You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this document. Our historical financial information has been prepared in accordance with IFRS.

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. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this document, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this document.

OVERVIEW

We are a biopharmaceutical company focusing on the discovery and development of therapeutics addressing the medical needs in respiratory diseases and pediatric diseases. Under the leadership of Dr. Wu and distinguished scientific management team, we have developed a pipeline of six drug candidates, including an RSV portfolio consisting of ziresovir, the first therapeutic drug specifically targeting RSV infection at NDA stage and AK0610, a phase II stage mAb for the prevention of RSV infection, an IPF drug, AK3280 at post phase II proof-of-concept clinical stage, and an approved ADHD drug, AK0901. We have also developed drug candidates in other related disease areas, including AK0705 for COPD and AK0406 for influenza. See "Business — Our Product Pipeline."

During the Track Record Period, we have devoted significant resources in the R&D of our product candidates. However, as of the Latest Practicable Date, we did not commercialize any products and have not generated any revenue from product sales. We plan to rapidly advance the commercialization activities in China for AK0901, leveraging collaboration with reputable nationwide pharmaceutical companies. Our consolidated net loss for the year ended December 31, 2024 and 2025 was RMB197.4 million and RMB227.8 million, respectively.

BASIS OF PREPARATION

Our Company was incorporated in Shanghai, China, on April 29, 2014 as a limited liability company and was converted into a joint stock company with limited liability on March 5, 2021. See "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of Our Group" for details. Our Company became the holding company of the subsidiaries now comprising our Group upon completion of the Restructuring, as more fully explained in the section headed "History, Development and Corporate Structure." The businesses carried out by our Group resulting from the Restructuring have been under the common control of ArkBio Cayman and therefore our Company, ArkBio Suzhou and ArkBio Australia are treated as part of our Group throughout the Track Record Period.

Our consolidated financial information and the interim financial information have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information for the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our product pipeline includes drug candidates at various stages of development. Our business and results of operations depend on our ability to successfully advance our drug development programs, demonstrate satisfactory safety and efficacy clinical trial results, and obtain the requisite regulatory approvals and launch our products in our target markets as planned. Although we do not have any drug commercialized, we expect to generate revenue from sales of a drug candidate after we obtain regulatory approval and commercialize such drug candidate in certain jurisdictions.

For example, we are currently developing ziresovir and have submitted its NDA application to the NMPA in August 2025. We also submitted the NDA application for AK0901, an ADHD drug, to the NMPA, and we have been actively advancing the commercialization of AK0901 in China, since it was approved by the NMPA in December 2025 for the treatment of ADHD in patients aged six or above. In addition, we are also developing AK3280, a phase III stage drug with broad anti-fibrotic effect to potentially treat lung fibrosis, especially IPF. We also expect to advance multiple additional drug candidates into clinical stage in the near term. These products may require significant development and marketing efforts before we generate any revenue from product sales. If they fail to achieve a sufficient degree of market acceptance, we may not be able to generate revenue as expected. See "Business — Our Product Pipeline," "Risk Factors — Risks Relating to the Development of Our Drug Candidates" and "Risk Factors — Risks Relating to Commercialization of Our Drug Candidates."

Our Collaboration Arrangements

Our results of operations have been, and we expect them to continue to be, affected by our licensing, collaboration and development agreements. Pursuant to our agreements with in-licensing partners, we are required to make upfront payments upon our entry into such agreements and milestone payments upon the achievement of certain development, regulatory and commercial milestones for the relevant candidates under these agreements as well as tiered royalties based on the net sales of the licensed products. See "Business — Overview of Licensing and Collaboration Agreements." Going forward, we expect to continue licensing candidates that are scientifically sound, can address large unmet medical needs, and have synergies with our existing portfolio and disease area focus. The timing of the milestone payments and royalties and the mix of future products sold (which may be subject to different tiered royalties) will have an effect on our profitability. In addition, we may also seek out-licensing opportunities for our drug candidates, which we believe will enable us to generate another source of revenue.

Cost Structure

Our business and results of operations are significantly affected by our operating expenses, which comprised research and development expenses and administrative expenses during the Track Record Period. In addition, we also incurred finance costs during the Track Record Period.

Research and development activities are critical to our business. Our current research and development activities mainly relate to drug discovery, pre-clinical studies and clinical trials of our drug candidates. As a result, our research and development expenses consist of (i) pre-clinical studies, clinical trials and process improvement fees, (ii) labor costs, (iii) share-based compensation, (iv) depreciation and amortization, (v) raw materials and manufacturing costs and (vi) others. In 2024 and 2025, our research and development expenses accounted for 74.1% and 65.1%, respectively, of total operating expenses. During the Track Record Period, the Group's R&D expenses for Ziresovir amounted to approximately RMB89.0 million and RMB50.3 million for 2024 and 2025, representing approximately 53.8% and 32.9% of the Group's total R&D expenses for the respective periods. During the same periods, the R&D expenses for AK3280 amounted to approximately RMB21.0 million and RMB13.8 million for 2024 and 2025, representing approximately 12.7% and 9.0% of the Group's total R&D expenses for the respective periods.

Our selling and marketing expenses consist of (i) labor costs, (ii) share-based compensation, (iii) depreciation and amortization, (iv) travel and entertainment expenses, (v) professional service fees, (vi) office expense, and (vii) others. In 2024 and 2025, our selling and marketing expenses accounted for 5.7% and 4.1%, respectively, of our total operating expenses.

Our administrative expenses consist of (i) labor costs, (ii) share-based compensation, (iii) depreciation and amortization, (iv) travel and entertainment expenses, (v) professional service fees, (vi) office expenses (vii) [**REDACTED**] expense, and (viii) others. In 2024 and 2025, our administrative expenses accounted for 20.3% and 30.8%, respectively, of our total operating expenses.

We expect our cost structure to evolve as we continue to develop and expand our business. As the pre-clinical studies and clinical trials of our drug candidates continue to progress and as we gradually bring the candidates of our product pipeline to commercialization, we expect to incur additional costs in relation to our manufacturing, sales and marketing, quality control, medical affair, among other things. We also anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through proceeds from pre-[**REDACTED**] investments and interest-bearing bank borrowings. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operation in part with proceeds generated from sales of our commercialized drugs. However, with the continuing expansion of our business and development of new drug candidates and technologies, we may require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other sources. Any changes in our ability to fund our operations will affect our cash flow and our results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of historical financial information in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Our estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing 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.

See Note 2.3, Note 3 to the Accountants' Report set out in Appendix I to this document for a detailed description of our material accounting policies, judgments and estimates, which are important for understanding our results of operations and financial condition.

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,	
	2024	2025
	(RMB in thousands, except loss per share)	
Other income and gains	26,305	7,574
Research and development costs	(165,348)	(152,942)
Selling and marketing expenses	(12,680)	(9,630)
Administrative expenses	(45,226)	(72,290)
Other expenses	(1)	(5)
Finance costs	(469)	(533)
Loss before tax	(197,419)	(227,826)
Income tax expense	–	–
Loss for the year	(197,419)	(227,826)
Other comprehensive (loss)/income		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,684)	2,398
Total comprehensive loss for the year	(199,103)	(225,428)
Loss per share		
Basic and diluted (RMB yuan)	(0.86)	(0.99)

Other Income and Gains

Other income and gains consists of (i) government grants, which represent grants we received from local PRC government authorities to support the research and development for our drug candidates, (ii) bank interest income, which represents interest income from our time deposits, (iii) foreign exchange differences, net resulting from exchange rate fluctuations between the Renminbi, the U.S. dollar and the Australian dollar, (iv) fair value gains on financial assets at FVTPL in relation to our structured deposits, and (v) others. We recorded other income and gains of RMB26.3 million and RMB7.6 million in 2024 and 2025, respectively.

The following table sets forth a breakdown of our other income and gains in 2024 and 2025:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Other Income		
Government grants	7,971	3,455
Bank interest income	11,894	6,033
Others	430	349

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Gains		
Foreign exchange differences, net	2,210	(4,275)
Fair value gains on financial assets at FVTPL	3,800	2,012
Total	**26,305**	**7,574**

Research and Development Costs

Our research and development costs consist of (i) pre-clinical studies, clinical trials and process improvement fees, primarily including third-party contracting costs with the engagement of CROs and other service providers, (ii) labor costs, representing salaries, bonus and welfare for research and development personnel, (iii) share-based compensation, representing expenses associated with restricted share units granted to our research and development personnel, (iv) depreciation and amortization, representing depreciation in relation to our research and development equipment and facilities, (v) raw materials and manufacturing costs, mainly representing the costs for the materials, reagents, and other consumables used in research and development activities, and (vi) others, primarily including traveling expenses, training expenses and insurance expenses in relation to our research and development activities. We recorded research and development costs of RMB165.3 million and RMB152.9 million in 2024 and 2025, respectively.

The following table summarizes a breakdown of our research and development costs in 2024 and 2025:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Pre-clinical studies, clinical trials and process improvement fees	67,015	73,593
Labor costs	52,690	47,821
Share-based compensation	20,290	17,148
Depreciation and amortization	4,156	3,590
Raw materials and manufacturing costs	17,456	8,472
Others	3,741	2,318
Total	**165,348**	**152,942**

The following table summarizes a breakdown of our research and development expenses by Core Products and other drug candidates in 2024 and 2025:

Ziresovir

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Pre-clinical studies, clinical trials and process improvement fees	37,561	22,083
Labor costs	23,361	18,170

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Share-based compensation	9,005	6,516
Depreciation and amortization	1,588	1,202
Raw materials and manufacturing costs	15,160	1,072
Others	2,328	1,238
Total	**89,003**	**50,281**

AK3280

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Pre-clinical studies, clinical trials and process improvement fees	9,818	4,049
Labor costs	6,792	6,377
Share-based compensation	2,619	2,287
Depreciation and amortization	987	8
Raw materials and manufacturing costs	285	935
Others	453	158
Total	**20,954**	**13,814**

For the years ended December 31, 2024 and 2025, the research and development costs incurred for our Core Products, namely ziresovir and AK3280, were RMB110.0 million and RMB64.1 million, respectively, accounting for 66.5% and 41.9% of our total research and development costs, respectively, for the same years. The decrease in research and development expenses attributable to the Company's Core Products in 2025 was mainly driven by lower expenses for ziresovir and AK3280, reflecting the progression of these programs into less resource-intensive stages of development in 2025, as compared with in 2024. The decrease in research and development expenses attributable to ziresovir from RMB89.0 million in 2024 to RMB50.3 million in 2025 was primarily due to decreases in pre-clinical studies, clinical trials and process improvement fees, as well as raw materials and manufacturing costs. Such decrease was mainly because the supplemental phase III AirFLO 2 clinical trial of ziresovir was initiated in February 2024 and completed in April 2025. As a result, a greater portion of the clinical trial execution and related manufacturing activities was carried out in 2024, while such activities decreased in 2025 following completion of the trial and prior to the submission of the NDA in August 2025.

The decrease in research and development expenses attributable to AK3280 from RMB21.0 million in 2024 to RMB13.8 million in 2025 was primarily due to a decrease in pre-clinical studies, clinical trials and process improvement fees. Such decrease was mainly because the phase II clinical trial of AK3280 in China, which commenced in July 2022, progressed into its final stage in 2025 and was completed in July 2025 and we had not initiated the phase III clinical trial for AK3280 in 2025. As a result, the level of related clinical trial activities in 2025 was lower than in 2024, resulting in lower research and development expenses.

Selling and marketing Expenses

Our selling and marketing expenses consist of (i) labor costs representing salaries, bonus and welfare for selling and marketing personnel, (ii) share-based compensation representing the expenses associated with restricted share units granted to our aforementioned selling and marketing personnel, (iii) depreciation and amortization of our leases and office equipment, (iv) travel and entertainment expenses, representing the travel expenses and entertainment expenses in relation to our marketing operations, (v) professional service fees, representing service fees primarily related to sales support and marketing advisory services, (vi) office expense primarily including expenses for express services and (vii) others, mainly including marketing and publicity expenses. We recorded selling and marketing expenses of RMB12.7 million and RMB9.6 million in 2024 and 2025.

The following table summarizes a breakdown of our selling and marketing expenses in 2024 and 2025:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Labor costs	8,533	5,520
Share-based compensation	2,551	2,965
Depreciation and amortization	863	721
Travel and entertainment expenses	372	148
Professional service fees	31	40
Office expense	10	5
Others	320	231
Total	**12,680**	**9,630**

Administrative Expenses

Our administrative expenses consist of (i) labor costs, representing the labor costs in relation to our management personnel for non-research and development functions and administrative personnel, (ii) share-based compensation, representing the expenses associated with restricted share units granted to our aforementioned management and administrative personnel, (iii) depreciation and amortization of our leases and office equipment, (iv) travel and entertainment expenses, representing the travel expenses and entertainment expenses in relation to our general operation, (v) professional service fees, representing service fees primarily related to our previous A share listing attempt and the third party service providers we engaged for our operations, such as law firms and auditors, (vi) office expenses, primarily including expenses for our office operation, such as stationary expenses and translation fees, (vii) [**REDACTED**] expenses, and (viii) others, mainly including recruitment expenses, conference fees, trademark registration expenses and training expenses. We recorded administrative expenses of RMB45.2 million and RMB72.3 million in 2024 and 2025.

The following table summarizes a breakdown of our administrative expenses in 2024 and 2025:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Labor costs	24,642	16,779
Share-based compensation	6,558	25,614
Depreciation and amortization	2,890	1,961
Travel and entertainment expenses	608	547
Professional service fees	7,555	6,625
Office expenses	723	601
[**REDACTED**] expenses	–	17,673
Others	2,250	2,490
Total	**45,226**	**72,290**

Other Expenses

Our other expenses amounted to RMB1 thousand and RMB5 thousand in 2024 and 2025, which represents our loss on disposal of property, plant and equipment.

Finance Costs

Our finance costs consist of interest on lease liabilities arising from the leases of our offices and R&D premises, and the interest expenses on bank borrowings. See Note 6 to the Accountants' Report set out in Appendix I to this document. The table below summarizes a breakdown of our finance costs in 2024 and 2025:

	Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Interest on lease liabilities	353	225
Interest on bank borrowings	116	308
Total	**469**	**533**

Income Tax Expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group domicile and/or operate. During the Track Record Period, we did not record any income tax expense and the effective tax rate of our Group was 0.0%.

The PRC

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, our subsidiaries which operate in the PRC are subject to enterprise income tax at a rate of 25% on the taxable income. ArkBio Suzhou has been qualified as a "High and New Technology Enterprise," in 2021 and 2024. Therefore, ArkBio Suzhou is eligible for a preferential enterprise income tax rate of 15%. No provision for income taxes has been accrued because all of our PRC companies were in cumulative loss positions during the Track Record Period.

Hong Kong

During the Track Record Period, Hong Kong profits tax has not been provided as there were no estimated assessable profits derived from Hong Kong.

Australia

The subsidiary incorporated and operated in Australia with turnover of less than AUD50,000,000 was subject to income tax at the rate of 25% on the estimated assessable profits during the Relevant Periods.

RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Other Income and Gains

Our other income and gains decreased to RMB7.6 million in 2025 from RMB26.3 million in 2024. This decrease was primarily attributable to (i) a net foreign exchanges loss of RMB6.5 million primarily attributable to the depreciation of U.S. dollar against Australian dollar on the assets of our Australian subsidiary, (ii) a decrease in bank interest income of RMB5.9 million reflecting a lower balance and shorter tenor of time deposits, and (iii) an decrease of RMB4.5 million in government grants, as we recognized subsidies confirmed and released upon completion of review and approval procedures for several ongoing projects.

Research and Development Costs

Our research and development costs decreased to RMB152.9 million in 2025 from RMB165.3 million in 2024, primarily due to the decease of RMB9.0 million in raw materials and manufacturing costs, due to the progression of our Core Products into less resource-intensive stages of development as compared with 2024. For details, see "Description of Certain Key Items of the Consolidated Statements of Profit or Loss And Other Comprehensive Income — Research and Development Costs." partially offset by an increase of RMB6.6 million in pre-clinical studies, clinical trials and process improvement fees, as we initiated a phase II study for AK0610 in the second half of 2025.

Selling and Marketing Expenses

Our selling and marketing expenses decreased to RMB9.6 million in 2025 from RMB12.7 million in 2024, primarily due to a decrease in labor costs of RMB3.0 million, as a result of organizational streamlining and optimization measures implemented for our selling and marketing team in July 2024 which led to a decrease in year-end headcount from six as of December 31, 2024 to five as of December 31, 2025, which led to lower selling personnel-related expenses. This is because we withdrew the first NDA application for ziresovir in February 2024 to conduct a supplemental phase III clinical trial and its commercial launch was delayed in China.

Administrative Expenses

Our administrative expenses increased to RMB72.3 million in 2025 from RMB45.2 million in 2024. This increase was primarily attributable to (i) an increase in share-based compensation of RMB19.1 million and (ii) the occurrence in [**REDACTED**] expenses of RMB17.7 million for the proposed [**REDACTED**]. This was partially offset by a decrease in labor costs of RMB7.9 million, which was primarily attributable to the turnover of certain administrative personnel during the year. Although the year-end headcount remained the same, the timing gap between departures and subsequent replacements resulted in several positions remaining vacant for a significant portion of the reporting period, leading to reduced compensation expenses on a year-over-year basis.

Other Expenses

In 2024, our other expenses amounted to RMB1 thousand, as compared to RMB5 thousand in 2025.

Finance Costs

Our finance costs increased to RMB533.0 thousand in 2025 from RMB469.0 thousand in 2024. This increase in finance costs was primarily to the increase of RMB308.0 thousand in interest on bank borrowings in 2025 as compared to RMB116.0 thousand in 2024, as we entered into short-term loans for working capital purposes, partially offset by a decrease of RMB128.0 thousand in interest on lease liabilities in line with the overall decrease in leased assets.

Loss for the Year

As a result of the above, we recorded a net loss of RMB227.8 million in 2025, as compared to a net loss of RMB197.4 million in 2024.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	4,223	1,966
Right-of-use assets	7,483	4,048
Intangible assets	148	90
Prepayments, other receivables and other assets	1,494	1,526
Time deposits	110,689	133,437
Total non-current assets	124,037	141,067
Current assets		
Financial assets at fair value through profit or loss ("**FVTPL**")	201,073	74,103
Prepayments, other receivables and other assets	20,179	32,204
Time deposits	80,788	64,424
Restricted bank deposits	1,817	10
Cash and cash equivalents	48,094	39,004
Total current assets	351,951	209,745
Total assets	475,988	350,812
Current liabilities		
Trade and other payables	55,161	87,565
Interest-bearing bank borrowings	10,008	34,921
Lease liabilities	4,204	4,277
Total current liabilities	69,373	126,763
Net current assets	282,578	82,982
Total assets less current liabilities	406,615	224,049
Non-current liabilities		
Lease liabilities	3,096	232
Deferred income	2,001	2,000
Total non-current liabilities	5,097	2,232
Net assets	401,518	221,817
Equity		
Share capital	229,773	229,773
Reserves	171,745	(7,956)
Total equity	401,518	221,817

Property, Plant and Equipment

During Track Record Period, our property, plant and equipment primarily consists of machinery and equipment, computer and office equipment and furniture, motor vehicles, leasehold improvements. The following table sets forth the components of our property, plant and equipment as of the dates indicated.

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Machinery and equipment	2,776	1,554
Computer and office equipment	378	185
Motor vehicles	148	60
Leasehold improvements	921	167
Total	**4,223**	**1,966**

Our property, plant and equipment decreased from RMB4.2 million as of December 31, 2024 to RMB2.0 million as of December 31, 2025, primarily attributable to depreciation of our property, plant and equipment in 2025.

Right-of-Use Assets

During Track Record Period, our right-of-use assets are related to our leasehold properties for our operation. Our right-of-use assets decreased from RMB7.5 million as of December 31, 2024 to RMB4.0 million as of December 31, 2025, primarily due to the depreciation in 2025 of RMB4.0 million, partially offset by the recognition of right-of-use assets of RMB1.2 million.

Intangible Assets

During the Track Record Period, our intangible assets representing softwares, amounted to RMB0.1 million and RMB0.1 million as of December 31, 2024 and 2025, respectively.

Time Deposits

During the Track Record Period, our time deposits comprise of non-current time deposits over one year and current time deposits over three months but less than one year. The following table sets forth components of our time deposits as of the dates indicated.

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Current:		
Time deposits over three months but less than one year	80,788	64,424
Non-current:		
Time deposits over one year	110,689	133,437
Total	**191,477**	**197,861**

Our time deposits increased from RMB191.5 million as of December 31, 2024 to RMB197.9 million as of December 31, 2025, primarily due to a increase of RMB22.7 million in time deposits over one year.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at fair value through profit or loss represent our wealth management products. We purchased wealth management products to improve the utilization of our cash on hand on a short-term basis. During the Track Record Period, we generally limited our purchase to principal guaranteed and short-term (three to six months maturity periods) financial products from reputable commercial banks. We believe that investment in low-risk financial products, such as wealth management products, helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operation or capital expenditures. In the future, we will continue to purchase low-risk financial products with short maturity period based on our operational needs. We recorded RMB201.1 million and RMB74.1 million of financial assets at FVTPL as of December 31, 2024 and 2025, respectively.

The investment in wealth management products after [**REDACTED**] will be subject to the compliance requirements in accordance with Chapter 14 of the Listing Rules. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for the purchase of financial products. We shall designate qualified personnel in our finance department to work on the investment of financial products. The investment decisions of our finance department are subject to the approval of our senior management team, according to our investment working procedures;
- We make investment decisions based on our estimated capital requirements for the next six months and annual financial forecast, taking into account the duration, expected returns and risks of the financial products; and
- We shall periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangement and cash flow forecast. We shall also regularly analyze the difference between our actual cash outflow and our cash flow forecast or our budget.

Prepayments, Other Receivables and Other Assets

The following table sets forth components of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Non-current:		
Rental and other deposits	1,278	1,284
Value-added tax recoverable	216	242
Subtotal	1,494	1,526
Current:		
Prepayments for research and development services	11,320	6,805

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Other assets	–	14,058
Value-added tax recoverable	8,636	4,728
Other receivables	159	152
Deferred [**REDACTED**] expenses	–	6,296
Other prepayments	64	165
Subtotal	20,179	32,204
Total	**21,673**	**33,730**

During the Track Record Period, our non-current portion of prepayments, other receivables and other assets consisted of (i) rental and other deposits for property leases and procurement of medical equipment, and (ii) value-added tax recoverable, representing value added taxes paid with respect to our procurement that can be credited against future value added tax payables. Our non-current portion of prepayments, other receivables and other assets remained relatively stable at approximately RMB1.5 million and RMB1.5 million as of December 31, 2024 and December 31, 2025.

During the Track Record Period, our current portion of prepayments, other receivables and other assets consisted of (i) prepayments for research and development services, representing prepayments made in connection with the research and development services provided by CROs and other clinical service and clinical trial suppliers, (ii) other assets representing the license-in milestone payment capitalized upon the NDA approval of AK0901 in December 2025 and this amount will subsequently be recognized as a cost in connection with our out-licensing arrangement with Qilu Pharma, (iii) value-added tax recoverable, (iv) other receivables, (v) deferred [**REDACTED**] expenses in relation to the proposed [**REDACTED**], and (vi) other prepayments. Our current portion of prepayments, other receivables and other assets increased from RMB20.2 million as of December 31, 2024 to RMB32.2 million as of December 31, 2025, mainly attributable to (i) the record of other assets of RMB14.1 million; and (ii) the record of RMB6.3 million of deferred [**REDACTED**] expense.

Cash and Cash Equivalents

During the Track Record Period, our cash and cash equivalents represented cash at banks and time deposits with original maturity less than three months. Our cash and cash equivalents decreased from RMB48.1 million as of December 31, 2024 to RMB39.0 million as of December 31, 2025, primarily attributable to the purchase of low-risk short-term wealth management products and the change of working capital requirements in the ordinary course of business.

Restricted Bank Deposits

We recorded restricted bank deposits amounted to RMB1.8 million, and RMB10.0 thousand as of December 31, 2024 and 2025. Our restricted bank deposits decreased from RMB1.8 million as of December 31, 2024 to RMB10.0 thousand as of December 31, 2025 was primarily attributable to the release of certain temporarily restricted deposits upon completion of the relevant bank procedures.

Trade and Other Payables

During the Track Record Period, our trade and other payables consist of (i) trade payables, which represents the payables to CROs and other clinical suppliers for our research and development activities; (ii) payroll payables to our employees; (iii) accrued expenses for research and development services; (iv) accrued [**REDACTED**] expenses incurred for the proposes [**REDACTED**]; (v) other taxes payables, representing the individual income tax and stamp duty payable; and (vi) other payables representing accrued utilities, employee reimbursements and payables for talent introduction subsidies. The following table sets forth the details of our other trade and other payables as of the dates indicated.

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Trade payables	12,180	19,717
Payroll payables	9,332	9,751
Accrued expenses for research and development services	28,526	50,578
Accrued [**REDACTED**] expenses	–	5,480
Other taxes payables	806	771
Other payables	4,317	1,268
Total	**55,161**	**87,565**

Our trade and other payables increased from RMB55.2 million as of December 31, 2024 to RMB87.6 million as of December 31, 2025, primarily attributable to (i) an increase of RMB22.1 million in accrued expenses for research and development services in line with our continuous research and development efforts, (ii) an increase of RMB7.5 million in trade payables generally in line with our clinical progress, and (iii) an increase in accrued [**REDACTED**] expenses of RMB5.5 million for the proposed [**REDACTED**] initiated in 2025, partially offset by the decrease of RMB3.0 million in other payables.

Our Directors confirm that we had no material defaults in payment of trade payables during the Track Record Period and up to the Latest Practicable Date. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Within 3 months	9,827	8,467
3 to 6 months	–	1,557
6 months to 1 year	168	9,693
Over 1 year	2,185	–
Total	**12,180**	**19,717**

As of January 31, 2026, 26.35% of our trade payables outstanding as of December 31, 2025 were subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash relate to the research and development activities, general business operation, as well as the purchase of equipment, machinery and intangible assets. During the Track Record Period, we primarily funded our working capital requirement through financing in the form of bank borrowings. 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. As our business develops and expands, we expect to generate more cash from our operating activities through launching new products or licensing out our patented technology. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operation in part with proceeds generated from sales of our commercialized drugs. As of December 31, 2025, our capital resources, being our cash and cash equivalents and time deposits amounted to RMB236.9 million.

Current Assets and Liabilities

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

	As of December 31,		As of January 31,
	2024	2025	2026
		(RMB in thousands)	
Current assets			
Financial assets at FVTPL	201,073	74,103	22,103
Prepayments, other receivables and other assets	20,179	32,204	32,061
Time deposits	80,788	64,424	–
Restricted bank deposit	1,817	10	10
Cash and cash equivalents	48,094	39,004	152,530
Total current assets	351,951	209,745	206,704
Current liabilities			
Trade and other payables	55,161	87,565	76,097
Interests-bearing bank borrowings	10,008	34,921	44,921
Lease liabilities	4,204	4,277	4,291
Total current liabilities	69,373	126,763	125,309
Net current assets	282,578	82,982	81,395

Our net current assets decreased from RMB282.6 million as of December 31, 2024 to RMB83.0 million as of December 31, 2025, primarily due to (i) a decrease of RMB142.2 million in our current assets, mainly reflecting a decrease of RMB127.0 million of financial assets at FVTPL in line with the decline in the overall level of funds available to our Company, and (ii) an increase of RMB57.4 million in our current liabilities, primarily attributable to an increase of RMB32.4 million in trade and other payables in line with our continuous research and development efforts and the initiation of the proposed [**REDACTED**].

Our net current assets remained relatively stable, decreasing slightly from RMB83.0 million as of December 31, 2025 to RMB81.4 million as of January 31, 2026.

Working Capital Sufficiency

We believe our liquidity requirements will be mainly satisfied by using funds from a combination of our existing cash and [**REDACTED**] from the [**REDACTED**]. As of December 31, 2025, we had capital resources of RMB236.9 million, consisting of cash and cash equivalents and our current and non-current time deposits. The Directors are of the opinion that, taking into account (i) the capital resources available to our Group as of December 31, 2025, available financing facilities and the estimated [**REDACTED**] from the [**REDACTED**], and (ii) our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, selling and marketing expenses, and administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

Our cash burn rate refers to the average monthly amount of (i) net cash used in operating activities, including upfront and milestone fees for licensing agreements and R&D and commercialization expenditures, and (ii) capital expenditures. Assuming an average cash burn rate going forward of 3 times the level in 2025, we estimate that our cash and cash equivalents, time deposits, and financial assets at fair value through profit or loss as of December 31, 2025 will be able to maintain our financial viability for at least [**REDACTED**] months, or, if we also take into account the estimated [**REDACTED**] based on the [**REDACTED**] of HK$[**REDACTED**] per Share (being the [**REDACTED**] of the indicative [**REDACTED**] range), at least [**REDACTED**] months. Our Directors and our management team will continue to monitor our working capital, cash flows, and our business development progress.

Cash Flows

The following table sets forth the components of our consolidated statements of cash flows for the years indicated:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Operating cash flows before movements in working capital	(176,580)	(161,973)
Changes in working capital	(12,154)	10,101
Net cash flows used in operating activities	(188,734)	(151,872)
Net cash flows (used in)/from investing activities	(22,396)	128,227
Net cash flows from financing activities	5,715	16,431
Net decrease in cash and cash equivalents	(205,415)	(7,214)
Cash and cash equivalents at beginning of the year	252,980	48,094
Effects of exchange rate changes, net	529	(1,876)
Cash and cash equivalents at end of the year	48,094	39,004

Operating Activities

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from research and development costs, selling and marketing expenses and administrative expenses. Our net cash outflows during the Track Record Period was primarily because we were engaged in the R&D of our drug candidates heavily but none of them had been commercialized as of the Latest Practicable Date. We plan to rapidly advance the R&D of our drug candidates, especially our Core Products — ziresovir, which is the global-first RSV-specific antiviral drug to achieve positive results in pivotal phase III clinical trials with near-term commercial opportunity, Ak0901 an NDA-stage ADHD drug and Ak3280, a phase III ready IPF drug. We believe we will start to generate cash inflow from operating activities after our drug candidates are approved and commercialized.

For the year ended December 31, 2025, our net cash used in operating activities was RMB151.9 million. This net cash used in operating activities was primarily reflecting loss before tax of RMB228.0 million, adjusted by certain non-cash and working capital items, primarily including (i) positive adjustments, which primarily included share-based payment compensation of RMB45.7 million, increase in trade and other payable of RMB30.7 million and decrease in prepayments and other receivables of RMB5.8 million, and (ii) negative adjustments, which primarily included bank interest income of RMB6.0 million.

For the year ended December 31, 2024, our net cash used in operating activities was RMB188.7 million. This net cash used in operating activities was primarily reflecting loss before tax of RMB197.4 million, adjusted by certain non-cash and working capital items, primarily including (i) positive adjustments, which included share-based payment compensation of RMB29.4

million, depreciation of right-of-use assets of RMB4.6 million and depreciation of property, plant and equipment of RMB3.3 million, and (ii) negative adjustments, which primarily included bank interest income of RMB11.9 million, and decrease in prepayments and other receivables of RMB4.1 million.

Investing Activities

Our cash inflow from investing activities were primarily related to disposal of financial assets at FVTPL and maturity of time deposits with original maturity of more than three months. We also generated outflows from purchases of financial assets at FVTPL and loss and purchase of time deposits with original maturity of more than three months.

For the year ended December 31, 2025, our net cash from investing activities was RMB128.2 million, which was primarily attributable to disposal of financial assets at FVTPL of RMB596.4 million, partially offset by (i) purchase of financial assets at FVTPL of RMB467.4 million, and (ii) placement of time deposits with original maturity of more than three months of RMB85.8 million.

For the year ended December 31, 2024, our net cash used in investing activities was RMB22.4 million, which was primarily attributable to (i) purchases of financial assets at FVTPL of RMB515.0 million, and (ii) placement of time deposits with original maturity of more than three months of RMB256.6 million, partially offset by (i) disposal of financial assets at FVTPL of RMB428.2 million, and (ii) maturity of time deposits with original maturity of more than three months of RMB322.5 million.

Financing Activities

For the year ended December 31, 2025, our net cash from financing activities was RMB16.4 million, which was primarily due to new bank borrowings of RMB44.9 million, partially offset by repayment of bank borrowings of RMB20.0 million.

For the year ended December 31, 2024, our net cash from financing activities was RMB5.7 million, which was primarily attributable to the new bank borrowings of RMB10.0 million, partially offset by the lease payments, including related interest of RMB4.2 million.

CASH OPERATING COSTS

The following table provides information regarding our cash operating costs for the years indicated:

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Research and development costs		
Research and development costs for Core Products		
– trial and testing expenses	39,402	31,469
– staff costs	26,489	24,302
– CMC costs and others	16,843	3,206
Research and development costs for other product candidates		
– trial and testing expenses	26,326	18,731
– staff costs	23,792	23,220
– CMC costs and others	5,610	7,830
Workforce employment costs(1)	32,764	22,223
Direct production costs(2)	–	–
Product marketing(3)	–	–

	Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Non-income taxes, royalties and other governmental charges(4)	210	890
Contingency allowances	–	–
Other significant expense	–	–

Notes:

(1) Workforce employment cost represents total non-research and development personnel costs mainly including salaries and benefits.

(2) We had not commenced product manufacturing as of the Latest Practicable Date.

(3) We had not commenced product sales as of the Latest Practicable Date.

(4) Non-income taxes, royalties and other government charges primarily include tax and surcharges.

INDEBTEDNESS

As of December 31, 2024 and 2025 and January 31, 2026, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. In addition, we had unutilized banking facilities of RMB265.1 million as of December 31, 2025.

	As of December 31,		As of January 31,
	2024	2025	2026
		(RMB in thousands)	
Current			
Lease liabilities	4,204	4,277	4,291
Interest-bearing bank borrowings	10,008	34,921	44,921
Non-current			
Lease liabilities	3,096	232	218
Total	**17,308**	**39,430**	**49,430**

Save as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, none of our creditors of the indebtedness described above had claimed default against us to the best of our knowledge and we had not breached any covenants contained in our indebtedness. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since December 31, 2025 and up to the date of the document.

CAPITAL EXPENDITURES

Our capital expenditures represent purchase of items of property, plant and equipment. The following table sets forth our capital expenditures for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Purchase of property, plant and equipment	1,475	14
Total	**1,475**	**14**

Our capital expenditures decreased from RMB1.5 million for the year ended December 31, 2024 to RMB14 thousand for the year ended December 31, 2025, primarily due to the completion of upgrades to our Suzhou laboratory, resulting in no significant further laboratory investment needs.

We expect our capital expenditures to increase in 2026, and we plan to fund our planned capital expenditures using cash deposits and the [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and [**REDACTED**]." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL COMMITMENTS

We did not have any such contractual commitments as of December 31, 2024 and 2025.

CONTINGENT LIABILITIES

As of December 31, 2024 and 2025, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2025 to the date of this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Risk

Certain financial assets and liabilities are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For details and sensitivity analysis, see Note 34 to the Accountants' Report set out in Appendix I to this document.

Credit Risk

We have no significant credit risk. The carrying amounts of bank balances and trade and other receivables included in the consolidated statements of financial position of our Group represent our maximum exposure to credit risk in relation to the financial assets. See Note 34 to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. For more details, see Note 34 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIO

	As of December 31,	
	2024	2025
Current Ratio(1)	5.1	1.7

Note:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

Current ratio decreased from 5.1 as of December 31, 2024 to 1.7 as of December 31, 2025, primarily due to a decrease in current assets in relation to our financial assets at FVTPL and our time deposits and cash and cash equivalents, as well as the increase of current liabilities in relation to our trade and other payables and our interest-bearing bank borrowings.

MATERIAL RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See Note 31 to the Accountants' Report as set out in Appendix I for a detailed information of transactions with related parties.

DIVIDENDS

We did not declare or pay dividends on our Shares during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions.

PRC laws and regulations permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits, being the after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future. See "Risk Factors — Risks Relating to Our Industry, Business and Operations — Payment of dividends is subject to restrictions under PRC law and regulations." In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

[REDACTED] EXPENSES

[**REDACTED**] expenses to be borne by us are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**] commission, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being [**REDACTED**] of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), assuming no Shares are issued pursuant to the [**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**]. [**REDACTED**] expenses to be borne by us include (i) [**REDACTED**]-related expenses, including [**REDACTED**] commission and sponsor fee, of HK$[**REDACTED**], (ii) fees and expenses of legal advisors of HK$[**REDACTED**], (iii) fees and expenses of Reporting Accountants of HK$[**REDACTED**], and (iv) other fees and expenses of HK$[**REDACTED**]. During the Track Record Period, we incurred [**REDACTED**] expenses of RMB24.0 million, RMB17.7 million of which were charged to our consolidated statements of profit or loss. After December 31, 2025, 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**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on the audited consolidated tangible assets of our Group attributable to owners of our Company as of December 31, 2025, as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of our Group, had the [**REDACTED**] been completed as of December 31, 2025 or at any future dates.

For details, see Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025 and up to the date of this document.

We expect to continue to incur significant expenses and operating losses in the future as we further the clinical development and/or pre-clinical studies of our product pipeline, expand our team and grow our business. We expect that our financial performance will fluctuate from period to period due to the status of the development of our drug candidates, the regulatory approval process and commercialization of our drug candidates.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.