You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountants' Report set forth in Appendix I to this Document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. 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 the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control.

For details, see "Forward-looking Statements" and "Risk Factors." For the purpose of this section, unless the context otherwise requires, references to 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a global clinical-stage biotechnology company dedicated to unlocking the clinical and commercial value of siRNA therapeutics. Our goal is to transform the current standard of care for chronic diseases by developing competitive and differentiated siRNA therapeutics for large unmet global medical needs, a strategy underpinned by our three franchises with robust market potential, proprietary siRNA technology platform and global partnership and capabilities.

BASIS OF PREPARATION

The historical financial information of our Group have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("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 our Group in the preparation of the historical financial information throughout our Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and are expected to continue to be, principally affected by a number of factors. A discussion of the key factors is set out below.

Successful Development and Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop, as well as our receipt of regulatory approval for and successful commercialization of, our pipeline candidates. For pipeline products that we may out license certain rights, including commercialization rights, in certain jurisdictions to collaborators, our results of operations would be affected by the collaborators' ability to achieve applicable development and regulatory milestones and their promotional and marketing efforts once those products are approved in the relevant jurisdictions. As of the Latest Practicable Date, we had established a diverse and innovative pipeline featuring three key franchises. For more information on the development status of our Core

Product, Key Products and other pipeline candidates, see "Business — Our Product Pipeline." Our business and results of operations depend on our pipeline candidates demonstrating favorable safety and efficacy profiles in clinical trials as well as our ability to obtain the requisite regulatory approvals for and market acceptance of the pipeline candidates.

We may also enter into collaboration and licensing arrangements with respect to our pipeline products to serve our best interests. Our existing and future collaborations and licensing arrangements may contribute a substantial part of our revenue and cash inflows going forward, and payments associated with such collaborations and arrangements may influence and result in fluctuations in our revenue, profit and results of operations from period to period.

We are carrying out a multi-regional development strategy for our pipeline products to expedite the obtaining of their regulatory approval and their commercial launch on a global scale. Once our drug candidates are commercialized, our business and results of operations will be driven by the market acceptance and supply of our commercialized drugs. To achieve successful launch of our drug candidates, we intend to continue advancing multi-regional clinical trials and registration of our pipeline assets, leveraging the sales network and experience of our global collaboration partners, building our own commercialization and distribution capabilities, and establishing our manufacturing capabilities.

Milestone Payments, Royalties and Reimbursement

Under the CRISPR Agreement, CRISPR has paid us non-refundable upfront payment of US$25 million in cash and issued to us certain CRISPR common shares with market value of approximately US$70 million at time of issuance. Our collaboration with CRISPR includes over US$800 million aggregated upfront and milestone payments. In addition, we are entitled to share 50% of profits for our Core Product SRSD107 and collect future royalties from products that we may license to CRISPR. Additionally, CRISPR is also obligated to reimburse 50% of our costs and expenses incurred for the mutually agreed development of SRSD107. For details, please refer to the paragraphs headed "Business — Collaboration and Licensing Arrangement — Co-development Collaboration with CRISPR Therapeutics AG". Our ability and the timing to perform R&D activities, achieve milestone events as well as the commercial sales of SRSD107, will have an effect on our revenue, profits and results of operation.

Operating Expenses Structure

Our results of operations are significantly affected by our operating expenses structure, of which our research and development expenses are a major component.

We believe our ability to develop successfully pipeline candidates is the primary factor affecting our long-term competitiveness, as well as our future growth and development. Developing quality pipeline 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 pipeline candidates. The research and development expenses we incurred in 2024 and 2025 remained stable at RMB213.3 million. See "— Description of Selected Items of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and Development Expenses" for detailed information.

We expect our research and development expenses to continue to be a major component in our operating expenses structure. We expect our cost structure to evolve as we continue to develop and expand our business. Beyond research and development expenses, we 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 equity financing, payments received under our collaboration and licensing arrangements and debt financing. Going forward, in the event of the successful commercialization of one or more of our pipeline products, we expect to primarily fund our operations with revenue generated from sales of the commercialized products. However, with the continuing expansion of our business, we may require further funding. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 issued by the IASB. We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our material accounting policies information and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 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 for the years indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this Document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Other income and gains	9,788	232,100
Administrative expenses	(22,707)	(115,917)
Research and development expenses	(213,331)	(213,340)
Other expenses	(11)	(2,824)
Fair value losses on convertible and redeemable preferred shares	(113,970)	(148,302)
Finance costs	(1,726)	(2,187)
Loss before tax	**(341,957)**	**(250,470)**
Income tax expenses	–	(4,907)

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Loss for the year attributable to owners of the parent	**(341,957)**	**(255,377)**

Other Income and Gains

Our other income primarily consists of (i) invest income; and (ii) bank interest income, primarily derived from our time deposits denominated in USD. Our other primarily gains consists of (i) fair value gains of financial assets at fair value through profit or loss ("FVTPL"), mainly attributable to fair value change of the CRISPR shares we received as part of the upfront payment from our collaboration with CRISPR; and (ii) foreign exchange gains, net. The following table sets forth a breakdown of our other income and gains by nature, in absolute amounts, for the years indicated.

	For the Years Ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income		
Investment income	560	–
Bank interest income	8,801	21,762
Others	–	153
Subtotal	**9,361**	**21,915**
Gains		
Fair value gains on financial assets at FVTPL	–	210,185
Foreign exchange gains, net	372	–
Others	55	–
Subtotal	**427**	**210,185**
Total	**9,788**	**232,100**

Administrative Expenses

Our administrative expenses consists of (i) staff cost, mainly including our Employee Share Option Scheme, salaries, bonuses and other welfare benefits for our management and administrative personnel; (ii) professional service fees, representing legal fees, personnel service fees and business consulting fees; (iii) [**REDACTED**]; (iv) Value-Added Tax ("VAT") expenses; (v) facilities costs; (vi) depreciation and amortization, representing the allocated depreciation and amortization of office and laboratory equipment, furniture and fixtures, leasehold improvement, right-of-use assets and intangible assets for administrative purposes; and (vii) other expenses, mainly including travel expenses and office supplies.

The following table sets forth a breakdown of our administrative expenses by nature, in absolute amounts, for the years indicated.

	For the Years Ended December 31,	
	2024	2025
	(RMB in thousands)	
Staff cost(1)	14,173	38,134
Professional service fees	4,082	37,757

	For the Years Ended December 31,	
	2024	2025
	(RMB in thousands)	
[REDACTED]	–	22,713
VAT expenses	–	8,215
Facilities Costs	1,145	1,252
Depreciation and amortization	373	438
Other expenses	2,934	7,408
Total	**22,707**	**115,917**

Note:

(1) Our staff cost includes share-based payment expenses related to our Employee Share Option Scheme ("ESOP"), which amounted to RMB4.9 million and RMB20.7 million in 2024 and 2025, respectively.

Research and Development Expenses

Our research and development expenses consists of (i) technical service expenses, primarily consisting of fees paid to external third-party service providers for research and development services, including clinical CROs, pre-clinical CROs, and CMC service providers; (ii) staff cost, representing our Employee Share Option Scheme, salaries, bonuses and other welfare benefits for personnel engaged in our research and development projects; (iii) professional service fees, representing patent registration fees and recruiting fees for R&D personnel at our subsidiary in the United States; (iv) depreciation and amortization; (v) raw materials and consumables and (vi) other expenses, mainly including shipping fees and database subscription fees.

The following table sets forth a breakdown of our research and development expenses by nature, in absolute amounts, for the years indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Technical service expenses [1]	145,178	112,543
Staff cost[2]	45,820	76,089
Professional service fees	10,731	11,918
Depreciation and amortization	5,863	6,229
Raw materials and consumables	3,839	4,558
Other expenses	1,900	2,003
Total	**213,331**	**213,340**

Notes:

(1) Our technical service expenses represent the costs for engaging external vendors including clinical CROs, preclinical CROs, and CMC service providers to perform R&D related services

(2) Our staff cost includes share-based payment expenses related to ESOP, which amounted to RMB6.6 million and RMB29.8 million in 2024 and 2025, respectively.

The following table sets forth a breakdown of our research and development expenses attributable to our Core Product SRSD107 by nature, in absolute amounts, for the years indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Technical service expenses[(1)]	48,828	38,705
Staff cost[(2)]	9,117	21,531
Professional service fees	3,609	5,288
Other expenses	2,637	3,751
Total	**64,192**	**69,275**

Notes:

(1) Our technical service expenses represent the costs for engaging external vendors including clinical CROs, preclinical CROs, and CMC service providers to perform R&D related services

(2) Our staff cost includes share-based payment expenses related to ESOP, which amounted to RMB1.5 million and RMB8.1 million in 2024 and 2025, respectively.

Other Expenses

Other expenses consists of (i) foreign exchange losses, net, mainly due to the elimination of our intragroup transactions and (ii) loss on disposal of items of property, plant and equipment, primarily due to the relocation of our office. The following table sets forth a breakdown of our other expenses by nature, in absolute amounts, for the years indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Foreign exchange losses, net	–	2,824
Loss on disposal of items of property, plant and equipment	11	–
Total	**11**	**2,824**

Fair Value Losses on Convertible and Redeemable Preferred Shares

We recorded fair value losses on convertible and redeemable preferred shares of RMB114.0 million and RMB148.3 million in 2024 and 2025, respectively. These non-cash charges reflect the increase in our valuation.

Finance Costs

Finance costs consists of (i) interest expense on lease liabilities, primarily derived from our offices in Shanghai and the United States; and (ii) interest expense on bank borrowings. The following table sets forth a breakdown of our finance costs by nature for the years indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Interest expense on lease liabilities	863	586
Interest expense on bank borrowings	863	1,601
Total	**1,726**	**2,187**

Income Tax Expenses

In 2024, we did not incur any income tax expenses. In 2025, our income tax expense amounted to RMB4.9 million, which was due to the transfer of intellectual property of our subsidiary in Australia to our Cayman Islands company under the CRISPR Agreement, among which the previous losses incurred by our subsidiary in Australia were insufficient to offset the taxable income for the current period. Our Directors confirm that during the Track Record Period, we made all the required tax filings with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities. Please see Note 11 to the Accountants' Report in Appendix I to this Document for details.

Loss for the Year

We recorded loss for the year of RMB342.0 million and RMB255.4 million in 2024 and 2025, respectively.

RESULTS OF OPERATIONS

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

Other Income and Gains

Our other income and gains increased significantly from RMB9.8 million in 2024 to RMB232.1 million in 2025, primarily attributable to an increase of RMB210.2 million in fair value gains on financial assets at FVTPL in relation to the CRISPR shares we received as part of the upfront payment from our collaboration with CRISPR.

Administrative Expenses

Our administrative expenses increased significantly by 410.5% from RMB22.7 million in 2024 to RMB115.9 million in 2025, primarily due to (i) an increase of RMB33.7 million in professional service fees, primarily representing the legal fees and financial advisor fees paid for our collaboration with CRISPR Therapeutics AG; (ii) an increase of RMB15.8 million in staff cost related to ESOP; and (iii) an increase of RMB22.7 million in [**REDACTED**].

Research and Development Expenses

Our research and development expenses remained stable at RMB213.3 million in 2024 and 2025.

Other Expenses

Our other expenses increased significantly from RMB11 thousand in 2024 to RMB2.8 million in 2025, primarily due to an increase of RMB2.8 million in foreign exchange losses, net, primarily represents the impact of foreign currency translation.

Fair Value Losses on Convertible and Redeemable Preferred Shares

We recorded fair value losses on convertible and redeemable preferred shares of RMB114.0 million in 2024 and RMB148.3 million in 2025, respectively. These non-cash charges reflect the increase in our valuation.

Finance Costs

Our finance costs increased by 26.7% from RMB1.7 million in 2024 to RMB2.2 million in 2025, due to the increase in interest expense on bank borrowings.

Income Tax Expense

Our income tax expense increased from nil in 2024 to RMB4.9 million in 2025, mainly due to the inter-group transfer of intellectual property of our subsidiary in Australia to our Cayman Islands company under the CRISPR Agreement, among which the previous losses incurred by our subsidiary in Australia were insufficient to offset the taxable income for the current period.

Loss for the Year

Based on reasons described above, our loss for the year decreased from RMB342.0 million in 2024 to RMB255.4 million in 2025.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected items from 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	7,094	8,270
Right-of-use assets	9,125	5,300
Intangible assets	560	475
Other receivables, prepayments and other assets	1,200	17,848
Total non-current assets	**17,979**	**31,893**
Current assets		
Other receivables, prepayments and other assets	3,600	25,486
Cash and cash equivalents	192,583	1,172,622
Total current assets	**196,183**	**1,198,108**
Current liabilities		
Trade payables	3,273	9,272
Other payables and accruals	59,653	101,100
Interest-bearing bank borrowings	55,000	59,800
Lease liabilities	3,871	4,217
Tax payable	–	4,829
Convertible and redeemable preferred shares	857,666	1,318,517
Total current liabilities	**979,463**	**1,497,735**
Net current liabilities	**(783,280)**	**(299,627)**
Total assets less current liabilities	**(765,301)**	**(267,734)**
Non-current liabilities		
Contract liabilities	–	667,736
Lease liabilities	6,001	1,701
Total non-current liabilities	**6,001**	**669,437**
Net liabilities	**(771,302)**	**(937,171)**
Equity		
Equity attributable to owners of the parent		
Share capital	15	23
Deficits	(771,317)	(937,194)
Total deficits	**(771,302)**	**(937,171)**

Property, Plant and Equipment

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

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Leasehold improvement	529	383
Laboratory equipment	6,076	7,506
Furniture and fixtures	151	91
Office equipment	338	290
Total	**7,094**	**8,270**

Our property, plant and equipment increased from RMB7.1 million as of December 31, 2024 to RMB8.3 million as of December 31, 2025, primarily due to an increase of RMB1.4 million in laboratory equipment as a result of acquisition of laboratory equipment.

Right-of-use Assets

Our right-of-use assets consisted of our office premise in Shanghai and San Diego. Our right-of use assets decreased from RMB9.1 million as of December 31, 2024 to RMB5.3 million as of December 31, 2025, which was primarily due to depreciation charges on our leased buildings during the Track Record Period.

Other Receivables, Prepayments and Other Assets

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

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Non-current		
Rental deposit	1,200	1,180
Amounts due from related parties	–	16,668
Subtotal	**1,200**	**17,848**
Current		
Other receivables	1,090	335
Receivables of reimbursable R&D expenses	–	12,466
Deferred [**REDACTED**]	–	7,450
Prepaid R&D expenses	1,858	4,055
Other prepayments	652	1,180
Subtotal	**3,600**	**25,486**
Total	**4,800**	**43,334**

Our other receivables, prepayments and other assets increased from RMB4.8 million as of December 31, 2024 to RMB43.3 million as of December 31, 2025, primarily due to the increase in (i) amounts due from related parties of RMB16.7 million; (ii) receivables of reimbursable R&D expense of RMB12.5 million and (iii) deferred [**REDACTED**] of RMB7.5 million.

As of January 31, 2026, none of our other receivables, prepayments and other assets outstanding as of December 31, 2025, had been subsequently settled.

Cash and Cash Equivalents

Our cash and cash equivalents included (i) cash and bank balances; (ii) and time deposits with original maturity of date less than three months or less for the purpose of meeting our short-term cash commitments and maintaining liquidity for our operations, which carry interest at floating rates based on daily bank deposit rates. The following table sets out a breakdown of our cash and cash equivalents and time deposits as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Cash and bank balances	59,598	88,084
Time deposits with original maturity date less than three months	132,985	1,084,538
Cash and cash equivalents	**192,583**	**1,172,622**
Denominated in		
– RMB	13,446	21,451
– USD	179,082	1,147,224
– AUD	55	3,947
Total cash and cash equivalents and time deposits	**192,583**	**1,172,622**

Our cash and cash equivalents and time deposits increased by 508.9% from RMB192.6 million as of December 31, 2024 to RMB1,172.6 million as of December 31, 2025, primarily due to an increase of RMB951.6 million in term deposits with original maturity date less than three months, relating to the proceeds from the disposal of the CRISPR shares we receive as a part of the upfront payment from our collaboration with CRISPR and shareholder capital contributions. For an analysis on cash flows during the Track Record Period, see "— Liquidity and Capital Resources."

Trade Payables

Our trade payables representing the payables for research and development expenses. Our trade payables increased by 183.3% from RMB3.3 million as of December 31, 2024 to RMB9.3 million as of December 31, 2025, which was primarily due to the research and development expenses payable related to the collaboration to conduct a controlled, active-comparator clinical study.

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 1 year	**3,273**	**9,272**

Other Payables and Accruals

The following table sets forth an aging analysis of our other payables and accruals as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Accruals for research and development expenses	50,640	70,093
Payroll payables	7,836	16,837
Professional service expenses	779	2,023
Accruals and payables for [**REDACTED**]	–	6,570
Other tax payables	32	5,242
Others	366	335
Total	**59,653**	**101,100**

Our other payables and accruals increased by 69.5% from RMB59.7 million as of December 31, 2024 to RMB101.1 million as of December 31, 2025, primarily due to (i) an increase of RMB19.5 million in accruals for R&D expenses, in line with our pipeline development progress; (ii) an increase of RMB9.0 million in payroll payables attributable to increased bonuses; and (iii) an increase of RMB6.6 million in accruals and payables for [**REDACTED**] related to this [**REDACTED**].

As of January 31, 2026, RMB9.4 million, or 9.3% of our other payables and accruals outstanding as of December 31, 2025, had been subsequently settled.

Convertible and Redeemable Preferred Shares

As of December 31, 2024 and 2025, our convertible and redeemable preferred shares amounted to RMB857.7 million and RMB1,318.5 million, respectively. These non-cash charges reflect the increase in our valuation.

Contract Liabilities

Our contract liabilities was representing the performance obligation arising from the non-refundable upfront payments received under the CRISPR Agreement. The following table sets out a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
CRISPR Agreement-non-current	–	667,736

As of January 31, 2026, none of our contract liabilities as revenue as of December 31, 2025 had been subsequently recognized.

LIQUIDITY AND CAPITAL RESOURCES

Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our primary uses of cash were to fund research and development and other recurring expenses and to fund capital expenditure. We rely on equity financing as the major source of liquidity.

In 2024 and 2025, we incurred negative cash flows from our operations. Substantially all of our operating cash outflows resulted from our research and development expenses and administrative expenses associated with our operations.

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
			(unaudited)
		(RMB in thousands)	
Current assets			
Other receivables, prepayments and other assets	3,600	25,486	32,197
Cash and cash equivalents	192,583	1,172,622	1,134,643
Total current assets	**196,183**	**1,198,108**	**1,166,840**
Current liabilities			
Trade payables	3,273	9,272	5,567
Other payables and accruals	59,653	101,100	98,070
Interest-bearing bank borrowings	55,000	59,800	59,800
Lease liabilities	3,871	4,217	4,224
Tax payable	–	4,829	4,787
Convertible and redeemable preferred shares	857,666	1,318,517	1,307,074
Total current liabilities	**979,463**	**1,497,735**	**1,479,522**
Net current liabilities	**(783,280)**	**(299,627)**	**(312,682)**

We had net current liabilities of RMB312.7 million as of January 31, 2026, consisting of current assets of RMB1,166.8 million and current liabilities of RMB1,479.5 million, which represented an increase of RMB13.1 million from our net current liabilities of RMB299.6 million as of December 31, 2025. This increase was primarily due to a decrease of RMB38.0 million in cash and cash equivalents, which was partially offset by a decrease of RMB11.4 million in convertible and redeemable preferred shares.

We had net current liabilities of RMB299.6 million as of December 31, 2025, consisting of current assets of RMB1,198.1 million and current liabilities of RMB1,497.7 million, which represented a decrease of RMB483.7 million from our net current liabilities of RMB783.3 million as of December 31, 2024. This decrease was primarily due to an increase of RMB980.0 million in cash and cash equivalents, relating to proceeds from the disposal of the CRISPR shares we received as part of the upfront payment from our collaboration with CRISPR and shareholder capital contributions, which was partially offset by an increase of RMB460.9 million in convertible and redeemable preferred shares.

We expect our net current liabilities position to be significantly improved as the convertible and redeemable preferred shares will be automatically converted into ordinary shares upon [**REDACTED**], after which the corresponding liabilities will be derecognized from our current liabilities and reclassified to equity.

In addition, we plan to further improve our net current liabilities position through the following operational initiatives: (i) as our Core Product approaches commercialization, we expect to generate increasing cash inflows from operations, which will strengthen our current asset position; (ii) implement effective working capital management measures, such as actively managing our inventory levels to balance market demand against holding costs, which will optimize our cash conversion cycle; and (iii) continue to implement comprehensive cost control measures to improve operational efficiency and better utilize our cash. Specifically, we plan to optimize our R&D expenditure by leveraging our PEPR® platform and existing clinical data to control costs while accelerating new indication development, and achieve economies of scale in manufacturing as production volume increases.

Furthermore, the estimated net [**REDACTED**] from the [**REDACTED**] will provide additional liquidity and further improve our net current liabilities position.

Cash Flows

In 2024 and 2025, we incurred negative cash flows from our operations. Substantially all of our operating cash outflows resulted from our research and development expenses and administrative expenses associated with our operations. The following table presents our selected consolidated cash flow data for the years indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Net cash flows used in operating activities	**(180,165)**	**(42,250)**
Net cash flows from investing activities	**214,528**	**709,584**
Net cash flows from financing activities	**50,118**	**335,020**
Net increase in cash and cash equivalents	84,481	1,002,354
Cash and cash equivalents at beginning of the year	104,235	192,583
Effect of foreign exchange rate changes, net	3,867	(22,315)
Cash and cash equivalents at the end of the year	**192,583**	**1,172,622**

Operating Activities

In 2025, our net cash used in operating activities was RMB42.3 million, which was primarily attributable to our loss before tax of RMB250.5 million, adjusted for non-cash items and changes in working capital. Positive adjustments primarily included (i) the increase in contract liabilities of RMB178.1 million; (ii) share-based payment expenses of RMB50.6 million; and (iii) fair value losses on convertible and redeemable preferred shares of RMB148.3 million. Negative adjustments mainly included fair value gains of RMB210.2 million.

In 2024, our net cash used in operating activities was RMB180.2 million, which was primarily attributable to our loss before tax of RMB342.0 million, adjusted for non-cash items and changes in working capital. Positive adjustments primarily included (i) the interest income of RMB8.8 million; and (ii) the decrease in trade payables of RMB2.4 million. Negative adjustments primarily included (i) the fair value losses on convertible and redeemable preferred shares of RMB114.0 million; (ii) the increase in other payables and accruals of RMB28.0 million; and (iii) the share-based payment expenses of RMB11.5 million.

Investing Activities

In 2025, our net cash generated from investing activities was RMB709.6 million, which was primarily due to the proceeds from disposal of financial assets at FVTPL of RMB713.8 million.

In 2024, our net cash generated from investing activities was RMB214.5 million, which was primarily due to the proceeds from collection of time deposits with original maturity over three months of RMB212.5 million.

Financing Activities

In 2025, our net cash generated from financing activities was RMB335.0 million, which was attributable to (i) the proceeds from issuance of convertible and redeemable preferred shares of RMB342.1 million; and (ii) the new interest-bearing bank borrowings of RMB104.6 million, partially offset by the repayment of bank borrowings of RMB99.8 million.

In 2024, our net cash generated from financing activities was RMB50.1 million, which was due to the new interest-bearing bank borrowings of RMB70.0 million, partially offset by (i) the repayment of bank borrowings of RMB15.0 million; and (ii) the principal portion of lease payments of RMB3.2 million.

CASH OPERATING COSTS

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

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Costs relating to research and development of Core Product		
Technical service expenses	30,801	41,369
Staff costs	7,520	12,346
Professional service fees	4,369	5,688
Raw materials and consumables	24	60
Others	800	952
Subtotal	**43,514**	**60,415**
Costs relating to research and development of other product candidates		
Technical service expenses	85,979	57,292
Staff costs	29,356	27,409
Professional service fees	6,505	6,510
Raw materials and consumables	3,489	4,686
Others	1,100	1,507
Subtotal	**126,429**	**97,404**
Other costs		
Staff costs	9,395	15,170
Professional service fees	2,971	39,776
VAT	–	3,505
Facilities Costs	1,143	1,254
[**REDACTED**]	–	22,713
Others	2,937	3,649
Subtotal	**16,446**	**86,067**
Total	**186,389**	**243,886**

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, finance costs and other operating expenses for at least the next 12 months from the date of this Document:

- our future operating cash flows in respective periods;
- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Our cash burn rate refers to our average monthly amount of (i) net cash used in operating activities, (ii) capital expenditures, (iii) lease payments, and (iv) interest payments. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low end of the indicative [**REDACTED**] range in this Document. Assuming our average monthly amount of net cash used in operating activities, capital expenditure, other scheduled cash payments and interest payments going forward of 2.0 times the level in 2024, we estimate that (i) our cash and cash equivalents as of December 31, 2025 will be able to maintain our financial viability for 37 months, (ii) if we take into account 5.0% of the estimated net [**REDACTED**] from the [**REDACTED**] (namely, the portion allocated for our working capital and other general corporate purposes), [40] months, or, (iii) if we take into account the estimated net [**REDACTED**] from the [**REDACTED**] (based on the low-end of the indicative [**REDACTED**]), [93] months. We will continue to monitor our working capital, cash flows, and our business development closely.

INDEBTEDNESS

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

	As of December 31,		As of January 31,
	2024	**2025**	**2026**
			(unaudited)
	(RMB in thousands)		
Current			
Interest-bearing bank borrowings	55,000	59,800	59,800
Lease liabilities	3,871	4,217	4,224
Non-current			
Lease liabilities	6,001	1,701	1,408
Total	**64,872**	**65,718**	**65,432**

As of January 31, 2026, we had committed unutilized banking facilities of RMB30.0 million.

Except for our indebtedness as disclosed above as of December 31, 2024 and 2025, and January 31, 2026, we did not have any other 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 December 31, 2025, being our indebtedness statement date.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since January 31, 2026 and as of the Latest Practicable Date.

Lease Liabilities

As of December 31, 2024 and 2025, and January 31, 2026, our total lease liabilities including current and non-current portions, amounted to RMB9.9 million, RMB5.9 million and RMB5.6 million, respectively, mainly comprise our offices. See Note 14 to the Accountants' Report included in Appendix I to this Document.

CAPITAL EXPENDITURE

Our capital expenditures are incurred primarily in connection with the purchase of property, plant and equipment. Our capital expenditures was RMB3.0 million and RMB4.1 million in 2024 and 2025, respectively. We intend to fund our future capital expenditures with a combination of our existing cash balance, operating cash flows, net [**REDACTED**] from the [**REDACTED**] and bank and other borrowings. We will continue to make capital expenditures to meet the expected growth of our business. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTINGENT LIABILITIES

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

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Please see Note 27 to the Accountants' Report included in Appendix I to this Document for details our related party transactions.

Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL RATIOS

	As of December 31,	
	2024	**2025**
Current ratio[1]	0.20	0.80

Note:

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

Our current ratio increased from 0.20 as of December 31, 2024 to 0.80 as of December 31, 2025, mainly due to a significant increase in our current assets from RMB196.2 million to RMB1,198.1 million, primarily attributable to the increase in cash and cash equivalents from RMB192.6 million to RMB1,172.6 million. For reasons for the fluctuation of current liabilities and current assets, see "— Discussion of Selected Items from Our Consolidated Statements of Financial Position" for details.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, such as liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See Note 30 to the Accountants' Report set out in Appendix I to this Document for more information. The discussion below provides a summary of our market and other financial risks.

Liquidity Risk

We monitor risk to a shortage of funds using a recurring liquidity planning tool to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings, other financial liabilities and lease liabilities. For further details, please see Note 30.1 to the Accountants' Report set out in Appendix I to this Document.

DIVIDENDS

No dividend had been proposed, paid or declared by our Company since our incorporation until the Latest Practicable Date. We currently do not have a formal dividend policy or any predetermined dividend pay-out ratio. 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. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future may be determined by our Board as it thinks fit, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. There is no assurance that dividends of any amount will be declared to be distributed in any year.

As advised by our PRC Legal Adviser, under the PRC Company Law, if a PRC subsidiary records profits, before distributing any after-tax profits for that year, it shall, (i) first, use the current year's after-tax profits to offset any prior-year losses if its statutory reserve fund is insufficient to cover those losses; (ii) then, withdraw 10 percent of the current year's after-tax profits to the statutory reserve fund, unless the cumulative balance of that fund already exceeds 50 percent of the company's registered capital; and (iii) finally, withdraw any discretionary reserve fund from the remaining profits as per resolution by shareholders, only after the above allocations have been made, may the remaining after-tax profits be distributed to shareholders. Based on the above, during the Track Record Period, our PRC subsidiary made no dividend distributions because no profit remained available for distribution.

DISTRIBUTABLE RESERVES

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

[**REDACTED**]

Our [**REDACTED**] mainly include professional fees paid and payable to the professional parties, and commissions payable to the [**REDACTED**], for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The estimated total [**REDACTED**] (based on the mid-point of the indicative [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised) are approximately HK$[**REDACTED**] million, or [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], of which approximately HK$[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and the remaining amount of HK$[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] above are comprised of (i) [**REDACTED**] expenses of HK$[**REDACTED**] million, including [**REDACTED**] and other expenses; and (ii) [**REDACTED**] expenses of HK$[**REDACTED**] million, including (a) fees paid and payable to legal advisors and reporting accountants of HK$[31.4] million; and (b) other fees and expenses of HK$[14.4] million. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES

For the unaudited [**REDACTED**] statement of our adjusted consolidated net tangible assets attributable to owners of the Company, which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the [**REDACTED**] as if the [**REDACTED**] had taken place on December 31, 2025, please see "Appendix II — Unaudited [**REDACTED**] Financial Information" to this Document.

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, trading position or prospects of our Group since December 31, 2025 and there is no event since December 31, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, 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 of the Listing Rules.