for (i) non-cash or non-operating items such as depreciation of property, plant and equipment of RMB22.1 million, equity-settled share-based payment expenses of RMB20.7 million, and amortization of intangible assets of RMB11.9 million; (ii) effects of movement in working capital such as an increase in inventories of RMB40.5 million and an increase in trade receivables of RMB16.5 million; and (iii) other cash items such as interest received of RMB1.6 million.

Investing Activities

In the nine months ended September 30, 2025, our net cash used in investing activities amounted to RMB9.7 million, which primarily resulted from (i) purchases of items of property, plant and equipment of RMB15.7 million, and (ii) purchases of time deposit of RMB10.0 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB15.2 million.

In 2024, our net cash used in investing activities amounted to RMB101.5 million, which primarily resulted from (i) purchases of time deposit of RMB55.0 million, (ii) purchases of items of property, plant and equipment of RMB31.4 million, and (iii) purchases of financial assets at fair value through profit or loss of RMB15.0 million.

Financing Activities

In the nine months ended September 30, 2025, our net cash generated from financing activities amounted to RMB83.1 million, which primarily resulted from (i) proceeds from issue of shares of RMB100.0 million, and (ii) new bank and other borrowings of RMB45.0 million, partially offset by (i) repayment of bank and other borrowings of RMB56.5 million, and (ii) interest paid of RMB5.0 million.

In 2024, our net cash generated from financing activities amounted to RMB155.9 million, which primarily resulted from (i) proceeds from issue of shares of RMB180.0 million, and (ii) new bank and other borrowings of RMB186.1 million, partially offset by (i) repayment of bank and other borrowings of RMB194.2 million, and (ii) interest paid of RMB8.5 million.

Working Capital Confirmation

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In view of our net operating cash outflows in the nine months ended September 30, 2025, we plan to improve such position by (i) continuously increasing the market share of our commercialized product; (ii) continuously advancing our pipeline products towards commercialization to generate revenue from product sales; (iii) adopting comprehensive measures to effectively control our costs and operating expenses and enhancing working capital management efficiency; and (iv) successfully launching the [REDACTED] to obtain net [REDACTED].

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditure and lease payments. We estimate that we will receive net [REDACTED] of approximately HK$[REDACTED] million in the [REDACTED], based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED]. Assuming an average cash burn rate going forward of 1.0 time the level in the nine months ended September 30, 2025, which is HK$[REDACTED] per month, we estimate that (i) our cash and cash equivalents on hand as of September 30, 2025 will be able to maintain our financial viability for 38 months from September 30, 2025, (ii) or if we take into account all estimated net [REDACTED] from the [REDACTED], [REDACTED]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing at least 12 months after the completion of the [REDACTED].

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including revenue generated from sales of *Sangbo'en*, cash and cash equivalents, cash flows from financing activities, estimated net [REDACTED] from the [REDACTED] and cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs (including any production costs) and research and development costs for at least the next 12 months from the date of this document.

Cash Operating Costs

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year Ended December 31,	Nine Months Ended September 30,	
	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Costs relating to research and development of our Core Products			
Clinical trial and technical service expenses	8,443	6,975	5,763
Staff costs	13,807	10,906	11,106
Raw materials costs	3,722	2,547	2,997
Others	4,627	3,791	2,332
Subtotal	**30,599**	**24,219**	**22,198**
Costs relating to research and development of our other drug candidates			
Clinical trial and technical service expenses	10,303	6,575	13,447
Staff costs	3,871	2,714	3,990
Raw materials costs	1,902	1,136	780
Others	1,297	944	838
Subtotal	**17,373**	**11,369**	**19,055**
Other costs			
Workforce employment costs(1)	95,085	71,846	63,018
Product marketing costs(2)	89,157	66,397	99,115
Direct production costs(3)	56,199	39,087	43,416
Total other costs	**240,441**	**177,330**	**205,549**
Total cash operating costs	**288,413**	**212,918**	**246,802**

Notes:

(1) Mainly included salaries and benefits for non-R&D employees.

(2) Mainly included marketing expenses, travelling and office expenses.

(3) Mainly included raw materials consumed directly in production and other production costs.

SELECTED BALANCE SHEET ITEMS

Current Assets/Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025	As of January 31, 2026
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	*(Unaudited)*
Current assets			
Inventories	102,416	112,824	125,381
Trade receivables	45,962	54,840	68,581
Prepayments, other receivables and other assets	4,763	7,776	15,399
Financial assets at fair value through profit or loss	15,052	—	—
Cash and cash equivalents	111,447	162,255	74,305
Time deposits	—	5,000	22,000
Total current assets	**279,640**	**342,695**	**305,666**
Current liabilities			
Trade payables	8,636	3,728	7,423
Other payables and accruals	108,243	90,355	99,989
Interest-bearing bank and other borrowings	120,782	138,959	126,884
Lease liabilities	—	1,078	1,096
Contract liabilities	6,175	1,208	33
Tax payable	—	166	—
Total current liabilities	**243,836**	**235,494**	**235,425**
NET CURRENT ASSETS	**35,804**	**107,201**	**70,241**

Our net current assets increased from RMB35.8 million as of December 31, 2024 to RMB107.2 million as of September 30, 2025, primarily due to (i) an increase in cash and cash equivalents, (ii) a decrease in other payables and accruals, and (iii) an increase in inventories, partially offset by an increase in interest-bearing bank and other borrowings.

Our net current assets decreased by 34.5% from RMB107.2 million as of September 30, 2025 to RMB70.2 million as of January 31, 2026, primarily due to a decrease in cash and cash equivalents as a result of repayment of interest-bearing bank and other borrowings.

Inventories

Our inventories primarily consist of (i) raw materials, (ii) work in progress, primarily including SZ-A, and (iii) finished goods. The following table sets forth the details of our inventories as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000*
		(Unaudited)
Raw materials	11,196	8,787
Work in progress	80,647	100,115
Finished goods	10,578	3,932
Subtotal	**102,421**	**112,834**

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Less: Provision for inventories	(5)	(10)
Total	**102,416**	**112,824**

Our inventories increased by 10.2% from RMB102.4 million as of December 31, 2024 to RMB112.8 million as of September 30, 2025, mainly due to an increase in work in progress, primarily attributable to our strategic build-up of SZ-A in anticipation of future sales growth of *Sangbo'en*, in order to reduce unit cost of SZ-A.

The following table sets forth the aging analysis of our inventories as of the dates indicated.

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Within one year	98,493	79,619
One to two years	3,842	32,769
Over two years	81	436
Total	**102,416**	**112,824**

As of January 31, 2026, approximately RMB32.2 million, or 28.5% of our total inventories as of September 30, 2025, had been subsequently utilized or sold.

Trade Receivables

The balance of our trade receivables mainly represented receivables from customers for sales of *Sangbo'en*. The table below sets forth the details of our trade receivables as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Trade receivables	47,027	54,965
Impairment	(1,065)	(125)
Total	**45,962**	**54,840**

Our trade receivables increased by 19.3% from RMB46.0 million as of December 31, 2024 to RMB54.8 million as of September 30, 2025, primarily due to the increase in sales volume of *Sangbo'en*.

The following table sets forth an aging analysis of the trade receivables as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Within three months	38,173	54,278
Three to six months	5,186	562
Six to nine months	2,603	—
Total	**45,962**	**54,840**

During the Track Record Period, we did not experience any significant losses associated with our trade receivables and the increase in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

As of January 31, 2026, approximately RMB54.9 million, or 99.9% of our total trade receivables as of September 30, 2025, had been settled.

Prepayments, Other Receivables and Other Assets — Current

Our current portion of prepayments, other receivables and other assets primarily consist of (i) prepayments, representing advances to R&D suppliers and raw material suppliers, (ii) deposits and other receivables, representing petty cash to employees, and (iii) others. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Prepayments	2,218	3,312
Deposits and other receivables	2,283	3,434
Others	799	1,581
Impairment allowance	(537)	(551)
Total	**4,763**	**7,776**

Our current portion of prepayments, other receivables and other assets increased by 63.3% from RMB4.8 million as of December 31, 2024 to RMB7.8 million as of September 30, 2025, primarily attributable to (i) an increase in deposits and other receivables as a result of the increased petty cash to employees, and (ii) an increase in prepayments as a result of the increased advances to suppliers in connection with our R&D and production activities.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent the structured deposits subscribed by us. In accordance with our risk management and investment strategy, we manage and evaluate the performance of these investments on a fair value basis and therefore these investments are designated as financial assets at fair value through profit or loss.

Our financial assets at fair value through profit or loss amounted to RMB15.1 million as of December 31, 2024, and we did not record any financial assets at fair value through profit or loss as of September 30, 2025, primarily due to the maturity of structured deposit products that we purchased in 2024.

Trade Payables

Our trade payables mainly represent the outstanding balances due to our suppliers for raw materials. Our trade payables decreased by 56.8% from RMB8.6 million as of December 31, 2024 to RMB3.7 million as of September 30, 2025, primarily because in 2025 we paid trade payables resulting from the seasonal acquisition of mulberry twigs at the end of 2024.

Our Directors confirm that we did not have any material defaults in payment of trade payables during the Track Record Period and up to the Latest Practicable Date.

As of January 31, 2026, approximately RMB3.5 million, or 94.7% of our total trade payables as of September 30, 2025, had been settled.

Other Payables and Accruals — Current

The table below sets forth the breakdown our current portion of other payables and accruals as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* *(Unaudited)*
Capital received in advance	30,000	—
Accrued expenses	25,897	20,203
Payable for property, plant and equipment	10,242	6,169
Refundable government grants	—	23,000
Payroll payable	14,502	11,241
Other tax payables	725	4,279
Others	26,877	25,463
Total	**108,243**	**90,355**

Our other payables and accruals decreased by 16.5% from RMB108.2 million as of December 31, 2024 to RMB90.4 million as of September 30, 2025, primarily attributable to a decrease in capital received in advance as the investment fund we received at the end of 2024 was recognized as equity in 2025.

Our Directors confirm that we did not have any material defaults in payment of other payables and accruals during the Track Record Period and up to the Latest Practicable Date.

As of January 31, 2026, approximately RMB43.0 million, or 47.6% of our total other payables and accruals as of September 30, 2025, had been settled.

Contract Liabilities

Our contract liabilities mainly represent the sales rebates we have accrued, which represent sale proceeds received from customers before delivery of products. Our contract liabilities decreased from RMB6.2 million as of December 31, 2024 to RMB1.2 million as of September 30, 2025, primarily due to the accrual of sales rebates for *Sangbo'en* at the end of 2024 as a result of the pricing adjustments in accordance with the national medical insurance policies.

Non-current Assets/Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* (*Unaudited*)
NON-CURRENT ASSETS		
Property, plant and equipment	254,612	250,142
Right-of-use assets	30,759	30,088
Intangible assets	53,323	44,423
Deferred tax assets	3,234	3,074
Prepayments, other receivables and other assets	1,809	2,089
Time deposits	55,000	60,000
Total non-current assets	**398,737**	**389,816**
NON-CURRENT LIABILITIES		
Other payables and accruals	45,668	46,348
Interest-bearing bank and other borrowings	102.204	73,609
Lease liabilities	1,990	990
Total non-current liabilities	**149,862**	**120,947**
Net assets	**284,679**	**376,070**

Property, Plant and Equipment

The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* (*Unaudited*)
Buildings	157,863	153,454
Machinery	61,535	56,237
Electronic and office equipment	2,243	1,830
Motor vehicles	801	596
Construction in progress	32,170	38,025
Total	**254,612**	**250,142**

Our property, plant and equipment remained relatively stable at RMB254.6 million as of December 31, 2024 and RMB250.1 million as of September 30, 2025.

Right-of-use Assets

Our right-of-use assets represent our leasehold land. Our right-of-use assets remained relatively stable at RMB30.8 million as of December 31, 2024 and RMB30.1 million as of September 30, 2025.

Intangible Assets

The following table sets forth the breakdown of our intangible assets as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000* (*Unaudited*)
Non-patent technology	42,741	36,537
Patents and trademarks	10,293	7,693
Software	289	193
Total	**53,323**	**44,423**

Our intangible assets decreased by 16.7% from RMB53.3 million as of December 31, 2024 to RMB44.4 million as of September 30, 2025, primarily due to amortization of non-patent technology and patents and trademarks.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025	As of January 31, 2026
	RMB'000	*RMB'000* (*Unaudited*)	*RMB'000* (*Unaudited*)
Current			
Interest-bearing bank and other borrowings	120,782	138,959	126,884
Lease liabilities	—	1,078	1,096
Non-current			
Interest-bearing bank and other borrowings	102,204	73,609	36,179
Lease liabilities	1,990	990	1,007
Total	**224,976**	**214,636**	**165,166**

Interest-bearing bank and other borrowings

During the Track Record Period, our interest-bearing bank and other borrowings consisted of both secured and unsecured bank loans, carrying an interest rate of from 1.90% to 5.39% per annum. All of our interest-bearing bank and other borrowings were denominated in Renminbi and comprised both fixed-rate and floating-rate borrowings. Our interest-bearing bank and other borrowings remained relatively stable at RMB223.0 million as of December 31, 2024 and RMB212.6 million as of September 30, 2025. We recorded interest-bearing bank and other borrowings of RMB163.1 million as of January 31, 2026. For maturity analysis and other details of our interest-bearing bank and other borrowings, see Note 23 to the Accountants' Report set out in Appendix I to this document.

As of January 31, 2026, we had unutilized banking facilities of RMB227.0 million.

Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenant during the Track Record Period and up to the date of this document.

Lease Liabilities

Our lease liabilities are in relation to properties that we leased for our business operations. Our lease liabilities remained relatively stable as of December 31, 2024 and 2025. We recorded lease liabilities of RMB2.1 million as of January 31, 2026. For details of our lease liabilities, see Note 14 to the Accountants' Report set out in Appendix I to this document. For maturity analysis of lease liabilities during the Track Record Period, see Note 35 of Accountants' Report set out in Appendix I to this document.

Except as discussed above, we did not have material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of January 31, 2026. Our Directors confirm that there had been no material adverse change in our indebtedness since January 31, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2024, and September 30, 2025, we did not have any material contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures of RMB31.5 million and RMB15.7 million in 2024 and the nine months ended September 30, 2025, respectively, representing our purchases of items of property, plant and equipment and purchases of intangible assets in order to enhance our research and development capabilities and expand our business operations, upgrade our facilities and increase our operating efficiency. We expect to fund our future capital expenditures mainly through a combination of cash generated from the sales of *Sangbo'en*, existing cash and cash equivalents, bank loans, and net [REDACTED] from the [REDACTED]. See "Future Plans and Use of [REDACTED]" in this document for details. We may adjust our capital expenditures for any given period according to our ongoing business needs and in light of market conditions or other factors we believe appropriate.

CAPITAL COMMITMENTS

We had the following capital commitments as of the dates indicated:

	As of December 31, 2024	As of September 30, 2025
	RMB'000	*RMB'000*
		(Unaudited)
Property, plant and equipment	16,328	13,613

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into certain related party transactions from time to time. Certain related parties of the Group have provided guarantees in connection with our bank borrowings up to RMB166.8 million and RMB157.1 million as of December 31, 2024 and September 30, 2025, respectively. See Note 32 to the Accountants' Report in Appendix I to this document for more details. Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distinct our results of operations or make our historical results not reflective of our future performance.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period and up to the date of this document. We do not currently have a formal dividend policy or a fixed dividend payout ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [REDACTED] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future distribution of dividends will be subject to approval by our shareholders' meeting and may be based on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant as appropriate. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As advised by our PRC Legal Adviser, taking into account the aforesaid, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders in a given year, in view of our accumulated losses, or even if we become profitable, as we will only be able to declare or pay dividends out of our distributable profits until (i) the accumulated losses are covered by our after-tax profits, and (ii) sufficient statutory and other reserves are drawn in accordance with the relevant laws, regulations and our constitutional documents. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay dividends out of our profits in the foreseeable future.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately HK$[REDACTED], representing [REDACTED]% of the gross [REDACTED] from the [REDACTED] (assuming the [REDACTED] are not exercised and based on the [REDACTED] of HK$[REDACTED]). We estimate the [REDACTED] to consist of (i) approximately HK$[REDACTED] in [REDACTED] related fees, and (ii) approximately HK$[REDACTED] in non-[REDACTED] fees, which consist of (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$[REDACTED], and (b) other fees and expenses of approximately HK$[REDACTED]. During the Track Record Period, [REDACTED] of approximately HK$[REDACTED] was charged to our consolidated income statements and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. After the Track Record Period, approximately HK$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31, 2024	As of or for the nine months ended September 30, 2025
Gross profit margin(1) (%)	72.1	74.1
Asset-liability ratio(2) (%)	58.0	48.7

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Asset-liability ratio was calculated dividing total liabilities by total assets as of the dates indicated and multiplied by 100%.

FINANCIAL RISKS DISCLOSURE

Interest Rate Risk

We are primarily exposed to the risk of changes in market interest rates relate primarily to our long-term debt obligations with a floating interest rate.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, trade receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent our Group's maximum exposure to credit risk in relation to financial assets. We trade mainly with recognized and creditworthy third parties. In addition, receivable balances are monitored on an on-going basis and our exposure to bad debts is not significant.

Liquidity Risk

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

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

See the Unaudited [REDACTED] Financial Information in Appendix II to this document for details.

DISTRIBUTABLE RESERVES

As of September 30, 2025, we did not have any distributable reserves.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document there had been no material adverse change in our financial, operational or prospects since September 30, 2025, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.