The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the entire Accountants' 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. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to the years of 2024 and 2025 refer to the financial years ended December 31 of such years.

OVERVIEW

We are a biopharmaceutical company in the commercialization stage, dedicated to addressing the medical needs in the field of weight management. We have developed our Core Product injectable ecnoglutide (XW003), being the world's first approved cAMP-biased glucagon-like peptide-1 (GLP-1) receptor agonist, for T2DM and overweight/obesity treatments in Chinese Mainland. Guided by our mission of "Reshaping Life with Science", we strive to transform the advanced proprietary technologies into safe, effective, and comprehensive solutions that enable us to deliver durable and high-quality weight loss, manage various comorbidities, and extend beyond obesity to address cardiometabolic risks and potentially provide organ protection.

We currently received the approvals for injectable ecnoglutide (XW003) for T2DM and overweight/obesity treatments in Chinese Mainland but have not generated any revenue from product sales. We had not been profitable and incurred operating losses and net losses during the Track Record Period. Our loss for the year mainly resulted from research and development expenses, as well as administrative expenses.

Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a [**REDACTED**]. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, timeline and terms of potential collaboration with our partners, regulatory approval timeline and commercialization of our drug candidates.

BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with IFRS Accounting Standards, which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations as issued by the International Accounting Standards Board (the "**IASB**"). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the periods covered by the Interim Financial Information.

Notwithstanding that the Group recorded net liabilities of RMB2,213.2 million as of December 31, 2025 and incurred recurring losses from operations, the Historical Financial Information and Interim Financial Information have been prepared on a going concern basis. The net liabilities were primarily due to redemption liabilities on ordinary shares of RMB3,014.0 million arising from historical external financings, which will be ceased at the date of the completion of the [**REDACTED**] on Stock Exchange. The directors of the Company are of the opinion that the Company is not obligated to settle the redemption liabilities in next twelve months from December 31, 2025 and will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from December 31, 2025 based on the review of the Group's projected cash flows.

The Historical Financial Information and Interim Financial Information have been prepared under the historical cost convention except for certain financial assets at fair value through profit or loss, which are carried at fair value.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

General Factors

Our business and operating results are affected by general factors affecting the drug market in which we operate, including but not limited to: (i) global and China's macroeconomic conditions; (ii) growth and competition environment of the global and Chinese Mainland's weight management market; (iii) market acceptance of drugs for weight management; (iv) relevant laws and regulations, governmental policies and initiatives affecting the global and China's biopharmaceutical and innovative drug industry; (v) political, economic and social conditions of Chinese Mainland and other markets where we are conducting or plan to conduct clinical trials and/or commercialization activities; and (vi) and technology advancements in weight management related drug development.

Specific Factors

Development and Commercialization of Drug Candidates

Our business and results of operations depend on the development and successful commercialization of our differentiated drug candidates, including our Core Product injectable ecnoglutide (XW003). As of the Latest Practicable Date, we had cultivated a diverse pipeline of eight product candidates, seven of which target prevalent obesity and related diseases, including overweight/obesity, T2DM, moderate-to-severe obesity, adolescent obesity, MASH, and OSA. We expect to continue to achieve and deliver major development milestones for our drug candidates beyond injectable ecnoglutide (XW003). Our business and results of operations depend on our drug candidates demonstrating good safety and efficacy results, and our ability to obtain the requisite regulatory approvals for our drug candidates. Our injectable ecnoglutide (XW003) received the approvals for T2DM and overweight/obesity treatments in Chinese Mainland in January 2026 and March 2026, respectively, but we have not generated any revenue from product sales. Our other drug candidates are expected to be approved over the upcoming years as they move towards the final stages of development.

Our Ability to Compete Effectively in the Industry and to Capture the Market Opportunities

There are significant clinical needs in treatment and prevention of prevalent obesity and related diseases, creating substantial market opportunities for our drug candidates. According to Frost & Sullivan, the size of the obesity drug market in China is projected to reach RMB156.9 billion by 2029 at a CAGR of 30.6% from 2024, primarily driven by the rising obesity prevalence across all age groups and the emergence of innovative therapies such as GLP-1 receptor agonists.

We have been focused on developing new therapies for obesity and related diseases. We face intense competition from existing products and product candidates under development for the treatments of the same indications for which we are developing injectable ecnoglutide (XW003), as well as our other drug candidates. Whether injectable ecnoglutide (XW003) and our other drug candidates, once approved for commercial sales, can compete effectively with other marketed drugs will materially impact our revenue and results of operations in the future.

Our Research and Development Expenses

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses. We believe our ability to successfully develop drug candidates is the primary factor affecting our long-term competitiveness, as well as our future growth and development. Developing quality drug candidates requires significant investments of financial resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, we have invested a significant amount of financial resources in research and development to advance and expand our pipeline of clinical- and preclinical-stage drug candidates. The research and development expenses we incurred in 2024 and 2025 amounted to RMB284.0 million and RMB158.8 million, respectively. See "— Description of Selected Items of Our Consolidated Statements of Profit or Loss — Research and Development Expenses" for detailed information.

We expect our research and development expenses to continue to be a major component in our cost structure. As we expand the indications of our Core Product injectable ecnoglutide (XW003), advance more candidates along clinical trials and conduct additional preclinical studies, we expect to incur additional costs in relation to, among other things, preclinical study and clinical trial expenses, CMC expenses, raw materials procurements, manufacturing and sales and marketing.

Our Collaboration Arrangements

During the Track Record Period, we established collaboration with biopharmaceutical companies, including HK inno.N Corporation, Verdiva Bio Dev Limited, and Sino Biopharm, to advance the research, development, and commercialization of our key drug candidates in designated territories. This collaborative business model allows us to leverage our partners' strong R&D capabilities and extensive sales networks, providing a cost-effective and efficient strategy to accelerate the market penetration of our products worldwide. See "Business — Our Collaboration and Licensing Arrangements" for more details.

These agreements have already begun to contribute to our revenue during the Track Record Period, primarily through the receipt of non-refundable upfront payments. In 2025, we recorded revenue from our license-out arrangements of RMB133.5 million. As our product pipeline advances, we anticipate that these collaborations will become an increasingly significant source of revenue. Our agreements entitle us to receive development and sales milestone payments contingent upon the achievement of specific clinical, regulatory and commercial events. We expect that as our partners successfully launch our products, this revenue stream will grow and make a substantial and important contribution to our future revenue and financial performance.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing and cash generated through license-out arrangements. Going forward, in the event of the successful commercialization of one or more of our drug candidates, we expect to fund our operations with revenue generated from sales of our commercialized drug products, financing, public or private offerings. We may also require further funding through collaboration and licensing arrangements and other sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRS Accounting Standards. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate these estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base these estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this Document.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income, with line items in absolute amounts, for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Revenue	–	133,488
Cost of sales	–	(17,814)
Gross profit	–	115,674
Other income and gains	34,353	33,370
Selling and distribution expenses	(11,998)	(10,521)
Administrative expenses	(33,065)	(46,816)
Research and development expenses	(283,962)	(158,837)
Other expenses	(133)	(18,945)
Finance costs	(191,195)	(234,051)
Loss before tax	**(486,000)**	**(320,126)**
Income tax expense	–	–
Loss for the year attributable to ordinary equity holders of the parent	**(486,000)**	**(320,126)**
Exchange differences on translation of financial statements of subsidiaries	(1,477)	390
Other comprehensive (loss)/income for the year, net of tax	**(1,477)**	**390**
Total comprehensive loss for the year attributable to ordinary equity holders of the parent	**(487,477)**	**(319,736)**

Revenue

During the Track Record Period, we started to generate revenue in 2025, which was derived from licensing and collaboration arrangements, including income in relation to (i) the fulfillment of our performance obligations under the license-out agreements which was in relation to certain of our drug candidates' intellectual property rights; (ii) our provision of research and development services which are the technical support we provided to facilitate our collaborators' clinical studies; and (iii) our clinical supply for licensed compounds and samples to collaboration partners.

The following table sets forth a breakdown of our revenue by service type for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
License-out	–	106,501
Research and development service	–	5,899
Clinical Supply	–	21,088
Total	**–**	**133,488**

Cost of Sales

Our cost of sales primarily consists of (i) clinical supply expenses, which was primarily related to clinical supplies we provided to our collaboration partners; and (ii) staff cost. The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Clinical supply expenses	–	14,948
Staff cost	–	2,866
Total	**–**	**17,814**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to nil and RMB115.7 million in 2024 and 2025, respectively, and our gross profit margin recorded 86.7% in 2025.

Other Income and Gains

Our other income primarily consists of (i) government grants, which represents grants received from the governments as incentives for our research and development activities, compensating expenditure arising from our various preclinical and clinical research activities; (ii) bank interest income, which represents interest income from our deposits in banks; and (iii) investment income which represents income from the wealth management products that we purchased.

Our other gains primarily consist of (i) fair value gains on financial products at FVTPL which represents gains related to our structured deposits and (ii) net foreign exchange gains as a result of the fluctuations in the exchange rates among the U.S. dollars, Australian dollars and the RMB.

The following table sets forth a breakdown of our other net income and gains for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Other income		
Government grants	16,401	5,090
Bank interest income	10,172	16,560
Investment income	5,003	11,719
Others	56	–
Total other income	**31,632**	**33,369**
Gains		
Fair value gains	2,206	–
Foreign exchange gains, net	512	–
Others	3	1
Total gains	**2,721**	**1**
Total	**34,353**	**33,370**

Selling and Distribution Expenses

Our selling and marketing expenses primarily comprise (i) staff costs, (ii) share-based compensation expenses, (iii) professional service expenses and (iv) office, travelling and others.

The following table sets forth the breakdown of our selling and marketing expenses for the years indicated.

	Year Ended December 31,	
	2024	2025
	RMB'000	*RMB'000*
Staff costs	6,693	7,328
Share-based compensation expenses	–	492
Professional service expenses	5,004	1,610
Office, travelling and others	301	1,091
Total	**11,998**	**10,521**

Administrative Expenses

Our administrative expenses primarily comprise (i) staff costs, (ii) share-based compensation expenses, (iii) professional service expenses, (iv) depreciation and amortization expenses and (v) office, travelling and others.

The following table sets forth the breakdown of our administrative expenses for the years indicated.

	Year Ended December 31,	
	2024	2025
	RMB'000	*RMB'000*
Staff costs	17,038	17,099
Share-based compensation expenses	1,886	(3,979)
Professional service expenses	6,028	25,536
Depreciation and amortization expenses	4,238	4,108
Office, travelling and others	3,875	4,052
Total	**33,065**	**46,816**

Research and Development Expenses

Our research and development expenses primarily comprise (i) expenses related to pre-clinical and clinical studies, (ii) staff costs, (iii) share-based compensation expenses, (iv) depreciation and amortization expenses, (v) material expenses and (vi) others.

The table below sets forth a breakdown of our research and development expenses for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Expenses related to pre-clinical and clinical studies	179,252	70,534
Staff costs	75,070	55,077
Share-based compensation expenses	4,632	3,738
Depreciation and amortization expenses	7,990	8,343
Material expenses	8,332	14,329
Others	8,686	6,816
Total	**283,962**	**158,837**

In 2024 and 2025, our research and development expenses attributable to our Core Product were RMB139.5 million and RMB90.7 million, representing 49.1% and 57.1% of total research and development expenses, respectively. All our research and development expenses for the Core Product during the Track Record Period were used for its clinical studies and regulatory filings.

Other Expenses

Our other expenses primarily consist of: (i) fair value losses on financial assets at FVTPL, net, which represents the non-monetary considerations in relation to the license-out arrangement we entered; (ii) loss on disposal of items of property, plant and equipment; and (iii) foreign exchange loss, net, primarily represents the impact of exchange rate fluctuation.

The following table sets forth a breakdown of our other expenses for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Fair value losses on financial assets at FVTPL, net	–	12,217
Loss on disposal of items of property, plant and equipment	96	–
Foreign exchange loss, net	–	6,695
Others	37	33
Total	**133**	**18,945**

Finance Costs

Our finance costs primarily consist of (i) interest expense on redemption liabilities in relation to the interest accrued on the obligation to repurchase certain of our Shares held by pre-[**REDACTED**] investors; (ii) interest expense on lease liabilities; and (iii) interest expense on bank borrowings.

The following table sets forth a breakdown of our finance costs for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Interest expense on redemption liabilities	190,039	233,178
Interest expense on lease liabilities	1,135	873
Interest expense on bank borrowings	21	–
Total	**191,195**	**234,051**

Income Tax Expenses

During the Track Record Period, we recorded no income tax expense. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate. See Note 11 to the Accountants' Report in Appendix I to this Document.

Loss for the Year

As a result of foregoing, we recorded RMB486.0 million and RMB320.1 million in loss in 2024 and 2025, respectively.

YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Other Income and Gains

Our other income and gains remained relatively stable at RMB34.4 million in 2024 and RMB33.4 million in 2025.

Selling and Distribution Expenses

Our selling and distribution expenses decreased from RMB12.0 million in 2024 to RMB10.5 million in 2025, primarily due to the one-off professional service expenses in U.S. in relation to our collaboration with licensees incurred in 2024.

Administrative Expenses

Our administrative expenses increased by 41.6% from RMB33.1 million in 2024 to RMB46.8 million in 2025, primarily due to the increase in professional service expenses incurred from expenses in relation to our proposed [**REDACTED**], partially offset by the reversal of share-based compensation expenses as a result of the departure of certain employees.

Research and Development Expenses

Our R&D expenses decreased by 44.1% from RMB284.0 million in 2024 to RMB158.8 million in 2025, primarily due to the temporary decrease in the number of pre-clinical and clinical studies upon the successful completion of our Core Product's Phase III clinical trials in July 2024.

Other Expenses

Our other expenses significantly increased from RMB133 thousand in 2024 to RMB18.9 million in 2025, primarily because we incurred fair value losses on financial assets at FVTPL due to change in fair value of financial assets and net foreign exchange loss due to exchange rate fluctuation.

Finance Costs

Our finance costs slightly increased from RMB191.2 million in 2024 to RMB234.1 million in 2025, primarily due to the increase in interest expense on redemption liabilities, which was in relation to the increase in interest on redemption liability, which was in relation to the Series D financing in 2024.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 34.1% from RMB486.0 million in 2024 to RMB320.1 million in 2025.

DISCUSSION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Total non-current assets	203,797	183,692
Total current assets	1,253,628	1,093,191
Total assets	**1,457,425**	**1,276,883**
Total non-current liabilities	3,214,588	3,420,028
Total current liabilities	136,523	70,026
Total liabilities	**3,351,111**	**3,490,054**
Net liabilities	**(1,893,686)**	**(2,213,171)**
Net current assets	1,117,105	1,023,165

Current Assets and Current 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'000	*RMB'000*	*RMB'000* *(unaudited)*
Current assets:			
Inventories	9,983	28,229	31,517
Trade receivables	–	4,113	4,113
Prepayments, other receivables and other assets	31,411	35,741	40,610
Financial assets at fair value through profit or loss ("**FVTPL**")	562,206	100,147	30,036
Time deposits	10,256	85,890	–
Cash and cash equivalents	639,772	839,071	974,161
Total current assets	**1,253,628**	**1,093,191**	**1,080,437**
Current liabilities:			
Trade and bills payables	36,039	26,656	20,530
Other payables and accruals	22,917	39,210	40,477
Lease liabilities	3,923	4,070	4,093
Contract liabilities	73,644	90	11
Total current liabilities	**136,523**	**70,026**	**65,111**
Net current assets	**1,117,105**	**1,023,165**	**1,015,326**

Our net current asset decreased from RMB1,023.2 million as of December 31, 2025 to RMB1,015.3 million as of January 31, 2026, primarily due to (i) an RMB85.9 million decrease in time deposits; and (ii) an RMB70.1 million decrease in financial assets at FVTPL, partially offset by an RMB135.1 million increase in cash and cash equivalents.

Our net current asset decreased from RMB1,117.1 million as of December 31, 2024 to RMB1,023.2 million as of December 31, 2025, primarily due to (i) an RMB462.1 million decrease in financial assets at FVTPL; and (ii) an RMB16.3 million increase in other payables and accruals. These factors were partially offset by (i) an RMB199.3 million increase in cash and cash equivalents; and (ii) an RMB75.6 million increase in time deposits

Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) machinery and equipment primarily purchased for process performance qualification and later commercial production, (ii) office equipment, and (iii) leasehold improvements for our offices during the Track Record Period.

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

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Property, plant and equipment		
Machinery and equipment	42,146	37,657
Office equipment	720	492
Leasehold improvements	9,116	6,685
Motor vehicles	–	537
Total	**51,982**	**45,371**

Our property, plant and equipment decreased from RMB52.0 million as of December 31, 2024 to RMB45.4 million as of December 31, 2025, primarily due to the depreciation of our property, plant and equipment.

Right-of-use Assets

Our right-of-use assets primarily consists of leases we entered into in relation to our daily business operations during the Track Record Period. Our right-of-use assets decreased from RMB12.6 million as of December 31, 2024 to RMB9.1 million as of December 31, 2025, primarily due to the depreciation of the relevant leased properties during the Track Record Period.

Intangible Assets

Our intangible assets increased from RMB0.4 million as of December 31, 2024 to RMB0.7 million as of December 31, 2025, primarily due to the purchase of GMP quality management software in preparation for the future product commercialization.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consist of (i) wealth management products we purchased in China and (ii) the non-monetary consideration in relation to the license-out arrangement we entered.

The following table sets forth the breakdown of our financial assets at FVTPL as of the dates indicated.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Financial assets at FVTPL		
Current:		
Wealth management products	562,206	100,147
Non-current:		
Other unlisted investment	136,939	124,575
Total	**699,145**	**224,722**

As of December 31, 2024, the maturity date of wealth management products we purchased is within one year from each reporting date. As of December 31, 2025, the maturity date of wealth management products we purchased is within one month from reporting date.

Our financial assets as FVTPL decreased from RMB699.1 million as of December 31, 2024 to RMB224.7 million as of December 31, 2025, primarily due to the mature of wealth management products.

We recorded our other unlisted investment of RMB136.9 million as of December 31, 2024, which decreased to RMB124.6 million as of December 31, 2025, primarily due to the fair value change in our equity interest.

With regards to the purchase of wealth management products, we have formulated the investment policy of diversifying risks and generating steady returns on the premise of ensuring the safety of funds. Our financial director and the finance department are mainly responsible for making, implementing and supervising our investment decisions. We have implemented detailed treasury policies and internal authorization controls:

- investment decisions are subject to review by our finance department and approval pursuant to our internal authority matrix, with investment above designated risk thresholds requiring the approval of the chairman;
- assessment of investment products is made on a case-by-case basis, taking into account product type, risk profile, maturity and expected returns;
- our finance department maintains detailed ledgers and conducts regular monitoring of the performance and fair value of the investments; and
- all investments are made in compliance with applicable laws and regulations, with an emphasis on capital preservation and risk control.

Specifically, prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in investing wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as market condition, investment return rates, investment risks, investment liquidity, investment holding periods, tax incentive conditions, expected investment costs, and financing capability. our Board is responsible for the approval of our material investments in wealth management products through a strict review and decision-making process. Our finance department is responsible for implementation and management of our wealth management products. To control our risk exposure, we have in the past sought, and may continue in the future to seek, other low-risk wealth management products issued by a commercial bank or other financial institution that is regulated by its respective reputable regulatory authority. Our investments in wealth management products after the [**REDACTED**] will be subject to compliance with Chapter 14 of the Listing Rules.

Other Non-current Asset

Other non-current assets primarily consist of (i) prepayment for property, plant and equipment in relation to the addition of research and development equipment; and (ii) rental deposits primarily used for lease payments and their deposits.

The following table sets forth a summary of other non-current asset as of the dates indicated.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Prepayment for property, plant and equipment	117	2,245
Rental deposits	1,765	1,765
Total	**1,882**	**4,010**

Our other non-current assets significantly increased from RMB1.9 million as of December 31, 2024 to RMB4.0 million as of December 31, 2025, primarily due to the increase in our prepayment for property, plant and equipment in 2025.

Inventories

Our inventories primarily consist of (i) raw materials we stored for further manufacturing and commercialization; (ii) contract cost primarily representing clinical sample costs for collaboration partners; and (iii) work in progress.

The following table sets forth a summary of the balances of our inventories as of the dates indicated.

	As of December 31,	
	2024	2025
	RMB'000	*RMB'000*
Raw materials	1,383	12,867
Contract costs	8,600	8,673
Work in progress	–	6,689
Total	**9,983**	**28,229**

Our inventories increased from RMB10.0 million as of December 31, 2024 to RMB28.2 million as of December 31, 2025, primarily due to (i) an increase in raw materials purchased for future manufacturing; and (ii) our stock of work in progress inventories in preparation for commercialization of our drug candidates.

As of January 31, 2026, RMB39 thousand, or 0.1% of our inventories as of December 31, 2025 had been subsequently utilized.

Trade Receivables

Our trade receivables represent amounts due from a collaboration partner in consideration of the licensed samples we supplied to it according to the relevant licensing and collaboration agreement. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,	
	2024	2025
	RMB'000	*RMB'000*
Trade receivables	–	4,113
Impairment	–	–
Total	**–**	**4,113**

The ageing analysis of our trade receivables as of the dates indicated is as follows:

	As of December 31,	
	2024	2025
	RMB'000	*RMB'000*
Within one year	–	4,113
Total	**–**	**4,113**

As of January 31, 2026, none of our trade receivables as of December 31, 2025 had been subsequently collected.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments for research and development services including clinical trials we conducted in relation to our drug candidates; (ii) other prepayments primarily used for our daily business operations; (iii) value-added taxes recoverable; (iv) prepaid [**REDACTED**]; and (v) deposits and other receivables.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Prepayments for research and development services	12,251	19,165
Other prepayments	753	702
Value-added taxes recoverable	17,802	11,075
Prepaid [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits and other receivables	605	238
Total	**31,411**	**35,741**

Our prepayments, other receivables and other assets increased from RMB31.4 million as of December 31, 2024 to RMB35.7 million as of December 31, 2025, primarily due to (i) the increase in prepayments for research and development services due to our new clinical studies in 2025; and (ii) the increase in prepaid [**REDACTED**].

As of January 31, 2026, RMB2.4 million, or 6.6%, of our prepayments, other receivables and other assets as of December 31, 2025 had been subsequently collected.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of (i) cash and bank balances denominated in RMB, USD and AUD; and (ii) time deposits with initial maturity within three months. The following table sets forth the breakdown of our bank balances and cash as of the dates indicated:

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Cash and bank balances	350,579	809,304
Time deposits with initial maturity within three months	289,193	29,767
Total	**639,772**	**839,071**

Our cash and cash equivalents increased from RMB639.8 million as of December 31, 2024 to RMB839.1 million as of December 31, 2025, primarily due to the mature of wealth management products.

Trade and Bills Payables

Our trade and bills payables primarily represent payments due to outsourced service providers. Our trade and bills payables decreased from RMB36.0 million as of December 31, 2024 to RMB26.7 million as of December 31, 2025, primarily due to the decrease in trade payables arising from clinical supplies, which was in line our decreased number of clinical studies.

The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Within one year	36,039	26,656
Total	**36,039**	**26,656**

As of January 31, 2026, RMB9.1 million, or 34.2%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll payables primarily in relation to employees' salaries and bonus; (ii) government grant payables; (iii) payables for service suppliers; (iv) other taxes payable; (v) accrued royalties; (vi) accruals and payables for [**REDACTED**]; and (vii) others.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Payroll payables	11,407	12,435
Government grant payables	8,699	10,699
Payables for service suppliers	902	1,738
Other taxes payable	542	626
Accrued royalties	–	7,408
Accruals and payables for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	1,367	1,537
Total	**22,917**	**39,210**

Our other payables and accruals increased from RMB22.9 million as of December 31, 2024 to RMB39.2 million as of December 31, 2025, primarily due to the increase in accrued royalties in relation to our technology transfer under the licensing arrangements.

As of January 31, 2026, RMB2.5 million, or 6.5%, of our other payables and accruals as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities decreased from RMB498.2 million as of December 31, 2024 to RMB400.7 million as of December 31, 2025, primarily due to the fulfilling of contract obligations related to technology transfer under the licensing arrangements.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Current	73,644	90
Non-current	424,541	400,595
Total	**498,185**	**400,685**

As of January 31, 2026, RMB79 thousand of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Redemption Liabilities on Ordinary Shares

Our redemption liabilities on ordinary shares represent the redemption liabilities we bore in relation to the ordinary shares we issued during the various rounds of pre-[**REDACTED**] investments. See "History, Development and Corporate Structure — Special Rights of the Pre-[**REDACTED**] Investors" for more details. Our redemption liabilities on ordinary shares increased from RMB2,780.8 million as of December 31, 2024 to RMB3,014.0 million as of December 31, 2025, primarily due to the completion of our Series D Investments and accumulation of corresponding interest liabilities with each passing year.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we had financed our operations primarily through capital contributions from generated operating activities and financing activities and we do not anticipate any material changes to the availability of financing to fund our operations in the future. 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 for different indications and commencing commercialization, as well as expanding our drug candidate portfolio.

For these purposes, we expect capital contribution from shareholders, cash from licensing arrangements, debt financing including banks loans and the expected [**REDACTED**] from the [**REDACTED**] to constitute the main source of funding. During the Track Record Period, we incurred positive operating cashflow of RMB99.3 million in 2024, and negative operating cashflow of RMB185.6 million in 2025. As of December 31, 2025, we had RMB839.1 million of cash and cash equivalents. Our management closely monitors uses of bank balances and cash and strives to maintain a healthy liquidity for our operations.

Cash Flow Analysis

The following table sets forth our cash flows for the years indicated.

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	99,319	(185,605)
Net cash flows (used in)/generated from investing activities	(470,952)	399,906
Net cash flows generated from/(used in) financing activities	453,643	(8,248)
Net increase in cash and cash equivalents	82,010	206,053
Cash and cash equivalents at the beginning of the year	555,788	639,772
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,974	(6,754)
Cash and cash equivalents at the end of the year	**639,772**	**839,071**

Net Cash Flows (Used in) /generated from Operating Activities

Net cash used in operating activities in 2025 was RMB185.6 million, which primarily consists of loss before income tax of RMB320.1 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include finance costs of RMB234.1 million, interest income of RMB16.6 million, net fair value changes of financial assets at FVTPL of RMB12.2 million and investment income from financial assets at FVTPL of RMB11.7 million. The amount was further adjusted by changes in working capital, primarily including a decrease in contract liabilities of RMB97.5 million and an increase in inventories of RMB18.2 million, partially offset by an increase in other payables and accruals of RMB16.0 million and interest received of RMB9.8 million.

Net cash generated from operating activities in 2024 was RMB99.3 million, which primarily consists of loss before income tax of RMB486.0 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include finance costs of RMB191.2 million, depreciation of property, plant and equipment of RMB8.6 million, and share-based payments of RMB6.5 million. The amount was further adjusted by changes in working capital, primarily including an increase in contract liabilities of RMB358.3 million, a decrease in prepayments and other receivables and other assets of RMB30.6 million, and interest received of RMB9.9 million, partially offset by an increase in inventories of RMB9.3 million.

As our business develops, we plan to improve our net operating cash flow position in view of potential net operating cash inflows which we expect to generate after successful commercialization of our Core Product, including launching and promoting the sales of our Core Product with approvals received from the NMPA, and improving our cost control and operating efficiencies.

Net Cash Flows Generated from / (Used in) Investing Activities

Net cash flows generated from investing activities in 2025 were RMB399.9 million, which primarily consist of proceeds from withdrawal of financial assets at FVTPL of RMB6,346.0 million, investment income of RMB19.4 million and proceeds from withdrawal of time deposits with original maturity over three months of RMB224.1 million, partially offset by purchases of financial assets at FVTPL of RMB5,886.0 million and placements of time deposits with original maturity over three months of RMB298.4 million.

Net cash flows used in investing activities in 2024 were RMB471.0 million, which primarily consist of purchases of financial assets at FVTPL of RMB1,980.0 million, purchases of time deposits with original maturity over three months of RMB10.0 million and purchases of items of property, plant and equipment of RMB6.0 million, partially offset by proceeds from withdrawal of financial assets at FVTPL of RMB1,520.0 million and investment income of RMB5.0 million.

Net Cash Flows (Used in) / Generated from Financing Activities

Net cash flows used in financing activities in 2025 were RMB8.2 million, which primarily consist of principal portion of lease payments of RMB3.6 million and [**REDACTED**] paid of RMB[**REDACTED**].

Net cash flows generated from financing activities in 2024 were RMB453.6 million, which primarily consist of proceeds from issue of shares of RMB467.5 million, partially offset by repayment of interest-bearing bank borrowing of RMB9.9 million and principal portion of lease payments of RMB2.8 million.

Cash Operating Costs

The following table sets forth information on our cash operating costs for the periods indicated:

	Year ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Costs relating to research and development of our Core Product		
Expenses related to pre-clinical and clinical expenses	116,834	61,358
Staff costs	21,634	15,827
Material expenses	5,496	3,806
Others	3,674	1,885
Subtotal	147,638	82,876
Costs relating to research and development of other drug candidates		
Expenses related to pre-clinical and clinical expenses	67,536	16,684
Staff costs	40,801	33,427
Material expenses	1,430	2,257
Others	7,039	4,517
Subtotal	116,806	56,885
Other costs		
Staff costs	25,434	26,919
Professional service expenses	13,400	11,406
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Office, travelling and others	2,723	3,481
Total other costs	41,557	61,662
Total cash operating costs	306,001	201,423

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, cash flows generated from operating activities and financing activities, and net [**REDACTED**] from the [**REDACTED**], we have sufficient working capital our present requirements and to cover at least 125% of our costs, including research and development expenses for at least 12 months from the date of this Document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] in the [**REDACTED**], based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]. Assuming an average cash burn rate going forward of [**REDACTED**] time the level in 2025, we estimate that our financial resources as of January 31, 2026, together with the upfront payment we expect to receive, will be able to maintain our financial viability for [**REDACTED**] from January 31, 2026 taking into account the estimated net [**REDACTED**] from the [**REDACTED**], and for [**REDACTED**] without taking into account the estimated net [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise additional financing, if needed, with a minimum buffer of 12 months.

INDEBTEDNESS

During the Track Record Period, our indebtedness included lease liabilities and redemption liabilities on ordinary shares.

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,		As of January 31,
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current			
Lease liabilities	3,923	4,070	4,093
Non-current			
Redemption liabilities on ordinary shares	2,780,799	3,013,977	3,031,698
Lease liabilities	9,248	5,456	5,337
Total	**2,793,970**	**3,023,503**	**3,041,128**

As of January 31, 2026, we had unutilized banking facilities of RMB150.0 million, all of which are committed.

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of January 31,
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current	3,923	4,070	4,093
Non-current	9,248	5,456	5,337
Total	**13,171**	**9,526**	**9,430**

We recorded total lease liabilities of RMB13.2 million, RMB9.5 million and RMB9.4 million as of December 31, 2024 and 2025 and January 31, 2026, respectively. Our lease liabilities decreased from RMB13.2 million as of December 31, 2024 to RMB9.5 million as of December 31, 2025, primarily due to our repayment of lease principles, leading to a decrease of corresponding interests.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years or as of the dates indicated.

	As of December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Current ratio*	9.2	15.6

Note:

* Current ratio is calculated based on total current assets divided by total current liabilities as of the dates indicated.

Our current ratio increased from 9.2 as of December 31, 2024 to 15.6 as of December 31, 2025, mainly attributable to a decrease in our current liabilities, primarily due to the fulfillment of relevant obligation under the licensing arrangements. See "— Discussion of Selected Items of Our Consolidated Statements of Financial Position."

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures included purchases of property, plant and equipment and intangible assets. Historically, we funded our capital expenditures mainly through capital contributions by financing activities. The following table sets forth our capital expenditures for the years indicated:

	Year Ended December 31,	
	2024	**2025**
	RMB'000	*RMB'000*
Purchase of items of property, plant and equipment	5,950	4,584
Purchase of intangible assets	29	553
Total	**5,979**	**5,137**

We plan to continue capital expenditures to support our business growth and expansion strategy. We intend to fund our capital expenditures with available financial resources, including cash and cash equivalents, net [**REDACTED**] from the [**REDACTED**], and potential future equity or debt financing. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, our results of operations and financial condition, our business plans, market conditions and various other factors. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]."

CAPITAL COMMITMENTS

As of December 31, 2024 and 2025, we had capital commitment of RMB0.3 million and RMB0.7 million, respectively. Such capital commitments reflected capital expenditure we contracted but not yet incurred on property, plant and equipment in the historical financial information.

CONTINGENT LIABILITIES

As of December 31, 2024 and 2025, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any of our subsidiaries. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

RELATED PARTY TRANSACTIONS

Save for the compensation of key management personnel classified as related party transactions, we had no other related party transaction during the Track Record Period. See Note 32 to the Accountants' Report set out in the Appendix I to this document for details on compensation paid or payable to our key management personnel during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

MARKET RISKS DISCLOSURE

We are exposed to various types of risks, including foreign currency risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 35 to the Accountants' Report set out in Appendix I to this Document for more details.

Capital Management

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

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDENDS

As of the Latest Practicable Date, we did not adopt any formal dividend policy or pre-determined dividend ratio. We have never declared or paid any dividends on our ordinary shares or any other securities. 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 intend to declare or pay any dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Shareholders' meeting subject to our Articles of Association and the PRC Company Law, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

According to Company Law of the People's Republic of China (Revised in 2023), where the accumulative amount of a company's statutory reserve is not sufficient to cover losses from the previous years, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according as legally required; after a company has made up its losses, the residual after-tax profits and accrued reserve shall be distributed by such company (in the case of a joint stock limited company) in proportion to the shares held by its shareholders, except as otherwise provided for in such company's articles of association.

As confirmed by our PRC Legal Adviser, based on our Articles of Association and the Company Law of the People's Republic of China (Revised in 2023), we can pay dividend despite accumulated losses, except when the accumulative amount of our statutory reserve is not sufficient to cover accumulated losses, in which case the current year's profits shall first be used to make up for the losses.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had no retained earnings that were available for distribution to our equity shareholders.

[REDACTED]

[**REDACTED**] to be borne by us are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), which represent [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming no H Shares are issued pursuant to the [**REDACTED**] and the [**REDACTED**]. The above [**REDACTED**] are comprised of (i) [**REDACTED**] of HK$[**REDACTED**], and (ii) [**REDACTED**] of HK$[**REDACTED**], including expenses from legal advisers and reporting accountants as well as other fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of HK$[**REDACTED**], of which, HK$[**REDACTED**] were charged to our consolidated statements of profit or loss, and HK$[**REDACTED**] were attributable to the issue of Shares and will be deducted from equity. We expect to incur additional [**REDACTED**] of approximately HK$[**REDACTED**] after the Track Record Period, of which, approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] of which is attributable to the issue of Shares and will be deducted from equity upon [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational, or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2025, being the end of the period reported on the Accountants' Report included in Appendix I; and there has been no event since December 31, 2025 and up to the date of this Document which would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[**REDACTED**]