*The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants' Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix I and not rely merely on the information contained in this section.*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to the future events and financial performance that involve risks and uncertainties. These statements are based on our 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 we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a China-based biotechnology company in the oncolytic virotherapy space, dedicated to the discovery, development, and commercialization of innovative cancer immunotherapies. Our efforts are spearheaded by our founder and chairman of our Board, Dr. Liu Binlei, a veteran with over 30 years of expertise in tumor immunology and oncolytic virology. Dr. Liu was a core member of the original R&D team for IMLYGIC® (talimogene laherparepvec, or T-VEC), the first oncolytic virus drug ever approved by the FDA, and played an instrumental role in its development.

Leveraging our proprietary platform technologies, we have cultivated a pipeline comprised of five assets across different development stages. Our Core Product, BS001 (rHSV2$^{hGM\text{-}CSF}$), is a recombinant oncolytic herpes simplex virus type II (OH2) therapeutic injection (Vero Cell) developed for the treatment of advanced solid tumors. We are currently evaluating the therapeutic potential of BS001 spanning a variety of cancer indications, including melanoma, colorectal cancer (CRC), glioblastoma (GBM), soft tissue sarcoma (STS), biliary tract cancer (BTC) and other solid tumors. As the world's first HSV-2-based oncolytic virus candidate to reach clinical stage and advance into a Phase III pivotal trial, our BS001 has the potential to become the first approved HSV-2-based oncolytic virotherapy globally. It is also the first oncolytic virus candidate to have received the Breakthrough Therapy Designation (BTD) from the CDE, the first and only China-originated oncolytic virus candidate to have secured the Orphan Drug Designation (ODD) from the FDA for the treatment of stage III to IV melanoma, as well as the first China-originated, HSV-2-based oncolytic virus candidate to have obtained the ODD from the FDA for the treatment of malignant glioma. Additionally, BS001 was granted the Fast Track Designation (FTD) from the FDA in treating unresectable stage III or IV melanoma that is resistant to, or has progressed after, anti-PD-1 therapy.

Among our oncolytic virus franchise, we are also actively advancing our Key Product, BS006. BS006 is a next-generation, novel HSV-2-based oncolytic virus candidate that has been engineered to locally express a PD-L1/CD3 bispecific T-cell engager, redirect and activate T cells at the tumor site while simultaneously blocking checkpoint signaling, thereby providing a triple-synergy antitumor mechanism. Beyond the oncolytic virus candidates, our expansive product portfolio comprises the nucleic acid franchise exemplified by BR003 and BS051. For more information related to our pipeline candidates, see "— Business—Our Pipeline."

We currently have no products approved for commercial sales and have not generated any revenue from drug product sales during the Track Record Period. In 2024 and 2025, we incurred losses of RMB113.1 million, and RMB120.9 million, respectively. Our losses were attributable to our operating expenses, primarily consisting of research and development expenses and administrative expenses. Our adjusted loss (non-IFRS measure) was RMB103.2 million and RMB89.8 million in 2024 and 2025, respectively. We define adjusted loss (a non-IFRS measure) as loss for the year adjusted by adding back share-based compensation and [REDACTED]. For more information related to our adjusted loss (non-IFRS measure), see "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Non-IFRS Measure."

We anticipate incurring substantial expenses over at least the next several years as we advance our clinical development and preclinical research initiatives, pursue regulatory approvals, conduct manufacturing, and prepare for the commercialization of our Core Product and other pipeline candidates. Following the [REDACTED], our financial performance may fluctuate from period to period, influenced by factors such as the development status of our drug candidates, regulatory approval timelines, manufacturing processes, and the commercialization of approved drug candidates, among others.

BASIS OF PREPARATION

Our historical financial information has been prepared based on the accounting policies set out in Note 2.1 to the Accountants' Report contained in the Appendix I to this document which conform with the International Financial Reporting Standards ("**IFRSs**"), issued by 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 us in the preparation of the historical financial information. The historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each period comprising the Track Record Period. The historical financial information is presented in RMB and all values are rounded to the nearest thousand except as otherwise indicated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our results of operations substantially depend on our ability to successfully develop and commercialize our drug candidates. We currently have no products approved for commercialization and have not generated any revenue from drug product sales. Leveraging our proprietary research and development infrastructure, we have built and are developing a pipeline spanning across oncolytic virus, nucleic acid drug and protein drug. We are rapidly and proactively advancing the clinical trials of our Core Product BS001 and key product BS006, with trials underway in both China and the United States across multiple indications. We are also steadily progressing the research and development of our multiple preclinical drug pipeline candidates, including BR003 and BS051. For additional details, see "— Business—Our Pipeline" for more information on the development status of our drug candidates.

When we successfully complete the clinical development of our pipeline candidates, obtain favorable clinical safety and efficacy data, and secure the requisite regulatory approvals, we could be able to generate revenue through the sales of the corresponding drugs. Our results of operations may be adversely affected if our research and development progress and clinical data fail to meet expectations. Furthermore, once certain of drug candidates are approved and commercialized, our drug sales revenue may be influenced by various factors, including the number of patients for the specific indications, market acceptance, competition from other drugs, production capacity, drug supply, and sales performance.

Our Ability to Effectively Control Our Costs and Expenses

Our results of operations also depend on our operating expense structure, which primarily consists of research and development expenses and administrative expenses. Our research and development expenses primarily include trial and testing expenses, employee benefit expenses, share-based compensation, depreciation and amortization expenses, and raw materials and consumables costs. Our administrative expenses primarily include employee benefit expenses, share-based compensation, depreciation and amortization, business development expenses, and professional service fees. We have developed strong capabilities in effectively controlling expenses, with a focus on research and development activities.

In 2024 and 2025, our research and development expenses amounted to RMB102.8 million, and RMB84.3 million, respectively. In 2024 and 2025, our administrative expenses amounted to RMB33.2 million, and RMB51.7 million. We expect our cost structure to evolve as we continue to develop and expand our business. As the clinical trials and preclinical studies of our drug candidates continue to progress and as we gradually bring our pipeline products to commercialization, we expect to increase research and development expenses, while incurring additional costs in relation to various aspects other than research and development, such as manufacturing, regulatory affairs, and sales and marketing efforts, among other things. Additionally, we anticipate increasing legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a [REDACTED] company in Hong Kong. As our business scale expands and we recruit more talent in the future, we expect to increase expenses related to daily management and personnel.

Our Ability to Attract and Maintain Strategic Partnerships

Our results of operations have been, and may continue to be, affected by our strategic collaboration and licensing arrangements with business partners. We have reached collaboration with Lepu Biopharma to jointly evaluate BS001 combined with a PD-1 monoclonal antibody and a PD-L1 monoclonal antibody in Lepu Biopharma's portfolio, respectively, in mainland China. The alliance affords us early access to clinically validated checkpoint-inhibitors, accelerating proof-of-concept for our lead asset at modest incremental cost, while both parties benefit from an expanded therapeutic portfolio, shared development risks, and enhanced pathways to potential combination regimens. See "Business—Collaboration and Material Agreements" for details.

Building on the success of our existing collaboration partnerships, we are actively exploring new partnership opportunities for our pipeline assets around the globe. In China, we plan to implement a flexible, partnership-driven commercial model designed for rapid market penetration. We intend to collaborate with established domestic pharmaceutical companies, leveraging their extensive commercial infrastructure, and proven market expertise. We are engaging with the FDA on the clinical pathway for our Core Product in the U.S., while simultaneously identifying and negotiating with major global biopharmaceutical partners. Our goal is to establish collaborations that leverage world-class expertise in late-stage development and commercialization, ensuring an accelerated regulatory and market launch for our products worldwide. The timing and amounts of upfront payments, milestone payments, royalties, and other considerations in relation to our existing and future collaboration and licensing arrangements could affect our results of operations.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through retained funds and bank borrowing. Going forward, in the event of successful commercialization of one or more of our drug candidates, we expect to primarily fund our operations with cash on hand, as well as funds generated from sales of our commercialized drug products. In addition to the [REDACTED], with the continuing expansion of our business and product pipeline, we may require further funding through public or private offerings, debt financing, collaboration arrangements and licensing arrangements, or other funding sources. Any fluctuation in the funding for our operations could impact our cash flow and results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of our historical financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, from which our actual results may differ.

Set out below are material accounting policies, judgements and estimates which we believe are most important for understanding our results of operations and financial condition. See Note 2, Note 3 and other notes to the relevant financial line items or transactions to the Accountant's Report set out in Appendix I to this document for a detailed description of our material accounting policies, judgments and estimates.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Research and Development Costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Fair Value Measurement

Our Group measures certain financial instruments at fair value at the end of each year of the Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. For details, see Note 2.3 to the Accountants' Report set out in Appendix I to this document.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Our Group's financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (trade and other payables)

After initial recognition, trade and other payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Share-based Payments

Our Company operates a share award scheme. Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to our Company's recent transaction price, further details of which are given in Note 29 to the Accountants' Report contained in the Appendix I to this document.

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

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income or loss for the years indicated:

	Year Ended December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Revenue	**1,725**	**884**
Cost of sales	(525)	(585)
Gross profit	**1,200**	**299**
Other income and gains	22,425	14,909
Research and development expenses	(102,844)	(84,301)
Administrative expenses	(33,194)	(51,686)
Other expenses	(101)	(56)
Finance costs	(617)	(117)
Loss before tax	**(113,131)**	**(120,952)**
Income tax (expense)/credit	(15)	24
Loss for the year	**(113,146)**	**(120,928)**

For details on the accounting treatment of redemption rights and liquidation preference rights of pre-[REDACTED] investments, see "— Pre-[REDACTED] Investments" below and note 27 to the Accountants' Report set out in Appendix I to this document.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. We believe that such measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as loss for the year adjusted by share-based compensation and [REDACTED]. Share-based compensation represents expenses arising from granting share incentives to senior management and selected employees, which is non-cash in nature. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial condition as reported under IFRSs. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

We believe that these items should be adjusted for when calculating our adjusted net loss (non-IFRS measure) in order to provide potential [REDACTED] with a complete and fair understanding of our operating results, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance, and making comparisons with other comparable companies with similar business operations.

The following table reconciles our adjusted net loss (non-IFRS measure) for the year presented in accordance with IFRSs.

	Year ended December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Loss for the year	**(113,146)**	**(120,928)**
Adjustment for:		
Share-based compensation	9,952	14,437
[REDACTED]	—	16,692
Adjusted net loss (non-IFRS measure) for the year	**(103,194)**	**(89,799)**

Revenue

During the Track Record Period, our revenue was derived from (i) provision of research and development services, (ii) sales of reagents and consumables for R&D purposes, and (iii) other revenue generated from leasing of equipment.

In 2024 and 2025, our revenue was RMB1,725 thousand, and RMB884 thousand, respectively. We generated all our revenue from mainland China during the Track Record Period. The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue for the years indicated:

	Year Ended December 31,			
	2024		**2025**	
	(RMB'000)	*%*	*(RMB'000)*	*%*
Provision of research and development services	**1,510**	**87.5**	**772**	**87.3**
Sale of reagents and consumables	**171**	**9.9**	**69**	**7.8**
Others	**44**	**2.6**	**43**	**4.9**
Total	**1,725**	**100.0**	**884**	**100.0**

Cost of sales

During the Track Record Period, our cost of sales was primarily related to (i) direct labor, (ii) direct materials, and (iii) manufacturing overhead. In 2024 and 2025, we incurred cost of sales of RMB525 thousand, and RMB585 thousand, respectively.

Gross profit and Gross profit Margin

In 2024 and 2025, our gross profit was RMB1,200 thousand, and RMB299 thousand, respectively. For the same years, our gross profit margin was 69.6%, and 33.8%, respectively.

Other Income and Gains

During the Track Record Period, our other income and gains mainly consisted of (i) government grants that we received from the local government authorities to support our research and development activities, (ii) bank interest income derived from our bank deposits, and (iii) fair value gains on financial assets at fair value through profit and loss ("**FVTPL**"). The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year Ended December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Other income:		
Bank interest income	12,125	4,992
Government grants	7,521	5,401
Others	2	88
Total other income	**19,648**	**10,481**
Gains:		
Fair value gains on financial assets at FVTPL	2,777	4,428
Total gains	**2,777**	**4,428**
Total	**22,425**	**14,909**

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) trial and testing expenses, primarily representing CRO and SMO service expenses and clinical research institution fees, (ii) employee benefit expenses, including wages, bonus, social insurance and other welfare for our research and development personnel, (iii) share-based compensation, (iv) depreciation and amortization of property, plant and equipment and right-of-use assets used for research and development purposes, and (v) raw materials and consumables costs. The following table sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of the total research and development expenses for the years indicated:

	Year Ended December 31,			
	2024		**2025**	
	(RMB'000)	*%*	*(RMB'000)*	*%*
Trial and testing expenses	53,317	51.8	36,303	43.1
Employee benefit expenses	32,198	31.3	29,501	35.0
Share-based compensation	5,467	5.3	7,935	9.4
Depreciation and amortization expenses	4,633	4.5	4,680	5.6
Costs of materials and consumables	3,729	3.6	3,033	3.6
Others(1)	3,500	3.4	2,849	3.3
Total	**102,844**	**100.0**	**84,301**	**100.0**

Note:

(1) Others mainly included office expenses, utilities fee, travel expenses, and conference fees.

In 2024 and 2025, costs and expenses in relation to research and development activities incurred for our Core Product BS001 were RMB73.9 million, and RMB55.5 million, respectively, accounting for 71.9%, and 65.8% of total research and development expenses for the corresponding years. The following table sets forth a breakdown of our research and development expenses by each drug candidate and technology platforms in absolute amounts and as percentages of the total research and development expenses for the years indicated:

		Year Ended December 31,			
		2024		2025	
		(RMB'000)	%	*(RMB'000)*	%
Viral Vector Platform	BS001	73,924	71.9	55,468	65.8
	BS006	7,887	7.7	7,236	8.6
	Other Candidates[1]	1,057	1.0	1,729	2.1
	Subtotal	**82,868**	**80.6**	**64,433**	**76.4**
Nucleic Acid Delivery Platform	BR003	2,576	2.5	6,060	7.2
	BS051	1,247	1.2	992	1.2
	Platform-related	218	0.2	—	—
	Subtotal	**4,041**	**3.9**	**7,052**	**8.4**
Protein Biologics Platform	Preclinical Candidates	3,224	3.1	3,031	3.6
	Platform-related	1,032	1.0	208	0.2
	Subtotal	**4,256**	**4.1**	**3,239**	**3.8**
	Other Drug Candidates	11,679	11.4	9,577	11.4
	Total	**102,844**	**100.0**	**84,301**	**100.0**

Note:

(1) Representing additional drug candidates within the Viral Vector Platform.

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of (i) employee benefit expenses, including wages, bonus, social insurance and other welfare for our administrative personnel, (ii) share-based compensation, (iii) depreciation and amortization of right-of-use assets, property, plant and equipment used for administrative purposes, (iv) business development expenses, mainly including conference expenses, marketing and promotion expenses, and travel expenses, (v) professional service fees, mainly in relation to services rendered by professional service providers, (vi) [REDACTED] and (vii) others. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the years indicated:

	Year Ended December 31,			
	2024		2025	
	(RMB'000)	%	*(RMB'000)*	%
Employee benefit expenses	17,043	51.3	15,832	30.6
Share-based compensation	4,474	13.5	6,484	12.5
Professional service fees	5,612	16.9	3,761	7.3
Business development expenses	2,514	7.6	2,129	4.1
Depreciation and amortization expenses	1,510	4.5	3,874	7.5
[REDACTED]	—	—	16,692	32.3
Others[1]	2,041	6.2	2,914	5.7
Total	**33,194**	**100.0**	**51,686**	**100.0**

Note:

(1) Others mainly included office and utilities expenses, repair and maintenance expenses, and IT support and software usage fees.

Other Expenses

During the Track Record Period, our other expenses consisted of (i) loss on disposals of property, plant and equipment, (ii) net foreign exchange losses, mainly in relation to the fluctuations in the exchange rate of U.S. dollar against Renminbi, (iii) impairment losses recognized on contract assets, net and (iv) loss on lease termination, which was partially offset by reversal of impairment of financial assets. Our other expenses amounted to RMB101 thousand and RMB56 thousand in 2024 and 2025, respectively.

Finance Costs

During the Track Record Period, our finance costs were in relation to (i) interest on bank borrowings and (ii) interest on lease liabilities. Our finance costs amounted to RMB617 thousand and RMB117 thousand in 2024 and 2025, respectively.

Income Tax (Expense)/Credit

We recorded income tax expense of RMB15 thousand in 2024 and income tax credit of RMB24 thousand in 2025, respectively.

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Chinese Mainland

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**EIT**") rate of the PRC subsidiaries was 25% during the Track Record Period except for certain members of our Group which was subject to tax concession set out below.

Our Company was accredited as a "High and New Technology Enterprise" ("**HNTE**") in 2022. The renewed qualification was obtained in 2025. Therefore, our Company was entitled to a preferential EIT rate of 15% during the Track Record Period. The qualification as a HNTE is subject to review by the competent authority in the PRC every three years.

Pursuant to Cai Shui [2018] circular No.76, our Company which was accredited as "Technology-based Small and Medium-sized Enterprises" can carry forward their unutilized tax losses for up to ten years. This extension of the expiration period applies to all the unutilized tax losses that were carried forward by the entities at the effective date of the tax circular.

Binhui Beijing, Wuhan Bintong, Binhui Biomedicine and Shanghai Ruimingda have applied the Small-Scaled Minimal Profit Corporate Income Tax preferential Policy announced by the PRC's Ministry of Finance and the State Administration of Taxation. From January 1, 2023 to December 31, 2027, the portion of annual taxable income of small and micro enterprises not exceeding RMB1,000,000 was deducted to 25% of the taxable income and subject to income tax at a rate of 20%.

Pursuant to Cai Shui [2020] circular No.31 and Cai Shui [2025] Circular No.3, Binhui Hainan, which is incorporated in Hainan Free Trade Port and engaged in stipulated encouraged business, is permitted to enjoy a preferential EIT rate of 15% subject to certain qualification requirements.

Others

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which our Group operates.

Loss for the Year

As a result of the foregoing, we incurred losses of RMB113.1 million, and RMB120.9 million in 2024 and 2025, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue decreased by 48.8% from RMB1,725 thousand in 2024 to RMB884 thousand in 2025, primarily because we completed more research and development services in 2024 as compared to that in 2025, resulting in higher revenue recognition in 2024. Our sales of reagents and consumables for R&D purposes decreased from RMB171 thousand in 2024 to RMB69 thousand in 2025 while the revenue generated from leasing of equipment remained stable at RMB44 thousand and RMB43 thousand in 2024 and 2025, respectively.

Cost of Sales

Our cost of sales increased by 11.4% from RMB525 thousand in 2024 to RMB585 thousand in 2025.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased from RMB1,200 thousand in 2024 to RMB299 thousand in 2025. Our gross profit margin decreased from 69.6% to 33.8% for the same years.

Other Income and Gains

Our other income and gains decreased by 33.5% from RMB22.4 million in 2024 to RMB14.9 million in 2025, primarily due to a decrease of RMB7.1 million in bank interest income, which was mainly attributable to reduction in the amount of our time deposits and decline in time deposit interest rates.

Research and Development Expenses

Our research and development expenses decreased by 18.0% from RMB102.8 million in 2024 to RMB84.3 million in 2025, primarily due to a decrease of RMB17.0 million in trial and testing expenses, mainly because (i) we completed the Phase I/II clinical trial of BS001 in combination with pucotenlimab (PD-1 inhibitor) for CRC, STS and BTC and enrolled a significant portion of patients for the Phase II trial of BS001 for GBM in 2024, while we did not initiate any new clinical trial in 2025; and (ii) we reduced our expenses in additional pre-clinical programs due to enhanced focus on clinical programs.

Administrative Expenses

Our administrative expenses increased by 55.7% from RMB33.2 million in 2024 to RMB51.7 million in 2025, primarily due to (i) an increase of RMB14.8 million in professional service fees in line with our [REDACTED] activities, (ii) an increase of RMB2.4 million in depreciation and amortization expenses, as the construction in progress for our facilities in Shaoxing was converted to buildings, with depreciation commencing in October 2024, and (iii) an increase of RMB2.0 million in share-based compensation.

Other Expenses

Our other expenses decreased by 44.6% from RMB101 thousand in 2024 to RMB56 thousand in 2025, primarily due to a decrease of foreign exchange losses, net.

Finance Costs

Our finance costs decreased by 81.0% from RMB617 thousand in 2024 to RMB117 thousand in 2025. This decrease was primarily attributable to the reduction of short-term bank borrowings, as we repaid certain bank borrowings in 2024.

Income Tax (Expense)/Credit

We recorded an income tax expense of RMB15 thousand in 2024 and an income tax credit of RMB24 thousand in 2025, primarily due to the fluctuation in the deferred tax on lease liabilities.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB113.1 million and RMB120.9 million in 2024 and 2025, respectively.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,	
	2024	2025
	(RMB'000)	*(RMB'000)*
Non-current assets		
Property, plant and equipment	219,815	264,382
Right-of-use assets	21,003	20,348
Prepayments, other receivables and other assets	22,840	34,465
Deferred tax assets	—	1
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	2,858	2,328
Financial assets at fair value through profit or loss ("**FVTPL**")	2,876	2,905
Time deposits	142,279	31,173
Total non-current assets	**411,671**	**353,602**
Current assets		
Inventories	1,534	1,597
Trade receivables	154	84
Prepayments, other receivables and other assets	13,111	20,198
Financial assets at FVTPL	110,115	76,262
Cash and cash equivalents	215,713	125,622
Pledged deposits	17,473	—
Contract assets	745	849
Time deposits	—	146,812
Total current assets	**358,845**	**371,424**
Current liabilities		
Trade and other payables	70,165	69,938
Contract liabilities	—	678
Interest-bearing bank borrowings	—	10,654
Lease liabilities	292	178
Total current liabilities	**70,457**	**81,448**
Net current assets	**288,388**	**289,976**
Non-current liabilities		
Interest-bearing bank borrowings	51,120	100,695
Deferred income	12,096	13,028
Lease liabilities	61	118
Deferred tax liabilities	20	307
Total non-current liabilities	**63,297**	**114,148**
Net Assets	**636,762**	**529,430**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of buildings, laboratory equipment, office equipment, electronic equipment, construction in progress and motor vehicles. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Buildings	80,069	239,465
Laboratory equipment	25,036	24,301
Office equipment	27	14
Electronic equipment	178	186
Construction in progress	113,812	—
Motor vehicles	693	416
Total	**219,815**	**264,382**

Our property, plant and equipment increased from RMB219.8 million as of December 31, 2024 to RMB264.4 million as of December 31, 2025, primarily due to an increase of RMB159.4 million in buildings, partially offset by a decrease of RMB113.8 million in construction in progress.

Right-of-use Assets

During the Track Record Period, our right-of-use assets represent leasehold land, mainly relating to the land use rights of our Wuhan, Shaoxing, and Ezhou bases, as well as office premises. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Leasehold land	20,518	20,075
Office premises	485	273
Total	**21,003**	**20,348**

During the Track Record Period, our right-of-use assets remained relatively stable at RMB21.0 million and RMB20.3 million as of December 31, 2024 and 2025, respectively.

Inventories

Our inventories mainly consisted of raw materials used in research and development, such as reagents and consumables. Our inventories remained stable at RMB1.5 million and RMB1.6 million as of December 31, 2024 and 2025, respectively.

As of February 28, 2026, RMB0.34 million, representing 21.3% of our inventories as of December 31, 2025 were subsequently utilized.

Trade Receivables

During the Track Record Period, our trade receivables consisted of receivables from our customers for payment obligations set out in the relevant agreements. We recorded trade receivables of RMB154 thousand and RMB84 thousand as of December 31, 2024 and 2025, respectively. During the Track Record Period, the fluctuations in trade receivables were primarily due to changes in the volume of services provided and reagents and consumables sold to our customers.

As of February 28, 2026, approximately RMB48 thousand, representing 57.1% of our trade receivables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

During the Track Record Period, our prepayments, other receivables and other assets primarily included (i) value-added tax recoverable, (ii) prepayments for research and development services, (iii)deposits for property, plant and equipment, (iv) prepayments for property, plant and equipment, and (v) other receivables such as security deposits and petty cash advances. 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)*
Non-current		
Value-added tax recoverable	22,484	30,967
Prepayment for service	—	456
Prepayments for property, plant and equipment	8	694
Deposits for property, plant and equipment	348	348
Subtotal	22,840	32,465
Current:		
Prepayments for services	12,875	6,300
Convertible loan to a third party	—	10,000
Other receivables	236	234
Deferred [REDACTED]	—	3,664
Subtotal	13,111	20,198
Total	**35,951**	**52,663**

Our prepayments, other receivables and other assets increased from RMB36.0 million as of December 31, 2024 to RMB52.7 million as of December 31, 2025. The increase of our prepayments, other receivables and other assets during the Track Record Period was primarily due to (i) increased value-added tax recoverable on construction-in-progress payments and (ii) increase in convertible loan to a third party. For details, please refer to Note 20 to the Accountants' Report set out in Appendix I to this document.

As of February 28, 2026, RMB11.3 million, representing 21.4% of our prepayments, other receivables and other assets as of December 31, 2025 were subsequently settled.

Financial assets at FVTOCI

During the Track Record Period, our financial assets at FVTOCI represented our unlisted equity investments in two companies made in 2022, which are measured at fair value as the investments are considered to be strategic in nature. We recorded financial assets at FVTOCI of RMB2.9 million and RMB2.3 million as of December 31, 2024 and 2025, respectively. The decreases primarily reflected adjustments to fair value in line with the operating performance of the investee companies.

Financial Assets at FVTPL

Our financial assets at FVTPL represented our structured deposits and wealth management products and unlisted equity investments. The following table sets forth the details of our financial assets at FVTPL as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Current		
Structured deposits and wealth management products	110,115	76,262
Non-current:		
Unlisted equity investments	2,876	2,905
Total	**112,991**	**79,167**

Our financial assets at FVTPL decreased from RMB113.0 million as of December 31, 2024 to RMB79.2 million as of December 31, 2025, primarily due to our decreased purchases of structured deposits and wealth management products.

We purchase investment products strictly in accordance with our internal investment management policies and procedures. Our investment approach focuses primarily on principal-preservation and liquidity. We generally invest our idle funds in conservative products such as structured deposits offered by commercial banks and yield enhancement certificates issued by securities firms. Prior to any investment, our finance department conducts review and assessment, taking into account factors including our working capital needs, expected returns, risk level and liquidity. All investment decisions are subject to our internal approval procedures in accordance with our investment management policies, and must be approved by designated members of our senior management team. After making an investment, we closely monitor the performance and status of such products to ensure timely redemption and to safeguard the security of funds.

Upon [REDACTED], our investment in financial assets will continue to be conducted in compliance with our Articles of Association, internal control procedures and, if applicable, the requirements under Chapter 14 of the Listing Rules.

Cash and Cash Equivalents, Pledged Deposits and Time Deposits

During the Track Record Period, our cash and cash equivalents primarily consisted of unrestricted cash at banks, and our time deposits represent our bank deposits that have a fixed term, including current time deposits with maturity within one year, and non-current time deposits with maturity over one year. Our pledged deposits represent deposits for construction projects. The following table sets forth the details of our cash and cash equivalents, pledged deposits and time deposits as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Cash and bank balances	233,186	125,622
Time deposits	142,279	177,985
Subtotal	375,465	303,607
Less:		
Pledged deposits	(17,473)	—
Time deposits within 12 months	—	(146,812)
Time deposits over 12 months	(142,279)	(31,173)
Cash and Cash Equivalents	**215,713**	**125,622**
Denominated in:		
RMB	215,632	125,618
USD	81	4
Cash and Cash Equivalents	**215,713**	**125,622**

Our cash and cash equivalents decreased from RMB215.7 million as of December 31, 2024 to RMB125.6 million as of December 31, 2025, primarily due to working capital allocated to research and development expenditures and day-to-day operations.

Our time deposits increased from RMB142.3 million as of December 31, 2024 to RMB178.0 million as of December 31, 2025, primarily due to purchase of time deposits.

Trade and Other Payables

During the Track Record Period, our trade and other payables mainly consisted of payables relating to purchases of property, plant and equipment, and payables in relation to our research and development activities. The following table sets forth the details of our trade and other payables as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Payables relating to purchases of property, plant and equipment	29,848	22,275
Accrued expenses for research and development services	28,997	32,873
Payroll payables	8,392	11,995
[REDACTED]	—	1,899
Other taxes payables	2,126	641
Trade payables	334	251
Other payables	468	4
Total	**70,165**	**69,938**

Our trade and other payables remained stable at RMB70.2 million as of December 31, 2024 and RMB69.9 million as of December 31, 2025, primarily due to (i) an increase of RMB3.9 million in accrued expenses for research and development services and (ii) an increase of RMB3.6 million in payroll payables, partially offset by the decrease of RMB7.6 million in payables relating to purchases of property, plant and equipment.

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

	As of December 31,	
	2024	**2025**
	(RMB'000)	*(RMB'000)*
Within 1 year	334	251
Total trade payables	**334**	**251**

As of February 28, 2026, RMB15.9 thousand, representing 6.3% of our trade payables as of December 31, 2025, had been subsequently settled.

Deferred Income

Our deferred income primarily represented government grants associated with our innovative drug achievements and the construction of our new facility. Our deferred income remained relatively stable at RMB12.1 million and RMB13.0 million as of December 31, 2024 and 2025.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund the research and development of our Core Product and other pipeline programs, purchase of property, plant and equipment, administrative expenses and other recurring expenses. During the Track Record Period, we primarily funded our working capital requirements through retained funds and bank borrowings. Our management closely monitors the use of cash and cash equivalents and strives to maintain a healthy liquidity for our operations. Going forward, we expect our liquidity requirements will be satisfied by a combination of cash and cash equivalents, time deposits, structured deposits and wealth management products, bank borrowings, considerations received from existing and potential collaboration arrangements, and [REDACTED] from the [REDACTED]. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, license and collaboration arrangements, or other sources.

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 February 28,
	2024	2025	2026
	(RMB'000)	*(RMB'000)*	*(RMB'000)* *(Unaudited)*
Current assets			
Inventories	1,534	1,597	1,644
Trade receivables	154	84	31
Prepayments, other receivables and other assets	13,111	20,198	10,327
Financial assets at FVTPL	110,115	76,262	135,160
Cash and cash equivalents	215,713	125,622	46,357
Pledged deposits	17,473	—	—
Contract assets	745	849	849
Time deposits	—	146,812	147,462
Total current assets	358,845	371,424	341,830
Current liabilities			
Trade and other payables	70,165	69,938	55,046
Contract liabilities	—	678	664
Interest-bearing bank borrowings	—	10,654	10,978
Lease liabilities	292	178	180
Total current liabilities	70,457	81,448	66,868
Net current assets	**288,388**	**289,976**	**274,962**

Our net current assets remained stable at RMB290.0 million as of December 31, 2025 and RMB275.0 million as of February 28, 2026.

Our net current assets remained stable at RMB288.4 million and RMB290.0 million as of December 31, 2024 and 2025, respectively.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year Ended December 31,	
	2024	2025
	(RMB'000)	*(RMB'000)*
Net cash flows used in operating activities	(98,856)	(95,966)
Net cash flows generated from/(used in) investing activities	151,026	(47,632)
Net cash generated from financing activities	38,901	53,532
Net increase/(decrease) in cash and cash equivalents	**91,071**	**(90,066)**
Cash and cash equivalents at beginning of year	124,701	215,713
Effect of foreign exchange rate changes, net	(59)	(25)
Cash and cash equivalents at end of year	**215,713**	**125,622**

Net Cash Used in Operating Activities

In 2025, our net cash used in operating activities was RMB96.0 million, which was primarily attributable to a loss before tax of RMB121.0 million, adjusted for non-cash and/or non-operating items. Adjustments for such non-cash and non-operating items primarily included (i) share-based payment expenses of RMB14.4 million, (ii) depreciation of property, plant and equipment of RMB7.8 million, and (iii) bank interest income of RMB5.0 million. The amount was further adjusted by changes in working capital, which primarily resulted from (i) an increase in trade and other payables of RMB7.1 million and (ii) a decrease in prepayments, other receivables and other assets of RMB2.4 million.

In 2024, our net cash used in operating activities was RMB98.9 million, which was primarily attributable to a loss before tax of RMB113.1 million, adjusted for non-cash and non-operating items. Adjustments for such non-cash and/or non-operating items primarily included (i) bank interest income of RMB12.1 million, (ii) share-based payment expenses of RMB10.0 million, and (iii) depreciation of property, plant and equipment of RMB5.5 million. The amount was further adjusted by changes in working capital, which primarily resulted from an increase in prepayments, other receivables and other assets of RMB2.2 million, partially offset by an increase in trade and other payables of RMB12.4 million.

We had net operating cash outflows during the Track Record Period primarily due to that we spent a significant amount of cash for funding our research and development activities while we generated a limited amount of revenue. We plan to improve such position by (i) rapidly advancing our pipeline products towards commercialization to generate revenue from product sales, while we can maintain high production efficiency at low cost through our self-production and years of accumulation in manufacturing process and quality control; (ii) actively pursuing business development opportunities for entering into additional license and collaboration arrangements with other companies and receiving milestone payment thereof; (iii) adopting comprehensive measures to effectively control our costs and operating expenses, including administrative expenses by establishing a robust training program; and (iv) successfully launching the [REDACTED] to obtain the [REDACTED].

Net Cash Generated from/(Used in) Investing Activities

In 2025, our net cash used in investing activities was RMB47.6 million, which was mainly due to purchases of items of property, plant and equipment of RMB62.4 million, partially offset by withdrawal of pledged deposits of RMB17.5 million.

In 2024, our net cash generated from investing activities was RMB151.0 million, which was mainly due to disposal of time deposits with original maturity of more than three months of RMB289.5 million, partially offset by (i) purchases of items of property, plant and equipment of RMB72.2 million and (ii) purchases of financial assets at FVTPL, net of RMB70.1 million.

Net Cash Generated from Financing Activities

In 2025, our net cash generated from financing activities was RMB53.5 million, which was due to new bank loans raised of RMB60.6 million, partially offset by (i) payment of [REDACTED] of RMB3.4 million and (ii) paid interest of RMB2.9 million.

In 2024, our net cash generated from financing activities was RMB38.9 million, which was due to new borrowing raised of RMB90.7 million, partially offset by repayment of bank borrowings of RMB49.4 million.

CASH OPERATING COSTS

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

	Year Ended December 31,	
	2024	2025
	(RMB'000)	*(RMB'000)*
Research and Development Costs for Core Product		
Trial and testing expenses	35,770	19,461
Costs of materials and consumables	1,245	1,531
Employee benefit expenses	16,452	17,082
Others	2,143	1,707
Research and Development Costs for other product candidates		
Trial and testing expenses	3,255	6,602
Costs of materials and consumables	3,311	1,367
Employee benefit expenses	12,797	10,633
Others	1,814	1,142
Workforce employment cost for non-research and development staff	16,094	13,667
Others	10,524	24,789
Total Cash operating cost	103,405	97,981

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, time deposits, current financial assets at FVTPL, and the estimated [REDACTED] from the [REDACTED], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly cash used in operating activities, purchases of items of property, plant and equipment, and principal portion of lease payments. We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] million, equivalent to RMB[REDACTED] million, after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], assuming no [REDACTED] are exercised and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] in this document. Assuming an average cash burn rate going forward of [REDACTED] times the level in 2025, we estimate that our cash and cash equivalents, time deposits, and current financial assets at FVTPL as of February 28, 2026 will be able to maintain our financial viability for [REDACTED] months or, if we take into account the estimated [REDACTED] from the [REDACTED], [REDACTED] months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

INDEBTEDNESS

During the Track Record Period, we had indebtedness in the form of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of February 28,
	2024	2025	2026
	(RMB'000)	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current			
Lease liabilities	292	178	180
Bank loans—unsecured	—	7,605	7,605
Bank loans—secured	—	3,049	3,373
Non-current			
Lease liabilities	61	118	118
Bank loans—secured	51,120	100,695	111,936
Total	**51,473**	**111,645**	**123,212**

Interest-bearing Bank Borrowings

We generally borrow bank loans from creditworthy commercial banks in the PRC to supplement our working capital requirements and finance our capital expenditures. As of December 31, 2024 and 2025, and February 28, 2026, we had total interest-bearing bank borrowings of RMB51.1 million, RMB111.3 million and RMB122.9 million, respectively. The following tables set forth the details of our interest-bearing bank borrowings as of the dates indicated:

	As of December 31, 2024		
	Effective interest rate per annum	**Maturity**	**Amount**
	%		*RMB'000*
Non-current			
Bank loans—secured	3.35%–3.70%	October 2026–April 2032	51,120

	As of December 31, 2025		
	Effective interest rate per annum	**Maturity**	**Amount**
	%		*RMB'000*
Current			
Bank loans—unsecured	2.50%	2026	7,605
Bank loans—secured	3.10%–3.35%	2026	3,049
Non-current			
Bank loans—secured	3.10%–3.35%	2027–2032	100,695
Total			**111,349**

As of February 28, 2026, we had unutilized bank facilities of RMB77.3 million.

Lease Liabilities

Our lease liabilities primarily comprised leases of office premises and employee dormitories. As of December 31, 2024, 2025 and February 28, 2026, we had a total of current and non-current lease liabilities of RMB353 thousand, RMB296 thousand and RMB298 thousand, respectively. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of February 28,
	2024	2025	2026
	(RMB'000)	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Lease liabilities:			
Current	292	178	180
Non-current	61	118	118
Total	**353**	**296**	**298**

Our lease liabilities remained stable at RMB0.4 million and RMB0.3 million as of December 31, 2024 and 2025. Our lease liabilities remained stable at RMB0.3 million and RMB0.3 million as of December 31, 2025 and February 28, 2026, respectively.

Indebtedness Statement

Except as discussed above, 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 the Latest Practicable Date. Our Directors confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or material breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that there have been no material changes in our indebtedness since February 28, 2026, being the latest practicable date for determining our indebtedness, up to the date of this document.

CAPITAL EXPENDITURES

In 2024 and 2025, we incurred capital expenditures of RMB72.2 million and RMB62.4 million, respectively, in connection with the purchase of property, plant and equipment. These purchases were primarily for our research and development and business operation. The following table sets forth the breakdown of our capital expenditures for the years indicated:

	Year Ended December 31,	
	2024	2025
	(RMB'000)	*(RMB'000)*
Purchases of property, plant and equipment	72,187	62,409

We plan to finance our future capital expenditures primarily with our existing cash and cash equivalents as well as bank loans. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors as appropriate.

CAPITAL COMMITMENTS

As of December 31, 2024 and 2025, we had capital commitments contracted for but not yet provided of RMB101.3 million and RMB2.9 million, respectively, primarily in relation to the construction of our facilities in Wuhan.

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. For details, see Note 32 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio as of the dates indicated:

	As of December 31,	
	2024	**2025**
Current ratio(1)	5.1	4.6

Note:

(1) Current ratio is calculated as total current assets divided by total current liabilities as of the dates indicated.

Our current ratio decreased from 5.1 as of December 31, 2024 to 4.6 as of December 31, 2025, primarily due to a decrease of RMB90.1 million in cash and cash equivalents.

For details, please see "— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position."

MARKET RISK DISCLOSURE

The risks associated with our financial instruments primarily include credit risk and liquidity risk. Our management manages these exposures to ensure appropriate measure are implemented on a timely and effective manner. See Note 35 to the Accountants' Report set out in Appendix I to this document for more details.

Credit Risk

The credit risk of our Group's financial assets, which comprise cash and cash equivalents, trade receivables and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. See Note 35 to the Accountants' Report set out in Appendix I to this document for more details.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. See Note 35 to the Accountants' Report set out in Appendix I to this document for more details.

DIVIDEND

No dividends have been paid or declared by our Company during the Track Record Period. We do not currently have a formal dividend policy or a pre-determined dividend payout ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [REDACTED] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors 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. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China.

As advised by our PRC Legal Advisor, taking into account the aforesaid, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders in a given year, in view of our accumulated losses, or even if we become profitable, as we will only be able to declare or pay dividends out of our distributable profits until (i) the accumulated losses are covered by our after-tax profits, and (ii) sufficient statutory and other reserves are drawn in accordance with the relevant laws, regulations and our constitutional documents. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay dividends out of our profits in the foreseeable future.

DISTRIBUTABLE RESERVES

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

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately HK$[REDACTED] million (including [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share), which represent [REDACTED]% of the gross [REDACTED] from the [REDACTED], assuming no Shares are issued pursuant to the [REDACTED]. The above [REDACTED] are comprised of (i) [REDACTED]-related expenses of HK$[REDACTED] million, and (ii) non-[REDACTED]-related expenses of HK$[REDACTED] million, including (a) the legal advisors and the reporting accountants' expenses of HK$[REDACTED] million, and (b) other fees and expenses of HK$[REDACTED] million. During the Track Record Period, we incurred [REDACTED] of HK$[REDACTED] million, HK$[REDACTED] million of which was charged to our consolidated statements of profit or loss, and HK$[REDACTED] million of which was attributable to the issue of Shares and will be deducted from equity upon [REDACTED]. We expect to incur [REDACTED] of approximately HK$[REDACTED] million, approximately HK$[REDACTED] million of which is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[REDACTED] million 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.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield, an independent property valuer, valued our property interests as of January 31, 2026 and is of opinion that the aggregate value of our property interests as of such date was RMB171.0 million. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix III to this document.

A reconciliation of the net book value of our properties as of December 31, 2025 as set out in the Accountants' Report in Appendix I to their fair value as of January 31, 2026 as stated in the property valuation report set out in the Property Valuation Report in Appendix III is set out below.

	RMB'000 *(Unaudited)*
Net book value of our selective property as of December 31, 2025	171,471
Depreciation for the one month ended January 31, 2026	(531)
Net book value as of January 31, 2026	170,940
Valuation surplus as of January 31, 2026	60
Valuation as of January 31, 2026 as set out in Appendix III to this document	171,000

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or [REDACTED] prospects since December 31, 2025 and up to the date of this document 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 set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF 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.