You should read the following discussion and analysis in conjunction with our historical financial information, together with the accompanying notes, included in the Accountants' Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not rely solely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including "Forward-Looking Statements," "Risk Factors" and "Business."

OVERVIEW

We are a pharmaceutical company with an established track record in drug development and commercialization. Through years of continuous effort, we have established an integrated operational system encompassing the pharmaceutical value chain from R&D and manufacturing to commercialization. Drawing on this foundation, we are actively expanding our capabilities with a strategic focus on innovative drugs targeting major diseases and critical illnesses.

As of the Latest Practicable Date, we had built a portfolio of over ten marketed products and multiple drug candidates encompassing key therapeutic areas including immunology and inflammation, pain management, oncology and other chronic disorders. During the Track Record Period, we generated revenue primarily from the sales of our key marketed products, represented by Xiweina (希为纳®), the only domestically developed sivelestat sodium approved in China, and Zuoyu (佐愈®), China's first domestically developed Category II levofolinic acid. Meanwhile, our innovative drug pipeline had steadily gained momentum, including four Category I innovative drugs and three Category II modified new drugs currently under clinical development. For details, see "Business — Our Products."

For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB984.8 million, RMB685.6 million and RMB685.8 million, respectively. During the same periods, our gross profit amounted to RMB850.0 million, RMB568.7 million and RMB571.2 million, respectively. While we recognized profit of RMB20.7 million for the year ended December 31, 2023, we recognized loss for the years ended December 31, 2024 and 2025, which amounted to RMB123.7 million and RMB173.9 million, respectively. For details regarding our approach to drive revenue growth and enhance our business sustainability and profitability, see "— Business Sustainability and Profitability."

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards consistently throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2025 are set out in Note 31 to the Accountants' Report in Appendix I to this document. Our historical financial information has been prepared on the historical cost basis, except for our investments in debt and equity securities and redemption liabilities. For details, see Note 1 and Note 2 to the Accountants' Report set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The Growth of the Pharmaceutical Market in China and Our Major Therapeutic Areas

Our financial performance and future growth are underpinned by the overall growth of China's pharmaceutical market. As of the Latest Practicable Date, we had built a portfolio of over ten marketed products and multiple drug candidates encompassing key therapeutic areas including immunology and inflammation, pain management, oncology and other chronic disorders. See "Business — Our Products" for details. As such, the growth of the drug markets for the diseases targeted by our products has been, and is expected to remain, a key factor affecting our growth. China's pharmaceutical market is projected to witness continuous growth, from RMB1,629.7 billion in 2024 to RMB3,103.4 billion in 2035 at a CAGR of 6.0%, driven by rising disposable income, aging population, favorable government policies and expanding public medical insurance coverage. Within China's pharmaceutical market, innovative drugs have experienced, and are expected to continue experiencing, faster growth than generic drugs.

Our Ability to Compete Effectively and Increase the Market Share of Our Marketed Products

Our ability to sustain and grow our business depends on the strength of our product portfolio and our growth potential. Our revenue and profitability may fluctuate depending on how effectively our products compete within their respective markets and whether we can successfully maintain or expand their market share. During the Track Record Period, we derived the majority of our revenue from sales of Xiweina, the first and only domestically developed sivelestat sodium in China indicated for ALI/ARDS. Despite fluctuations in demand during the outbreak and the subsequent ease of COVID-19, Xiweina is well-positioned to capture long-term growth given its exclusive market position, which provides pricing flexibility and creates competitive barriers. The future success of our marketed products will continue to depend on their ability to compete within the market.

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

The success of our business and results of operation relies on our ability to advance our pipeline, demonstrate satisfactory safety and efficacy in clinical trials, obtain the necessary regulatory approvals, and launch our products in our target markets as planned. To date, we have built a pipeline comprising multiple drug candidates, including four Category I innovative drugs and three Category II modified new drugs currently under clinical development. See "Business — Our Products" for details. Based on the approval timelines of our pipeline candidates, which are subject to regulatory communications, we anticipate commercializing multiple drug candidates in the next three to five years, such as HL-1186, H077, H062, azisartan and amlodipine tablet, dienogest tablet (1mg) and relugolix tablet. After our drug candidates are commercialized, our business and results of operations will depend on the market acceptance and sales of our commercialized drugs.

The Inclusion of Our Products in Government-Sponsored Medical Insurance Programs in China

NRDL inclusion significantly influences market dynamics by determining patient access to insurance reimbursement for covered medications, thereby affecting both demand patterns and achievable pricing levels. Consequently, the inclusion or exclusion of a product in or from any of these medical insurance programs will significantly affect the demand for such product in China. As of December 31, 2025, eight of our approved products were included in the NRDL, comprising three key marketed products, Kangmairui, Li'erban and Dinuo'an, and five other products, namely azacitidine, silodosin, temozolomide, esomeprazole sodium and sugammadex sodium. Our revenue from sales of our these products accounted for 20.4%, 31.6% and 29.3% of our total revenue, respectively, for the years ended December 31, 2023, 2024 and 2025. For details on our key marketed products included in the NRDL, see "Business — Our Products — Other Chronic Disorders and Beyond — Marketed Products." While the inclusion of a pharmaceutical product in these national or other government-sponsored medical insurance programs can significantly increase its demand and potentially sales volume, products so included were subject to relevant pricing regulation and face pricing pressure in the centralized tender process.

The Implementation of the Volume-Based Procurement ("VBP") Schemes and Our Ability to Compete in the Centralized Tender Process by Public Medical Institutions in China

The VBP schemes implemented by the PRC government aim to secure larger quantities of pharmaceutical products at lower prices and thus may potentially impact how drugs are priced and procured in China. As of December 31, 2025, five of our approved products were included in national or provincial VBP schemes including key marketed products such as Kangmairui and Li'erban. The VBP schemes, while enabling larger sales volumes, exert downward pressure on our product pricing and influence the prices at which we sell our products to our customers, thus potentially affecting our revenue and profitability. If we succeed in winning bids in the centralized tender processes, the relevant products will be sold to the public hospitals and other public medical institutions at the bid prices. These prices subsequently serve as a key reference point for determining our product pricing across distribution channels. See "Business — Pricing" for details.

Our Ability to Effectively Control Our Costs and Expenses

Our profitability depends in part on our ability to manage costs and enhance operating efficiency. Our cost of sales consists primarily of raw material costs, direct labor costs and outsourced manufacturing costs, the fluctuations in which may directly affect our gross profit margin. For the years ended December 31, 2023, 2024 and 2025, our gross profit margin remained generally stable at 86.3%, 83.0%, and 83.3%, respectively. Selling and marketing expenses were the largest component of our operating expenses during the Track Record Period. We expect to devote resources in a disciplined manner to commercialize and market our approved products and any product candidates that may be approved. Research and development expenses constitute a significant portion of our operating expenses, reflecting our commitment to advancing our drug candidates through various stages of development.

MATERIAL ACCOUNTING POLICIES AND ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of judgments and estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations.

Revenue recognition (revenue from contracts with customers). Income is classified by us as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business. For the sale of pharmaceutical products, revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but we generally provide credit terms to customers up to 180 days from the invoice date. We take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Other accounting policies, accounting judgments and estimates. See Note 2 and Note 3 to the Accountants' Report set out in Appendix I to this document.

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

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

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	984,848	685,575	685,842
Cost of sales	(134,852)	(116,890)	(114,651)
Gross profit	849,996	568,685	571,191
Other net income	3,339	9,609	11,870
Selling and marketing expenses	(476,216)	(365,304)	(375,608)
Research and development expenses	(211,109)	(194,791)	(234,273)
Administrative expenses	(129,423)	(118,020)	(126,483)
(Impairment losses)/reversal of impairment losses on trade and other receivables	(4,044)	(3,098)	2,649
Profit/(loss) from operations	32,543	(102,919)	(150,654)
Finance costs	(11,884)	(20,776)	(23,274)
Profit/(loss) before taxation	20,659	(123,695)	(173,928)
Income tax	—	—	—
Profit/(loss) for the year	**20,659**	**(123,695)**	**(173,928)**

Revenue

We generated revenue primarily from the sales of our marketed products in China during the Track Record Period. The following table sets forth the sales revenue of our key marketed products in terms of revenue contribution in absolute amounts and as percentages of our total revenue for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Xiweina	745,379	75.7	424,049	61.9	370,057	54.0
Zuoyu	23,499	2.4	25,863	3.8	75,635	11.0
Kangmairui	57,459	5.8	70,125	10.2	53,226	7.8
Li'erban	54,387	5.5	60,751	8.9	43,920	6.4
Dinuo'an	70,972	7.2	72,896	10.6	91,815	13.4
Others[(1)]	33,152	3.4	31,891	4.6	51,189	7.4
Total	**984,848**	**100.0**	**685,575**	**100.0**	**685,842**	**100.0**

Note:

(1) Primarily includes revenue from sales of other products, including Weidagan, Xiaoxiong and Qianweitai, as well as certain APIs.

Cost of Sales

The following table sets forth the breakdown of our cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Raw material costs	49,043	36.4	48,155	41.2	39,570	34.5
Direct labor costs	26,415	19.6	23,479	20.1	19,246	16.8
Outsourced manufacturing costs	17,642	13.1	10,813	9.3	10,237	8.9
Depreciation and amortization	8,355	6.2	7,640	6.5	9,727	8.5
Utility costs	4,428	3.3	4,811	4.1	4,315	3.8
Taxes and surcharges	11,903	8.8	7,722	6.6	7,475	6.5
Impairment loss for inventory.	4,802	3.6	3,563	3.0	14,966	13.1
Others[(1)]	12,264	9.0	10,707	9.2	9,115	7.9
Total	**134,852**	**100.0**	**116,890**	**100.0**	**114,651**	**100.0**

Note:

(1) Primarily includes freight charges.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin represents gross profit as a percentage of revenue. For the years ended December 31, 2023, 2024 and 2025, our gross profit amounted to RMB850.0 million, RMB568.7 million and RMB571.2 million, respectively, representing a gross profit margin of 86.3%, 83.0%, and 83.3%, respectively.

Other Net Income

The following table sets forth the breakdown of our other net income for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Government grants[(1)]	6,474	10,817	12,350
Interest income from bank deposits	1,012	532	316
Donations	(2,949)	(2,149)	(813)
Net gain/(loss) on disposal of property, plant and equipment and right-of-use assets	(1,351)	365	(117)
Others	153	44	134
Total	**3,339**	**9,609**	**11,870**

Note:

(1) Primarily represents subsidies received from the government to support our operations and R&D activities.

Selling and Marketing Expenses

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

	For the year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Market promotion expenses	286,588	60.2	177,395	48.6	171,320	45.6
Employee compensation and benefits	165,715	34.8	164,288	45.0	183,082	48.7
Transportation and travel expenses	18,600	3.9	19,935	5.5	17,321	4.6
Others[(1)]	5,313	1.1	3,686	0.9	3,885	1.1
Total	**476,216**	**100.0**	**365,304**	**100.0**	**375,608**	**100.0**

Note:

(1) Primarily includes rent expenses, depreciation and amortization and office expenses.

Research and Development Expenses

The following table sets forth the breakdown of our research and development expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Employee compensation and benefits	88,967	42.1	88,224	45.3	89,216	38.1
Preclinical and clinical fees	91,923	43.6	80,948	41.5	125,396	53.5
Raw material costs	14,406	6.8	11,815	6.1	6,280	2.7
Depreciation and amortization expenses	3,865	1.8	5,962	3.1	5,921	2.5
Others[(1)]	11,948	5.7	7,842	4.0	7,460	3.2
Total	**211,109**	**100.0**	**194,791**	**100.0**	**234,273**	**100.0**

Note:

(1) Primarily includes IP application and maintenance expenses, utility and office expenses.

Administrative Expenses

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

	For the year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)					
Employee compensation and benefits	80,586	62.3	84,282	71.4	87,272	69.0
Depreciation and amortization	10,993	8.5	11,084	9.4	9,371	7.4
Professional services fees	12,371	9.6	7,386	6.3	6,305	5.0
[REDACTED] expense	—	—	—	—	3,813	3.0
Transportation and travel expenses	3,260	2.5	2,732	2.3	3,087	2.4
Rent expenses	2,683	2.0	1,306	1.1	862	0.7
Others[1]	19,530	15.1	11,230	9.5	15,773	12.5
Total	**129,423**	**100.0**	**118,020**	**100.0**	**126,483**	**100.0**

Note:

(1) Primarily includes recruitment expenses, business development expenses and office expenses.

(Impairment Losses)/Reversal of Impairment Losses on Trade and Other Receivables

During the Track Record Period, we recognized loss allowance for expected credit losses ("ECLs") on our trade and other receivables. See Note 2 and Note 3 to the Accountants' Report set out in Appendix I to this document for details. We recorded impairment losses on trade and other receivables of RMB4.0 million and RMB3.1 million for the years ended December 31, 2023 and 2024, and reversal of impairment losses on trade and other receivables of RMB2.6 million for the years ended December 31, 2025, respectively.

Finance Costs

Our finance costs primarily represent (i) interest on our bank loans and other borrowings, and (ii) interest on lease liabilities. For the years ended December 31, 2023, 2024 and 2025, our finance costs amounted to RMB11.9 million, RMB20.8 million and RMB23.3 million, respectively.

Income Tax Expenses

During the Track Record Period, our Company and our subsidiaries domiciled and operated in Chinese Mainland are subject to Corporate Income Tax ("**CIT**") at a statutory rate of 25% on their respective taxable income unless otherwise specified. According to the PRC income tax law and its relevant regulations, entities qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Our Company qualified as a high-technology enterprise and was entitled to a preferential tax rate of 15% for the three-year period ended December 31, 2023. As the high technology qualification of our Company expired in November 2024 and was renewed in December 2025, our Company was subject to CIT at a statutory rate of 25% in 2024 and a preferential income tax rate of 15% in 2025. For further details, see Note 7 to the Accountants' Report set out in Appendix I to this document.

We did not record income tax expenses during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue remained stable at RMB685.6 million in 2024 and RMB685.8 million in 2025. Specifically, (i) revenue from the sales of Zuoyu increased significantly from RMB25.9 million in 2024 to RMB75.6 million in 2025, primarily driven by our enhanced marketing and promotional efforts in 2025, as well as the normalization of production and delivery volumes following the completion of facility testing and equipment upgrades by our CDMO in 2024, and (ii) revenue from the sales of Dinuo'an increased by 26.0% from RMB72.9 million in 2024 to RMB91.8 million in 2025, primarily attributable to our strengthened marketing and promotional efforts. These increases were partially offset by the decreases in (i) revenue from the sales of Xiweina from RMB424.0 million in 2024 to RMB370.1 million in 2025, primarily due to the calibration of inventory levels by our distributors and their adoption of a more disciplined procurement approach as market conditions continued to normalize following the COVID-19 pandemic, and (ii) revenue from the sales of other products, including Li'erban and Kangmairui, primarily due to intensified competition within the VBP schemes, resulting in our products' lower sales volume.

Cost of Sales

Our cost of sales decreased slightly from RMB116.9 million in 2024 to RMB114.7 million in 2025, primarily reflecting (i) decreases in our raw material costs and direct labor costs attributable to the decreased sales volume of certain marketed products, including Li'erban and Kangmairui, which were substantially offset by (ii) increases in impairment loss for inventory prudently recorded against certain raw materials for Dinuo'an held in our inventory, as we expect lower production and sales volumes for this product given that Dinuo'an was not selected under the VBP scheme held in late 2025.

Gross Profit and Gross Profit Margin

Our gross profit increased slightly from RMB568.7 million in 2024 to RMB571.2 million in 2025. Our gross profit margin remained stable at 83.0% in 2024 and 83.3% in 2025.

Other Net Income

Our other net income increased from RMB9.6 million in 2024 to RMB11.9 million in 2025, primarily due to an increase in government grants.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB365.3 million in 2024 to RMB375.6 million in 2025, primarily due to an increase in employee compensation and benefits to attract and retain high-quality talent.

Research and Development Expenses

Our research and development expenses increased from RMB194.8 million in 2024 to RMB234.3 million in 2025, primarily attributable to the increases in preclinical and clinical fees to support the R&D of our drug candidates, such as HL-1186, H062 and YD0293.

Administrative Expenses

Our administrative expenses increased from RMB118.0 million in 2024 to RMB126.5 million in 2025, primarily due to (i) an increase in employee compensation and benefits as we recruited additional administrative personnel to support our business growth, and (ii) [REDACTED] expense incurred in relation to the [REDACTED].

Finance Costs

Our finance costs increased from RMB20.8 million in 2024 to RMB23.3 million in 2025, primarily due to higher interest expenses on bank loans and other borrowings as we adjusted our borrowing profile towards longer-term maturities to strengthen our overall financial stability.

Loss for the Year

For the foregoing reasons, our loss for the year increased from RMB123.7 million in 2024 to RMB173.9 million in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased by 30.4% from RMB984.8 million in 2023 to RMB685.6 million in 2024, primarily due to the decrease in revenue from the sales of certain marketed products. In particular, revenue from the sales of Xiweina decreased by 43.1% from RMB745.4 million in 2023 to RMB424.0 million in 2024, primarily reflecting a normalization in clinical demand following the surge in severe lung infection cases during the COVID-19 pandemic.

Cost of Sales

Our cost of sales decreased by 13.3% from RMB134.9 million in 2023 to RMB116.9 million in 2024, primarily due to the deceases in outsourced manufacturing costs, which was mainly attributable to the lower sales of Xiweina, as well as taxes and surcharges.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 33.1% from RMB850.0 million in 2023 to RMB568.7 million in 2024. Our gross profit margin decreased from 86.3% in 2023 to 83.0% in 2024, primarily because Xiweina, which has a relatively higher gross profit margin, contributed a smaller share of our revenue in 2024.

Other Net Income

Our other net income increased from RMB3.3 million in 2023 to RMB9.6 million in 2024, primarily due to an increase in government grants.

Selling and Marketing Expenses

Our selling and marketing expenses decreased from RMB476.2 million in 2023 to RMB365.3 million in 2024, primarily due to a reduction in market promotion expenses. We incurred higher market promotion expenses in 2023, primarily as a result of our targeted marketing efforts for Xiweina to capture strong market demand.

Research and Development Expenses

Our research and development expenses decreased from RMB211.1 million in 2023 to RMB194.8 million in 2024, primarily due to the completion of certain R&D programs, such as Enketang and azilsartan and amlodipine tablets. This decrease was partially offset by our continuous investment in R&D activities to advance our innovative drug pipeline.

Administrative Expenses

Our administrative expenses decreased from RMB129.4 million in 2023 to RMB118.0 million in 2024, primarily due to the decrease in professional services fees in relation to our previous listing attempt. See "History and Corporate Structure — Proposed Listing Attempt."

Finance Costs

Our finance costs increased from RMB11.9 million in 2023 to RMB20.8 million in 2024, primarily due to the increase in the outstanding balance of our bank loans and other borrowings.

Profit/(Loss) for the Year

For the foregoing reasons, we recorded profit for the year of RMB20.7 million in 2023 and loss for the year of RMB123.7 million in 2024.

BUSINESS SUSTAINABILITY AND PROFITABILITY

As elaborated above, our historical financial performance primarily reflects (i) the revenue contribution of each marketed product in our portfolio and their period-to-period sales fluctuations, (ii) our ability to maintain a stable gross profit margin across our marketed product portfolio, and (iii) our operating expenses (representing the sum of selling and marketing expenses, research and development expenses, and administrative expenses) and their impact on our profitability. As a result, we experienced fluctuations in our financial performance during the Track Record Period. While we recognized profit of RMB20.7 million for the year ended December 31, 2023, we recognized loss for the years ended December 31, 2024 and 2025, which amounted to RMB123.7 million and RMB173.9 million, respectively.

We have adopted a multi-pronged approach to drive revenue growth and enhance our business sustainability and profitability through the following key initiatives:

- ***Enhance revenue from existing marketed products***. We maintain a diversified portfolio of marketed products across various therapeutic areas, with sales of each product influenced by distinct factors and market dynamics. During the Track Record Period, we derived the majority of our revenue from sales of Xiweina, the first and only domestically developed sivelestat sodium in China indicated for ALI/ARDS. According to Frost & Sullivan, driven by an increasing patient population and China's policy initiatives to enhance critical care medical infrastructure, the ALI/ARDS drug market in China is expected to reach RMB24.1 billion in 2035 at a CAGR of 5.5% from 2024 to 2035. Despite fluctuations in demand during the outbreak and the subsequent ease of COVID-19, Xiweina is well-positioned to capture this long-term growth given its exclusive market position, which provides pricing flexibility and creates competitive barriers.

We have consistently taken, and will continue to implement, the following measures to enhance revenue from Xiweina: (i) further expand our nationwide healthcare institution coverage and hospital penetration; and (ii) deploy targeted strategies to bolster market presence and improve promotional effectiveness. We also intend to strengthen our marketing and promotional efforts for our other existing marketed products, including Zuoyu, China's first domestically developed Category II levofolinic acid, to maximize their growth potential. According to Frost & Sullivan, the sodium levofolinate market in China, estimated at RMB26.7 million in 2024, is projected to grow at a CAGR of 29.6% and reach RMB460.6 million in 2035, driven by rising cancer incidence and the shift toward optimized chemotherapy regimens. As one of the only two sodium levofolinate products approved in China, Zuoyu achieved a market share exceeding 90% in 2024, which we believe positions it favorably to capture this significant market growth and contribute to our business sustainability.

- ***Expand marketed product portfolio***. We seek to diversify our revenue base by advancing near-commercial product candidates towards commercialization. Based on the approval timelines of our pipeline candidates, which are subject to regulatory communications, we anticipate commercializing multiple drug candidates in the next three to five years, such as HL-1186, H077, H062, azisartan and amlodipine tablet, dienogest tablet (1mg) and relugolix tablet. These and other pipeline candidates, particularly our innovative drug candidates, are expected to contribute a growing proportion of our total revenue in the foreseeable future and drive sustainable long-term growth.

- ***Maintain steady gross profit margin***. During the Track Record Period, we successfully maintained steady gross profit margin levels. For the years ended December 31, 2023, 2024 and 2025, our gross profit margin was 86.3%, 83.0%, and 83.3%, respectively. This reflects our commitment to maintaining a disciplined pricing strategy that prioritizes profitability amid competition. We intend to continue maintaining a prudent pricing strategy going forward, particularly as our innovative drug candidates, which generally carry higher gross profit margins, enter the market.

- ***Improve operating efficiency while prioritizing R&D investment***. Our operating expenses (representing the sum of selling and marketing expenses, research and development expenses, and administrative expenses) amounted to RMB816.7 million, RMB678.1 million and RMB736.4 million for the years ended December 31, 2023, 2024 and 2025, respectively. The increase in 2025 was primarily attributable to higher research and development expenses, reflecting our continued investment in our drug candidates. In 2023, 2024 and 2025, our research and development expenses accounted for 25.8%, 28.7% and 31.8% of our total operating expenses, respectively. Going forward, we intend to: (i) prioritize investment in innovative drugs to accelerate regulatory approval and commercialization; (ii) employ targeted marketing initiatives to enhance selling and marketing efficiency; and (iii) exercise administrative cost discipline through streamlining internal processes and optimizing resource allocation.

We believe these initiatives, together with the measures outlined above, will collectively drive revenue growth and enhance our long-term business sustainability and profitability.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	448,310	500,295	506,883
Right-of-use assets	79,892	67,828	60,010
Intangible assets	7,324	9,327	8,589
Total non-current assets	**535,526**	**577,450**	**575,482**
Current assets			
Inventories	132,528	128,065	110,267
Trade and other receivables	260,312	358,206	247,132
Restricted deposits	4,380	15	1
Cash and cash equivalents	144,021	66,949	136,856
Total current assets	**541,241**	**553,235**	**494,256**
Current liabilities			
Trade and other payables	234,784	204,328	193,322
Contract liabilities	1,031	266	425
Bank loans and other borrowings	374,509	477,750	249,359
Lease liabilities	17,317	15,079	13,109
Total current liabilities	**627,641**	**697,423**	**456,215**
Net current (liabilities)/assets	**(86,400)**	**(144,188)**	**38,041**
Total assets less current liabilities	**449,126**	**433,262**	**613,523**
Non-current liabilities			
Bank loans and other borrowings	80,757	119,413	397,808
Deferred income	36,435	46,865	53,718
Lease liabilities	38,410	27,703	22,552
Total non-current liabilities	**155,602**	**193,981**	**474,078**
NET ASSETS	**293,524**	**239,281**	**139,445**

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, leasehold improvements, machinery and equipment, vehicles and construction in progress. Our property, plant and equipment increased from RMB448.3 million as of December 31, 2023 to RMB500.3 million as of December 31, 2024, primarily due to (i) an increase in leasehold improvements in relation to the construction of our Zhijiang manufacturing facilities and the production line upgrade at our Taizhou manufacturing facilities, and (ii) an increase in machinery and equipment to support our manufacturing activities. For details, see "Business — Manufacturing." Our property, plant and equipment remained stable at RMB500.3 million as of December 31, 2024 and RMB506.9 million as of December 31, 2025.

Right-of-use Assets

Our right-of-use assets represent (i) leasehold land, and (ii) properties leased for own use. Our right-of-use assets decreased from RMB79.9 million as of December 31, 2023 to RMB67.8 million as of December 31, 2024, primarily due to a decrease in our properties leased for own use as a result of the termination or modification of certain leases for our office premises. Our right-of-use assets further decreased to RMB60.0 million as of December 31, 2025, primarily as a result of depreciation on our leased properties.

Inventories

The following table sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Raw materials	36,398	30,774	26,468
Work in progress	21,218	28,651	27,716
Finished goods	79,852	71,810	71,401
Subtotal	**137,468**	**131,235**	**125,585**
Less: write-down of inventories	(4,940)	(3,170)	(15,318)
Total	**132,528**	**128,065**	**110,267**

Our inventories decreased from RMB132.5 million as of December 31, 2023 to RMB128.1 million as of December 31, 2024, primarily because we optimized our raw material procurement practices, including adopting more frequent procurement cycles and reducing the need to hold excess raw materials. Our inventories further decreased from RMB128.1 million as of December 31, 2024 to RMB110.3 million as of December 31, 2025, primarily due to increased write-down of inventories prudently recorded against certain raw materials for Dinuo'an, given that this product was not selected under the VBP scheme held in late 2025.

The following table sets forth the aging analysis of our inventories (net of write-down of inventories) as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	96,568	90,402	76,636
Over one year	35,960	37,663	33,631
Total	**132,528**	**128,065**	**110,267**

Our inventory turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of inventories by the sum of cost of sales and the cost of raw materials consumed in R&D activities for the relevant year and then multiplying by the number of days for that year (365 days for 2023, 2024 and 2025), were 315 days, 370 days and 360 days for the years ended December 31, 2023, 2024 and 2025, respectively. Our inventory turnover days increased from 315 days in 2023 to 370 days in 2024, primarily due to the decrease in cost of sales against a relatively stable inventory base, which reflected the reduced sales volume of certain marketed products in the respective years. Our inventory turnover days decreased from 370 days to 360 days, primarily due to a decrease in the carrying amount of our inventories as a result of the write-down made for raw materials for Dinuo'an, while our cost of sales remained relatively stable for 2024 and 2025.

As of February 28, 2026, 12.0%, or RMB13.2 million of our inventories as of December 31, 2025 was subsequently utilized.

Trade and Other Receivables

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

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Trade receivables	232,832	323,930	212,622
Less: loss allowance	(7,099)	(10,158)	(7,275)
Trade receivables, net	**225,733**	**313,772**	**205,347**
Other receivables[1]	5,919	9,901	10,868
Less: loss allowance	(667)	(706)	(941)
Other receivables, net	**5,252**	**9,195**	**9,927**
Bills receivables, carried at fair value through other comprehensive income	—	11,958	1,703
Prepayments[2]	15,332	20,826	22,802
Value Added Tax ("**VAT**") recoverable[3]	13,995	2,455	7,353
Total	**260,312**	**358,206**	**247,132**

Notes:

(1) Primarily include performance deposits paid to our suppliers.

(2) Primarily include prepayments made for preclinical research and clinical trials to CROs, as well as third-party marketing services.

(3) Primarily in relation to our construction in progress.

Our trade and other receivables increased from RMB260.3 million as of December 31, 2023 to RMB358.2 million as of December 31, 2024, primarily due to an increase in trade receivables driven by higher sales of Xiweina in the second half of 2024 compared to the same period in 2023. By comparison, sales of Xiweina in 2023 were mainly concentrated in the first half of the year due to strong COVID-related demand, and the associated trade receivables had been substantially collected by year-end. Our trade and other receivables decreased to RMB247.1 million as of December 31, 2025, primarily due to the implementation of enhanced management and collection initiatives.

The following table sets forth an aging analysis of our trade receivables (net of loss allowance) as of the date indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Within one year	225,179	309,793	194,713
One to two years	260	3,803	10,621
Two to three years	294	42	13
Over three years	—	134	—
Total	**225,733**	**313,772**	**205,347**

For the years ended December 31, 2023, 2024 and 2025, our trade receivable turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables by revenue for the relevant year and then multiplying by number of days for that year (365 days for 2023, 2024 and 2025), amounted to 63 days, 148 days and 143 days. Turnover days were lower in

2023 compared to 2024, primarily because distributors settled outstanding balances at an accelerated pace during the year, reflecting stronger demand amid the COVID pandemic. Our trade receivable turnover days remained stable at 148 days in 2024 and 143 days in 2025.

As of February 28, 2026, 63.5%, or RMB134.9 million of our trade receivables as of December 31, 2025 had been subsequently settled.

Cash and Cash Equivalents

Our cash and cash equivalents represent cash at bank and on hand. Our cash and cash equivalents were RMB144.0 million, RMB66.9 million and RMB136.9 million as of December 31, 2023, 2024 and 2025, respectively. For details, see" — Liquidity and Capital Resources — Cash Flows."

Trade and Other Payables

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

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Payables relating to property, plant and equipment	78,194	71,578	62,125
Trade payables	38,729	46,511	40,999
Marketing expenses payables	20,386	14,479	10,135
Bills payables	—	377	72
Other payables[1]	14,375	12,189	6,213
Trade and other payables measured at amortized cost	**151,684**	**145,134**	**119,544**
Accrued payroll and benefits	35,232	26,062	36,306
Other tax payables[2]	17,026	5,688	10,914
Refund liabilities[3]	30,842	27,444	26,558
Total	**234,784**	**204,328**	**193,322**

Notes:

(1) Primarily include amounts payable for property management fees, hazardous waste disposal fees and other miscellaneous expenses.

(2) Primarily include VAT payables and property tax.

(3) Primarily represent (i) estimated liabilities for volume-based sales rebates granted to our customers, and (ii) refunds for product returns under limited circumstances, such as damages to product packaging during transportation.

Our trade and other payables decreased from RMB234.8 million as of December 31, 2023 to RMB204.3 million as of December 31, 2024, primarily due to (i) a decrease in other tax payables as a result of the fluctuations in our revenue, (ii) a decrease in accrued payroll and benefits, which resulted from increased employee compensation and benefits in 2023 to support targeted marketing efforts for Xiweina amid strong market demand, and (iii) a decrease in payables relating to property, plant and equipment attributable to the construction progress of our manufacturing facilities. Such decreases were partially offset by the increase in our trade payables, primarily reflecting more favorable credit terms arranged with our suppliers, which extended our payment cycles and resulted in higher balances outstanding at year-end.

Our trade and other payables further decreased to RMB193.3 million as of December 31, 2025, primarily due to (i) a decrease in payables relating to property, plant and equipment attributable to the construction progress of our manufacturing facilities, (ii) a decrease in other payables primarily because a larger portion of outstanding payables had been settled by the end of 2025 compared to the prior year end, and (iii) a decrease in trade payables primarily attributable to a lower volume of raw material purchases towards the end of 2025 in light of our production plan and inventory management policies. Such decreases were partially offset by the increase in accrued payroll and benefits, primarily due to an increase in employee compensation and benefits.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	36,403	44,431	33,090
Over one year	2,326	2,457	7,981
	38,729	**46,888**	**41,071**

Our trade and bills payable turnover days, calculated by dividing (i) the arithmetic mean of the opening and ending balance of trade and bills payables by (ii) the sum of cost of sales and the cost of raw materials and preclinical and clinical fees incurred in R&D activities for the relevant year, and then multiplying by the number of days for that year (365 days for 2023, 2024 and 2025), amounted to 46 days , 75 days and 65 days for the years ended December 31, 2023, 2024 and 2025, respectively. Our trade and bills payable turnover days increased from 46 days in 2023 to 75 days in 2024, primarily reflecting more favorable credit terms arranged with our suppliers. Our trade and other payable turnover days decreased from 75 days in 2024 to 65 days in 2025, primarily because our improved liquidity position enabled us to settle certain trade and bills payables on a more timely basis to foster stronger long-term relationships with our suppliers.

As of February 28, 2026, 24.7%, or RMB10.1 million of our trade and bills payables as of December 31, 2025 had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our operations, including R&D and manufacturing activities, construction of our manufacturing facilities, as well as other working capital needs. During the Track Record Period, we financed our operations and other capital requirements primarily through cash generated from our operations, bank and other borrowings and pre-[REDACTED] investments.

We expect to fund our future working capital and other cash requirements with cash generated from our operations, net [REDACTED] from the [REDACTED], and bank and other borrowings. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. Our cash and cash equivalents were RMB144.0 million, RMB66.9 million and RMB136.9 million as of December 31, 2023, 2024 and 2025, respectively. As of February 28, 2026, we had unutilized banking facilities of RMB125.0 million.

Based on our internal resources, the expected cash flow from operating activities and cash balance, other financial resources available to us and the anticipated net [REDACTED] from the [REDACTED], our Directors are of the opinion that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Net Current Assets/(Liabilities)

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

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
		(RMB in thousands)		*(unaudited)*
Current assets				
Inventories	132,528	128,065	110,267	105,749
Trade and other receivables	260,312	358,206	247,132	192,625
Restricted deposits	4,380	15	1	—
Cash and cash equivalents	144,021	66,949	136,856	85,088
	541,241	**553,235**	**494,256**	**383,462**
Current liabilities				
Trade and other payables	234,784	204,328	193,322	171,721
Contract liabilities	1,031	266	425	1,827
Bank loans and other borrowings	374,509	477,750	249,359	163,246
Lease liabilities	17,317	15,079	13,109	15,795
	627,641	**697,423**	**456,215**	**352,589**
Net current (liabilities)/assets	**(86,400)**	**(144,188)**	**38,041**	**30,873**

Our net current liabilities increased from RMB86.4 million as of December 31, 2023 to RMB144.2 million as of December 31, 2024, primarily due to (i) an increase in bank loans and other borrowings to support our operations, and (ii) a decrease in cash and cash equivalents primarily associated with an increase in net cash used in our operating activities, partially offset by an increase in trade and other receivables driven by higher sales of Xiweina in the second half of 2024 compared to the same period in 2023.

We recorded net current liabilities of RMB144.2 million as of December 31, 2024 and net current assets of RMB38.0 million as of December 31, 2025, primarily due to a decrease in bank loans and other borrowings as we adjusted our borrowing profile towards longer-term maturities to strengthen our overall financial stability.

Our net current assets decreased from RMB38.0 million as of December 31, 2025 to RMB30.9 million as of February 28, 2026, primarily due to (i) a decrease in trade and other receivables reflecting our lower sales volume in the first two months of 2026, as business activity moderated during the Chinese New Year holiday period, and (ii) a decrease in cash and cash equivalents associated with the repayment of outstanding bank loans, partially offset by (i) a decrease in bank loans and other borrowings due to repayment and as we adjusted our borrowing profile towards longer-term maturities to strengthen our overall financial stability, and (ii) a decrease in trade and other payables as we settled certain outstanding balances with our suppliers ahead of the Chinese New Year.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash (used in)/generated from operating activities	(37,475)	(155,849)	8,544
Net cash flows used in investing activities	(127,685)	(67,565)	(30,818)
Net cash flows generated from financing activities	102,217	146,329	92,163
Net increase/(decrease) in cash and cash equivalents	(62,943)	(77,085)	69,889
Cash and cash equivalents at beginning of the year	206,925	144,021	66,949
Effect of foreign exchange differences, net	39	13	18
Cash and cash equivalents at the end of the year	144,021	66,949	136,856

Net Cash Used in Operating Activities

In 2023, our net cash used in operating activities was RMB37.5 million, primarily attributable to our profit before taxation of RMB20.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included increase in deferred income of RMB27.7 million, and depreciation of right-of-use assets of RMB13.6 million, and (ii) negative adjustments, which primarily included increase in trade and other receivables of RMB112.1 million, and decrease in contract liabilities of RMB14.8 million.

In 2024, our net cash used in operating activities was RMB155.8 million, primarily attributable to our loss before taxation of RMB123.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included finance cost of RMB20.8 million, and depreciation of property, plant and equipment of RMB13.1 million, and (ii) negative adjustments, which primarily included increase in trade and other receivables of RMB82.9 million, and decrease in trade and other payables of RMB23.8 million.

In 2025, our net cash generated from operating activities was RMB8.5 million, attributable to movements of certain non-cash and working capital items despite our loss before taxation of RMB173.9 million, primarily including decrease in trade and other receivables of RMB102.9 million, finance costs of RMB23.3 million, decrease in inventories of RMB17.8 million, depreciation of property, plant and equipment of RMB17.0 million, depreciation of right-of-use assets of RMB11.4 million, and increase in deferred income of RMB6.9 million.

Net Cash Flows Used in Investing Activities

In 2023, our net cash flows used in investing activities was RMB127.7 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB139.2 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit or loss ("**FVPL**") of RMB11.5 million.

In 2024, our net cash flows used in investing activities was RMB67.6 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB67.7 million.

In 2025, our net cash flows used in investing activities was RMB30.8 million, attributable to payment for purchase of property, plant and equipment and intangible assets of RMB30.8 million.

Net Cash Generated from Financing Activities

In 2023, our net cash generated from financing activities was RMB102.2 million, primarily attributable to proceeds from new bank loans and other borrowings of RMB383.7 million, partially offset by (i) repayment of bank loans and other borrowings of RMB253.5 million and (ii) interest paid of RMB16.3 million.

In 2024, our net cash generated from financing activities was RMB146.3 million, primarily attributable to (i) proceeds from new bank loans and other borrowings of RMB481.8 million and (ii) proceeds from issuance of new shares of RMB60.9 million, partially offset by (i) repayment of bank loans and other borrowings of RMB348.2 million, (ii) interest paid of RMB32.8 million and (iii) capital element of lease rentals paid of RMB12.8 million.

In 2025, our net cash generated from financing activities was RMB92.2 million, primarily attributable to (i) proceeds from new bank loans and other borrowings of RMB818.9 million and (ii) proceeds from issuance of new shares of RMB72.0 million, partially offset by (i) repayment of bank loans and other borrowings of RMB764.7 million and (ii) interest paid of RMB20.4 million.

INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			*(unaudited)*
Current				
Bank loans and other borrowings	374,509	477,750	249,359	163,246
Lease liabilities	17,317	15,079	13,109	15,795
	391,826	**492,829**	**262,468**	**179,041**
Non-current				
Bank loans and other borrowings	80,757	119,413	397,808	434,052
Lease liabilities	38,410	27,703	22,552	25,007
	119,167	**147,116**	**420,360**	**459,059**
Total	**510,993**	**639,945**	**682,828**	**638,100**

Bank loans and other borrowings

Our bank loans and other borrowings consist of secured bank loans, guaranteed bank loans and secured other borrowings to finance our daily operating expenses and capital expenditures. As of December 31, 2023, 2024 and 2025, we had bank loans and other borrowings of RMB455.3 million, RMB597.2 million and RMB647.2 million, respectively. For details, see Note 20 to the Accountants' Report of the Group in Appendix I to this document.

The following table sets forth the breakdown of our bank and other borrowings as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			(unaudited)
Secured bank loans	165,605	115,233	20,023	19,014
Guaranteed bank loans	289,661	418,281	537,903	496,175
Secured other borrowings	—	63,649	89,241	82,109
Total	**455,266**	**597,163**	**647,167**	**597,298**

Our bank loans comprised secured bank loans and guaranteed bank loans. As of December 31, 2023, 2024 and 2025, we had secured bank loans of RMB165.6 million, RMB115.2 million and RMB20.0 million, respectively. For the years ended December 31, 2023, 2024 and 2025, the interest rates of our secured bank loans ranged from 4.9% to 6.1%, 5.99% to 6.0% and 3.8% per annum, respectively. As of December 31, 2023, 2024 and 2025, we had guaranteed bank loans of RMB289.7 million, RMB418.3 million and RMB537.9 million, respectively. The guaranteed loans were guaranteed by our Company, Mr. Dong and Shanghai Xintian. The guarantees provided by Mr. Dong and Shanghai Xintian are expected to be fully released and discharged prior to the Listing. For the years ended December 31, 2023, 2024 and 2025, the interest rates of our guaranteed bank loans ranged from 3.45% to 4.5%, 3.35% to 3.9% and 3.00% to 3.55% per annum, respectively.

Our secured other borrowings represent borrowings from a financial institution to finance our daily operating expenses and capital expenditures. Our secured other borrowings were secured by property, plant and equipment of RMB81.5 million and RMB87.3 million as of December 31, 2024 and 2025, respectively. For the year ended December 31, 2024 and 2025, the interest rates of our secured other borrowings ranged from 6.45% to 7.7% and 6.45% to 8.65% per annum, respectively.

As of February 28, 2026, we had bank loans and other borrowings of RMB597.3 million. The decrease from December 31, 2025 to February 28, 2026 was primarily due to the repayment of bank loans upon maturity.

Our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, the agreements relating to our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. During the Track Record Period and up to the Latest Practicable Date, we did not have any material defaults or breaches of covenants in repayment of indebtedness.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of plant, offices and laboratory. Under IFRS 16, we recognize lease liabilities with respect to all leases, except for short term leases and leases of low value assets. As of December 31, 2023, 2024 and 2025, our current lease liabilities amounted to RMB17.3 million, RMB15.1 million and RMB13.1 million, and our non-current lease liabilities amounted to RMB38.4 million, RMB27.7 million and RMB22.6 million.

As of February 28, 2026, we had current lease liabilities of RMB15.8 million and non-current lease liabilities of RMB25.0 million.

Contingent Liabilities

As of December 31, 2025, we did not have any material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any bank and other loans, or any issued and outstanding or agreed to be issued loan capital, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptances (other than ordinary trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or finance lease commitments, guarantees or other material contingent liabilities. Our Directors confirm that there had been no material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period was related to payment for purchases of property, plant and equipment and intangible assets. For the years ended December 31, 2023, 2024 and 2025, our capital expenditure amounted to RMB139.2 million, RMB67.7 million and RMB30.8 million, respectively.

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to amounts contracted for acquisition of property, plant and equipment that had not yet reached the stipulated project milestones. As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB49.4 million, RMB34.8 million and RMB24.9 million, respectively.

MATERIAL RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See Note 28 in the Accountants' Report set out in Appendix I of this document for details on our transactions with related parties during the Track Record Period. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business on an arm's length basis and on normal commercial terms between the relevant parties and would not distort our track record results or cause our historical results to become non-reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Gross profit margin(1)	86.3%	83.0%	83.3%
Current ratio(2)	0.9	0.8	1.1
Quick ratio(3)	0.7	0.6	0.8
Gearing ratio(4)	1.7	2.7	4.9

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100.0%.

(2) Current ratio is calculated based on total current assets divided by total current liabilities.

(3) Quick ratio is calculated as current assets less inventories divided by current liabilities.

(4) Gearing ratio is calculated using total debt (including all bank loans and other borrowings and lease liabilities) divided by total equity.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including currency risk, credit risk, liquidity risk and interest rate risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 26 in the Accountants' Report set out in Appendix I of this document.

Currency Risk

We are not exposed to significant currency risk as our transactions denominated in foreign currencies were immaterial.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss to us. Our credit risk primarily arises from our trade and other receivables. Our exposure to credit risk arising from our cash and cash equivalents is limited as these are placed with banks which we consider to have low credit risk. We do not provide any guarantees that would expose us to additional credit risk.

Liquidity Risk

Liquidity risk refers to the risk that we may encounter difficulty in meeting our financial obligations as they fall due. We manage our liquidity risk by regularly monitoring our liquidity requirements and our compliance with lending covenants, and by ensuring that we maintain sufficient cash reserves and have adequate committed funding lines from major financial institutions to meet our short-term and long-term liquidity needs. Further details and an analysis of the maturity profile of our non-derivative financial liabilities as of the end of each year during the Track Record Period are set out in Note 26 to the Accountants' Report in Appendix I to this document.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk arises primarily from cash at banks, restricted deposits, bank loans and other borrowings and lease liabilities. Variable-rate financial assets and liabilities expose us to cash flow interest rate risk, while fixed-rate financial assets and liabilities expose us to fair value interest rate risk, respectively.

Fair Value Measurement

The carrying amounts of the our financial instruments carried at amortised cost are not materially different from their fair values as of December 31, 2023, 2024 and 2025.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A proposal to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board. Such proposals will depend on a number of factors, including our results of operations, cash flows, financial condition, cash dividends received from our subsidiaries, business prospects, statutory and regulatory restrictions, and other factors that our Board may consider important. Our Shareholders may approve dividend declarations, subject to our constitutional documents and applicable laws. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

DISTRIBUTABLE RESERVES

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

PROPERTIES AND VALUATION

In accordance with the requirement of Rule 5.07 of the Listing Rules, Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as of February 28, 2026. Particulars of our property interests are set out in "Appendix III — Property Valuation Report" to this document.

The following table sets forth the reconciliation between the net book value of our property as of December 31, 2025 in the Accountants' Report set out in Appendix I to this document and the value of our property as of February 28, 2026 in the Property Valuation Report set out in Appendix III to this document.

	(RMB in thousands)
Net book value of the property as of December 31, 2025	249,757
Addition:	616
Less: Depreciation	305
Net book value of the property as of February 28, 2026	250,068
Net valuation surplus as of February 28, 2026	21,342
Value of the property as of February 28, 2026 as set out in "Appendix III — Property Valuation Report" to this document	271,410[(1)]

Note:

(1) Includes (i) market value in existing state of RMB116,677 thousand as of February 28, 2026, which does not take into account buildings on the property whose title certificates have not been obtained, and (ii) depreciated replacement cost of these buildings (excluding land element) of RMB154,733 thousand as of February 28, 2026, assuming the relevant title certificate has been obtained and they could be freely transferred.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$[REDACTED] million (based on an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per Share), representing approximately [REDACTED]% of the estimated gross [REDACTED] from the [REDACTED] assuming no Shares are issued pursuant to the [REDACTED]. The [REDACTED] expenses consist of (i) [REDACTED] expenses, including [REDACTED] commission, of approximately HK$[REDACTED], and (ii) non-[REDACTED]-related expenses of approximately HK$[REDACTED], comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$[REDACTED], and (b) other fees and expenses of approximately HK$[REDACTED]. During the Track Record Period, [REDACTED] expenses charged to our consolidated statements of profit or loss were HK$[REDACTED]. Subsequent to the Track Record Period, approximately HK$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the years reported on in the Accountants' Report as set out in Appendix I to this document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants' Report as set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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