*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 all applicable International Financial Reporting Standards (the "**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 near-commercial biopharmaceutical company and have built a diversified portfolio of monthly injectables, oral peptide therapies, and multi-target therapies to address increasingly personalized treatment needs of the global population living with obesity and other metabolic disorders. Our Core Product, zovaglutide (ZT002), is a potentially first-to-market and best-in-class monthly GLP-1 receptor agonist (GLP-1 RA) peptide injection. It is currently in a Phase III clinical trial (HORIZON-1) in China for obesity, and has demonstrated favorable tolerability and competitive weight-loss efficacy for obesity in its Phase II trial. Leveraging our proprietary technology platforms for peptide/protein engineering and scalable manufacturing, we continuously generate next-generation metabolic therapeutics that offer differentiated clinical benefits compared to traditional treatments.

BASIS OF PREPARATION

The historical financial information has been prepared based on the accounting policies set out in Note 2.1 to the Accountants' Report set out in Appendix I to this document which conform with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"). For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied the accounting policies which conform with IFRS Accounting Standards throughout the Track Record Period.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgements, estimates and assumptions in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountants' Report set out in Appendix I to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition are influenced by various general factors, including macroeconomic trends, industry dynamics, regulatory developments, and the competitive landscape in the metabolic disease therapeutics market. Any negative change in these conditions may adversely impact our results of operations. In addition to these general factors, the following specific factors have had, and are expected to continue to have, a more direct impact on our results of operations.

Our Ability to Successfully Develop and Commercialize Our Pipeline Products

Our business and results of operations depend on our ability to advance our drug development programs, demonstrate favorable safety and efficacy outcomes in clinical trials, obtain requisite regulatory approvals, secure sufficient manufacturing capacity, and commercialize our products in target markets as planned. As of the Latest Practicable Date, we had cultivated a diverse pipeline of eight drug candidates, with four drug candidates advanced into clinical development, including zovaglutide, ZT006, ZT003 and ZT001. We are also advancing four preclinical-stage programs, ZT010, ZT011, ZT012 and ZT013. See "Business — Our Pipeline" for more information on the development status of our drug candidates.

Although we have not commercialized any of our drug products, we expect to bring one or more of our drug candidates to market in the coming years as they move towards the final stages of development. Specifically, zovaglutide is expected to complete its Phase III clinical trial and submit a BLA for obesity treatment to the NMPA in 2028. To support the successful development and future commercialization of our drug candidates, we intend to continue investing in the research and development of our pipeline candidates, strengthening our technology platforms to continuously support our R&D activities, enhancing our in-house manufacturing capabilities, and pursuing strategic and diversified global partnerships for commercial launch of our drug candidates. For more details, see "Business — Our Strategies" and "Risk Factors — Risks Relating to the Development of Our Drug Candidates."

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

There remain substantial unmet clinical needs in the treatment of metabolic diseases. According to CIC, the global market for metabolic disease therapies expanded from approximately US$121.8 billion in 2020 to approximately US$190.5 billion in 2024, and is projected to reach approximately US$573.9 billion by 2035. The Chinese market for metabolic disease therapies grew from approximately US$12.5 billion in 2020 to approximately US$16.7 billion in 2024 and is expected to reach approximately US$46.0 billion by 2035. The GLP-1 RA market segment alone is expected to reach US$209.6 billion globally and US$29.6 billion in China by 2035, representing significant commercial opportunities for our portfolio. Especially, within the global GLP-1 RA market, monthly acting and oral-administered GLP-1 RAs are rapidly increasing their market shares. The monthly acting GLP-1 RAs are expected to account for approximately 25.2% and 26.4% of the global and Chinese markets in 2035, respectively, and the oral GLP-1 RAs are expected to account for approximately 24.9% and 24.4% of the global and Chinese markets in 2035, respectively.

Our efforts have centered on research and development, and manufacturing of biological therapeutics for chronic metabolic diseases including obesity, MASH, T2DM, and SHTG. According to CIC, zovaglutide, our Core Product, has the potential to be the world's first approved once-monthly GLP-1 RA. However, we face intense competition from other product candidates under development for the treatment of the same indications for which we are developing zovaglutide and our other drug candidates. The ability of zovaglutide and our other drug candidates, once approved for commercial sales, to compete successfully against other marketed drugs and therapies will have a material impact on our future revenue and results of operations. We intend to capture the market opportunities by executing our business strategies, continuing to accelerate the clinical development of our Core Product and other drug candidates, enhance our in-house manufacturing capability and build dedicated commercial team. See "Risk Factors — Key Risks Relating to Our Business — We face substantial competition and our competitors may discover, develop or commercialize competing drugs faster or more successfully than we do, which may adversely affect our financial condition and our ability to commercialize our drug candidates" for more details.

Our Research and Development Expenses

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses. We believe that our ability to advance drug candidates successfully is crucial to our long-term competitiveness, growth, and future development. Developing best-in-class drug candidates requires significant financial investments over an extended period, and one of our strategies is to maintain consistent and significant investments in this area. The research and development expenses we incurred in 2024 and 2025 amounted to RMB150.5 million and RMB176.1 million, respectively, representing an increase of 17.0% year-over-year, primarily due to the advancement of our clinical pipeline programs. See "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and Development Expenses" for more details.

We expect our research and development expenses to remain a major component of our cost structure. As we continue to advance additional candidates along clinical trials and conduct additional preclinical studies, we expect to incur additional costs related to, among other things, preclinical study and clinical trial expenses.

Our Existing and Future Collaboration Arrangements

During the Track Record Period, we have established collaboration arrangements with biopharmaceutical companies to support the research, development and commercialization of our drug candidates in specified territories. This collaborative business model enables us to leverage the research and development capabilities, industry experience and resources of our partners, and provides a cost-effective approach to advancing the clinical development and commercialization of our product candidates. See "Business — Our Collaboration and Licensing Agreements" for details.

Our collaboration arrangements form an important component of our overall business strategy and support the execution of our development and commercialization plans. The performance and progress of these collaborations may be affected by a number of factors, including the business priority and resource allocation of our business partners. In addition, our ability to enter into new collaboration arrangements may depend on market conditions and the availability of suitable partners. We will continue to manage and review our existing collaborative arrangements and assess opportunities for new strategic partnerships in line with our business development.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through collaboration arrangements, interest-bearing borrowings and equity financing. Upon successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with income generated from sales of our commercialized drug products. As our business continues to expand, we may require further funding through equity offerings, debt financing, out-license and collaboration arrangements, and other sources. Changes in our ability to fund our operations will impact on our cash flow and our results of operations. See also "Risk Factors — Risks Relating to Our Financial Position and Need for Additional Capital."

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. Nevertheless, actual results may differ from these estimates. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. For details, see Notes 2.3 and 3 to the Accountants' Report set out in Appendix I to this document.

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

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

	For the Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Revenue	4,006	3,132
Cost of sales	(850)	(1,658)
Gross profit	3,156	1,474
Other income and gains	10,337	11,472
Administrative expenses	(25,060)	(27,304)
Research and development expenses	(150,474)	(176,087)
Other expenses	(23)	(340)
Finance costs	(1,707)	(650)
Loss before tax	(163,771)	(191,435)
Income tax (expense)/credit	(39)	7
Loss for the year	(163,810)	(191,428)
Attributable to owners of the parent	(163,810)	(191,428)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of a foreign operation	23	85
Other comprehensive income for the year, net of tax	23	85
Total comprehensive loss for the year	(163,787)	(191,343)
Attributable to owners of the parent	(163,787)	(191,343)

Revenue

During the Track Record Period, we had not commercialized any of our drug products, and we generated revenue from (i) provision of research and development services, and (ii) sale of pharmaceutical intermediates. The following table sets forth a breakdown of our revenue for the years indicated.

	For the Year Ended December 31,			
	2024		2025	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Provision of research and development services	3,519	87.8	973	31.1
Sale of pharmaceutical intermediates	487	12.2	2,159	68.9
Total	4,006	100.0	3,132	100.0

Cost of Sales

Our cost of revenue consists primarily of (i) cost of service related to the provision of research and development services, and (ii) cost of pharmaceutical intermediates sold. The following table sets forth a breakdown of our cost of revenue by nature for the years indicated.

	For the Year Ended December 31,			
	2024		2025	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Cost of service provided	718	84.5	617	37.2
Cost of pharmaceutical intermediates sold	132	15.5	1,041	62.8
Total	850	100.0	1,658	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB3.2 million and RMB1.5 million in 2024 and 2025, respectively, and our gross profit margin reached 78.8% and 47.1% in 2024 and 2025, respectively.

Other Income and Gains

Our other income consists primarily of (i) government grants, which mainly represent subsidies from local government authorities as incentives for our research and development activities with no unfulfilled conditions, and (ii) interest income, which mainly represents interest income derived from our bank deposits.

Our other gains consist primarily of (i) investment income from financial assets at fair value through profit or loss, which represents gains related to wealth management products that we purchased, and (ii) fair value gains on financial assets at fair value through profit or loss, which represents changes in fair value of our wealth management products.

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

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income		
Government grants	6,978	9,057
Interest income	1,100	1,196
Total other income	8,078	10,253
Gains		
Investment income from financial assets at fair value through profit or loss	1,822	971
Fair value gains on financial assets at fair value through profit or loss	259	213
Foreign exchange differences, net	178	—
Others	—	35
Total gains	2,259	1,219
Total other income and gains	10,337	11,472

Administrative Expenses

Our administrative expenses consist primarily of (i) staff costs, including salaries, wages, and share-based payment expenses; (ii) professional service fees in relation to advisory services, including fees for legal, accounting, and other professional services; (iii) amortization and depreciation, which represents amortization and depreciation of property, plant and equipment, and right-of-use assets; (iv) daily operation costs, which include office expenses, utilities, and other general operating expenses; (v) [REDACTED] expenses related to this [REDACTED]; and (vi) others, such as travel and business development expenses. The following table sets forth a breakdown of our administrative expenses by nature for the years indicated.

	For the Year Ended December 31,			
	2024		2025	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Staff costs	13,206	52.7	14,662	53.7
Professional service fees	5,449	21.7	6,196	22.7
Amortization and depreciation	2,846	11.4	1,579	5.8
Daily operation costs	2,768	11.0	2,495	9.1
[REDACTED] expenses	—	—	[REDACTED]	[REDACTED]
Others	791	3.2	868	3.2
Total	25,060	100.0	27,304	100.0

Research and Development Expenses

Our research and development expenses consist primarily of (i) technical service fees, primarily representing CRO service fees; (ii) staff costs, including salary, wages, as well as share-based payment expenses; (iii) material costs, primarily related to procurement of materials used in pre-clinical and clinical development including biological reagents and consumables; (iv) amortization and depreciation, which represents amortization and depreciation of property, plant and equipment, and right-of-use assets; and (v) others, which represents utility, travel expenses and miscellaneous items. The following table sets forth a breakdown of our research and development expenses by nature for the years indicated.

	For the Year Ended December 31,			
	2024		2025	
	Amount	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)			
Technical service fees	48,435	32.2	81,639	46.4
Staff costs	34,986	23.3	47,356	26.9
Material costs	51,189	34.0	23,415	13.3
Amortization and depreciation	6,985	4.6	13,659	7.8
Others	8,880	5.9	10,019	5.7
Total	150,474	100.0	176,087	100.0

Finance Costs

During the Track Record Period, our finance costs primarily consisted of (i) interest on bank and other borrowings; and (ii) interest on lease liabilities. The interest capitalized represents the capitalization of interest related to bank borrowings for the construction of production facilities in Taizhou. The following table sets forth a breakdown of our finance costs for the years indicated:

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Interest on bank and other borrowings	1,423	1,657
Interest on lease liabilities	451	398
Others	94	—
Total interest expense on financial liabilities not at fair value through profit or loss	1,968	2,055
Less: Interest capitalised	(261)	(1,405)
Total	1,707	650

Loss Before Tax

As a result of the foregoing, we recorded loss before tax of RMB163.8 million and RMB191.4 million in 2024 and 2025, respectively.

Income Tax Expense

We recorded income tax expense of RMB39 thousand in 2024, and income tax credit of RMB7 thousand in 2025, respectively. The income tax expense primarily relates to deferred tax liabilities recognized in connection with fair value adjustments on financial assets.

The current income tax charge is calculated based on the tax laws enacted at the end of each period comprising the Track Record Period in the countries where we and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Chinese Mainland

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25%.

We are qualified as a High-New Technology Enterprises since December 1, 2022 and have been subject to a preferential income tax rate of 15% until December 1, 2028 after the approval of the extension of our HNTE status on December 2, 2025.

Australia

Our subsidiary incorporated in Australia is subject to income tax at a rate of 30% on taxable income in 2024 and is entitled to a reduced preferential rate of 25% in 2025. Under the Research and Development Tax Incentive ("**R&DTI**") implemented by the Australian Taxation Office, entities engaged in research and development may be entitled to a refundable tax offset equal to the entity's company tax rate plus an 18.5% premium for eligible entities with an aggregated turnover of less than AUD20,000,000 per annum, provided they are not controlled by income tax-exempt entities. Any remaining balance after the application of tax offset shall be refunded to the entity in cash.

Loss for the Year

As a result of the foregoing, we recorded net loss of RMB163.8 million and RMB191.4 million in 2024 and 2025, respectively. We expect to continue incurring net losses in the near term as we continue to invest in research and development for our pipeline programs. Our ability to achieve profitability in the future will depend on the successful commercialization of one or more of our drug candidates.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue decreased from RMB4.0 million in 2024 to RMB3.1 million in 2025, primarily due to the decreases in revenue generated from provision of research and development services of RMB2.5 million, as a greater portion of projects was completed in 2024 than in 2025 in terms of project progress; and partially offset by the increase in sale of pharmaceutical intermediates of RMB1.7 million, driven by the increase in sales volume of such pharmaceutical intermediates.

Cost of Sales

Our cost of sales increased by 95.1% from RMB0.9 million in 2024 to RMB1.7 million in 2025, primarily due to the increase in sales volume of intermediates.

Gross Profit and Gross Profit Margin

Our gross profit decreased from RMB3.2 million in 2024 to RMB1.5 million in 2025. Our gross profit margin decreased from 78.8% in 2024 to 47.1% in 2025, primarily due to the decrease in the unit selling price of pharmaceutical intermediates.

Other Income and Gains

Our other income increased from RMB8.1 million in 2024 to RMB10.3 million in 2025, primarily due to the increase in government grants attributable to the additional government grants we received in 2025.

Our gains decreased from RMB2.3 million in 2024 to RMB1.2 million in 2025, primarily due to a decrease in investment income from financial assets at fair value through profit or loss from RMB1.8 million in 2024 to RMB1.0 million in 2025 attributable to the redemption of wealth management products with relatively higher yields in 2024.

Administrative Expenses

Our administrative expenses increased by 9.0% from RMB25.1 million in 2024 to RMB27.3 million in 2025, primarily due to (i) increased [REDACTED] expenses of [REDACTED], mainly attributable to professional service related to this [REDACTED], and (ii) increased staff costs of RMB1.5 million, mainly attributable to increased headcount and compensation; partially offset by decreased amortization and depreciation of RMB1.3 million.

Research and Development Expenses

Our research and development expenses increased by 17.0% from RMB150.5 million in 2024 to RMB176.1 million in 2025, primarily due to (i) an increase in technical service fees from RMB48.4 million in 2024 to RMB81.6 million in 2025, attributable to increased outsourcing cost of clinical trial services as our clinical programs advanced, (ii) an increase in staff costs from RMB35.0 million in 2024 to RMB47.4 million in 2025, reflecting increased headcount and compensation for our R&D team; partially offset by a decrease in material costs from RMB51.2 million in 2024 to RMB23.4 million in 2025.

Finance Costs

Our finance costs decreased by 61.9% from RMB1.7 million in 2024 to RMB0.7 million in 2025, primarily due to the increase in interest capitalised from RMB0.3 million in 2024 to RMB1.4 million in 2025, attributable to the construction of production facilities in Taizhou.

Loss for the Year

As a result of the foregoing, our loss for the year increased by 16.9% from RMB163.8 million in 2024 to RMB191.4 million in 2025, primarily attributable to increased research and development expenses in connection with our expanded clinical programs.

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

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

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	106,131	103,434
Right-of-use assets	8,730	9,923
Other intangible assets	—	28
Prepayments, other receivables and other assets	23,876	23,985
Total non-current assets	138,737	137,370
Current assets		
Trade receivables	2,149	165
Prepayments, other receivables and other assets	11,308	10,888
Financial assets at fair value through profit or loss	25,074	10,213
Cash and cash equivalents	35,079	31,195
Time deposits	20,083	—
Total current assets	93,693	52,461
Current liabilities		
Trade payables	10,835	11,672
Other payables and accruals	6,393	8,147
Contract liabilities	—	225
Interest-bearing bank borrowings	17,571	11,046
Lease liabilities	3,965	3,951
Total current liabilities	38,764	35,041
Net current assets	54,929	17,420
Total assets less current liabilities	193,666	154,790

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Non-current liabilities		
Contract liabilities	139,726	187,677
Interest-bearing bank borrowings	29,652	35,910
Lease liabilities	5,801	5,568
Deferred tax liabilities	39	32
Total non-current liabilities	175,218	229,187
Net assets/(liabilities)	18,448	(74,397)
Equity		
Equity attributable to owners of the parent		
Paid-in capital	2,417	2,575
Reserves	16,031	(76,972)
Total equity/(deficits)	18,448	(74,397)

Property, Plant and Equipment

Our property, plant and equipment consists of machinery, equipment, furniture and fixtures, motor vehicles, leasehold improvement and construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Machinery	59,141	61,952
Equipment	4,035	3,118
Furniture and fixtures	402	488
Motor vehicles	45	61
Leasehold improvements	38,463	35,024
Construction in progress	4,045	2,791
Total	106,131	103,434

Right-of-Use Assets

Right-of-use assets primarily represent our leases for office premises in Beijing and production facilities in Taizhou entered into in relation to our daily business operations. Our right-of-use assets increased from RMB8.7 million as of December 31, 2024 to RMB9.9 million as of December 31, 2025, primarily due to the extension of lease term of our Beijing office.

Trade Receivables

Our trade receivables mainly relate to the amounts due from customers for intermediates and services provided by us.

Our trade receivables decreased from RMB2.1 million as of December 31, 2024 to RMB0.2 million as of December 31, 2025, primarily due to settlement of receivables.

The following table sets forth the ageing analysis of our trade receivables based on the invoice date as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Within one month	2,149	165
Total	2,149	165

As of February 28, 2026, all of our trade receivables outstanding as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

The current portion of our prepayments, other receivables and other assets consists primarily of (i) prepayments for purchasing research and development services and raw materials, (ii) other receivables representing deposits and miscellaneous receivables, (iii) deferred [REDACTED] expenses in relation to the [REDACTED], and (iv) amounts due from a related party in relation to ESOP platform. The non-current portion of our prepayments, other receivables and other assets consists primarily of (i) value-added tax recoverable, which represents our value-added tax (VAT) input tax credit that will be utilized to deduct our VAT output tax in the future, (ii) advance payments for property, plant and equipment, and (iii) deposits for leases. The following table sets forth the breakdown of our prepayments, other receivables, and other assets as of the dates indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Current		
Prepayments	11,131	10,148
Other receivables	39	32
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]
Due from a related party[1]	138	138
Subtotal	11,308	10,888
Non-current		
Advance payments for property, plant and equipment	6,845	1,985
Deposits	1,436	1,668
Value-added tax recoverable	15,595	20,332
Subtotal	23,876	23,985
Total	35,184	34,873

Note:

(1) The amount due from a related party has been settled as of the Latest Practicable Date.

The current portion of our prepayments, other receivables and other assets decreased from RMB11.3 million as of December 31, 2024 to RMB10.9 million as of December 31, 2025, primarily due to a decrease in prepayments from RMB11.1 million as of December 31, 2024 to RMB10.1 million as of December 31, 2025, mainly attributable the utilization of prepaid research and development services, partially offset by an increase in deferred [REDACTED] expenses of [REDACTED] million in connection with the [REDACTED].

The non-current portion of our prepayments, other receivables and other assets remained stable at RMB23.9 million as of December 31, 2024 and RMB24.0 million as of December 31, 2025, primarily due to a decrease in advance payments for property, plant and equipment from RMB6.8 million as of December 31, 2024 to RMB2.0 million as of December 31, 2025 as equipment was delivered and transferred to property, plant and equipment, partially offset by an increase in value-added tax recoverable from RMB15.6 million as of December 31, 2024 to RMB20.3 million as of December 31, 2025, attributable to continued receipt of input VAT invoices for materials and services.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly represented our investments in wealth management products. Our financial assets at fair value through profit or loss decreased from RMB25.1 million as of December 31, 2024 to RMB10.2 million as of December 31, 2025, primarily due to decreased investments in wealth management products.

As part of our treasury management, we invest in certain wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our treasury management activities, to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. Specifically, our treasury management policies include, but not limited to that (i) we insist on investing in low-risk wealth management products such as structured deposits as our fundamental investment guideline; (ii) our finance department is in charge of assessment and purchase of wealth management products after considering the amount of our available funds and future capital needs while ensuring liquidity safety under the principle of maximizing the return on funds; and (iii) an application should be submitted to and approved by senior management before any purchase of wealth management products. The approval from our Board of Directors is required for any significant entrusted financial investment. Under our treasury management policies, we have adopted a prudent approach in selecting wealth management products from reputable banks in the PRC.

To control our risk exposure, we have in the past sought, and may continue in the future to seek, low-risk wealth management products that provide better investment returns than term deposits at commercial banks. Upon the completion of the [REDACTED], we will comply with relevant size test requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash and bank balance denominated in RMB, USD and AUD. Our cash and cash equivalents decreased from RMB35.1 million as of December 31, 2024 to RMB31.2 million as of December 31, 2025, primarily due to cash used in operation.

Trade Payables

Our trade payables primarily arise from our purchases of raw materials and research and development services. The following table sets forth the aging analysis of trade payables based on dates of receiving services and goods.

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Within one year	10,585	11,493
Over one year	250	179
Total	10,835	11,672

Our trade payables increased from RMB10.8 million as of December 31, 2024 to RMB11.7 million as of December 31, 2025, primarily due to the increase in payables related to research and development service.

As of February 28, 2026, approximately RMB2.6 million, or 22.2% of our trade payables outstanding as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals comprise primarily (i) other payables in relation to property, plant and equipment and professional service expenses payable for professional services, (ii) payroll payables in relation to salaries and bonuses payable to employees, (iii) other tax payables, primarily representing VAT and individual income tax withholdings, and (iv) amounts due to a related party, primarily representing competition prize received by us on behalf of and payable to our director. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Other payables	4,132	3,368
Payroll payables	498	617
Other tax payables	1,763	1,997
Due to a related party	—	2,165
Total	6,393	8,147

Our other payables and accruals increased from RMB6.4 million as of December 31, 2024 to RMB8.1 million as of December 31, 2025, primarily due to an increase in due to a related party from nil as of December 31, 2024 to RMB2.2 million as of December 31, 2025, mainly attributable to competition prize received by us on behalf of and payable to our director; partially offset by a decrease in other payables from RMB4.1 million as of December 31, 2024 to RMB3.4 million as of December 31, 2025, mainly attributable to decrease in payables related to equipment.

Contract Liabilities

Contract liabilities primarily include advances received for goods and services. We recorded contract liabilities of RMB139.7 million and RMB187.9 million as of December 31, 2024 and 2025, respectively. The contract liabilities primarily reflected our increased performance obligations under the collaboration with Tonghua Dongbao and IMEIK. See "Business — Our Collaboration and Licensing Agreements" for more details.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we had financed our operations primarily through capital contributions from financing activities. We expect that our cash needs in the near future will primarily relate to progressing the research and development of our drug candidates, obtaining regulatory approvals and commencing commercialization, as well as expanding our drug candidate portfolio. For these purposes, we expect capital contribution from debt financing including banks loans and the expected [REDACTED] from the [REDACTED] to constitute the main source of funding.

During the Track Record Period, we recorded net cash outflows from our operations. Our net cash used in operating activities was RMB45.0 million and RMB111.6 million in 2024 and 2025, respectively, which was mainly attributable to our research and development expenses and administrative expenses we incurred during the Track Record Period.

Current Assets and Current Liabilities

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

	As of December 31,		As of February 28,
	2024	2025	2026
	(RMB in thousands)		
			(unaudited)
Current assets			
Trade receivables	2,149	165	—
Prepayments, other receivables and other assets	11,308	10,888	13,915
Financial assets at fair value through profit or loss	25,074	10,213	24,000
Cash and cash equivalents	35,079	31,195	531,178
Time deposits	20,083	—	—
Total current assets	93,693	52,461	569,093
Current liabilities			
Trade payables	10,835	11,672	27,887
Other payables and accruals	6,393	8,147	19,425
Contract liabilities	—	225	225
Interest-bearing bank borrowings	17,571	11,046	1,242
Lease liabilities	3,965	3,951	3,140
Total current liabilities	38,764	35,041	51,919
Net current assets	54,929	17,420	517,174

Our net current assets increased from RMB17.4 million as of December 31, 2025 to RMB517.2 million as of February 28, 2026, primarily due to an increase in cash and cash equivalents of RMB500.0 million in relation to Series C Financing in February 2026.

Our net current assets decreased from RMB54.9 million as of December 31, 2024 to RMB17.4 million as of December 31, 2025, primarily due to (i) a decrease in time deposits of RMB20.1 million, (ii) a decrease in financial assets at fair value through profit or loss of RMB14.9 million; partially offset by (iii) a decrease in interest-bearing bank borrowings of RMB6.5 million.

Cash Flows

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

	For the Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Net cash flows used in operating activities	(45,040)	(111,598)
Net cash flows from investing activities	8,342	20,897
Net cash flows from financing activities	29,287	86,732
Net decrease in cash and cash equivalents	(7,411)	(3,969)
Cash and cash equivalents at beginning of year	42,467	35,079
Effect of foreign exchange rate changes, net	23	85
Cash and cash equivalents at end of year	35,079	31,195

Net Cash Flows Used in Operating Activities

For the year ended December 31, 2025, our net cash flows used in operating activities was RMB111.6 million, mainly due to our loss before tax of RMB191.4 million, adjusted by (i) certain non-cash items, including depreciation of property, plant and equipment of RMB19.3 million, and (ii) changes in working capital, which primarily included an increase in contract liabilities of RMB48.2 million.

For the year ended December 31, 2024, our net cash flows used in operating activities was RMB45.0 million, mainly due to our loss before tax of RMB163.8 million, adjusted by (i) certain non-cash items, including depreciation of property, plant and equipment of RMB12.6 million, and (ii) changes in working capital, which primarily included an increase in contract liabilities of RMB114.2 million representing advance payments received under our collaboration agreements.

Net Cash Flows From Investing Activities

For the year ended December 31, 2025, our net cash flows from investing activities was RMB20.9 million, mainly due to (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB269.9 million, and (ii) Proceeds from disposal of bank deposits with original maturity of more than three months when acquired of RMB20.1 million, partially offset by (iii) purchase of financial assets at fair value through profit or loss of RMB253.9 million, and (iv) purchase of property, plant and equipment of RMB15.2 million.

For the year ended December 31, 2024, our net cash flow from investing activities was RMB8.3 million, mainly due to (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB307.1 million, partially offset by (ii) purchase of financial assets at fair value through profit or loss of RMB227.8 million and (iii) purchase of property, plant and equipment of RMB51.0 million.

Net Cash Flows from Financing Activities

For the year ended December 31, 2025, our net cash flows from financing activities was RMB86.7 million, mainly due to (i) capital contribution by shareholders of RMB95.8 million, and (ii) new bank borrowings of RMB17.3 million; partially offset by (iii) repayments of bank and other borrowings of RMB17.5 million.

For the year ended December 31, 2024, our net cash flows from financing activities was RMB29.3 million, mainly due to (i) new bank borrowings of RMB47.2 million, and (ii) capital contribution by shareholders of RMB10.5 million; partially offset by repayments of bank and other borrowings of RMB23.4 million.

CASH OPERATING COSTS

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

	For the Year Ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Costs Relating to Research and Development of Our Core Product		
Trials and testing expenses	30,288	27,969
Staff cost	7,953	9,009
Material cost	4,702	11,909
Others	2,885	1,409
Subtotal	45,827	50,296
Costs Relating to Research and Development of Other Drug Candidates		
Trials and testing expenses	29,776	30,429
Staff cost	34,219	46,442
Material cost	29,709	39,345
Others	12,390	12,199
Subtotal	106,093	128,415
Total Costs Relating to Research and Development	151,920	178,711
Other Costs		
Staff cost	13,134	14,703
Operating cost	10,253	15,508

WORKING CAPITAL CONFIRMATION

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our business operations and mitigate the effects of fluctuations in cash flows. Our Directors are of the opinion that, taking into account the financial resources available, including cash and cash equivalents, financial assets at fair value through profit or loss which represents wealth management products we purchased, and the estimated [REDACTED] from the [REDACTED] and our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses, other expenses and necessary capital expenditure for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures, bank borrowings payments and lease payments. We estimate that we will receive [REDACTED] of approximately [REDACTED] million in the [REDACTED], assuming that the [REDACTED] is not exercised and an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the [REDACTED]. Assuming an average cash burn rate going forward of [REDACTED] times of the level in 2025, we estimate that our cash and cash equivalents and financial assets at fair value through profit or loss as of December 31, 2025 will be able to maintain our financial viability for [REDACTED] months from January 1, 2026 taking into account the proceeds from the Series C Financing completed in February 2026 and the estimated [REDACTED] from the [REDACTED]; or we estimate that we will be able to maintain our financial viability for [REDACTED] months from January 1, 2026, taking into account the net proceeds from the Series C Financing completed in February 2026 yet without taking into account the estimated [REDACTED] from the [REDACTED]. We will continue to monitor our cash flows closely and expect to raise additional 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 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 in thousands)		
			(unaudited)
Current			
Interest-bearing bank borrowings	17,571	11,046	1,242
Lease liabilities	3,965	3,951	3,140
Non-current			
Interest-bearing bank borrowings	29,652	35,910	35,910
Lease liabilities	5,801	5,568	6,147
Total	56,989	56,475	46,439

Interest-Bearing Bank Borrowings

During the Track Record Period, our interest-bearing bank borrowings consisted of secured bank loans and unsecured bank loans, carrying an effective interest rate from 2.70% to 4.25%. We recorded interest-bearing bank borrowings of RMB47.2 million and RMB47.0 million as of December 31, 2024 and 2025, respectively.

Our Directors confirm that we had not experienced any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we had unutilized banking facility of RMB100.0 million.

Lease Liabilities

Our lease liabilities primarily comprise leases of our offices in Beijing and production facilities in Taizhou. As of December 31, 2024 and 2025, we had total current and non-current lease liabilities of RMB9.8 million and RMB9.5 million, respectively. The composition remained relatively stable as new lease additions and lease term revisions were offset by lease payments during the year.

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 February 28, 2026.

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. Our Directors also confirm that there have been no material defaults on trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures are primarily related to purchases of property, plant and equipment. In 2024 and 2025, our capital expenditures amounted to RMB51.0 million and RMB15.2 million, respectively. We expect to finance our planned capital expenditures primarily with our internal resources. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

Capital commitments represent capital expenditure we contracted but not yet provided for the purchase of items of property, plant and equipment. As of December 31, 2024 and 2025, we had no capital commitments.

CONTINGENT LIABILITIES

As of December 31, 2024 and 2025, we did not have any 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 enter into transactions with our related parties from time to time. For details about our material related party transactions, see Note 29 to the Accountants' Report set out in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 29 to the Accountants' Report set out in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio:

	As of December 31,	
	2024	2025
Current ratio(1)	2.42	1.50

Note:

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

MARKET RISK DISCLOSURE

Our activities expose us to a variety of financial risks, including interest rate risk, other price risk, credit risk, and liquidity risk. See Note 32 to the Accountants' Report set out in Appendix I to this document for further details.

DIVIDEND

We did not declare or pay any dividend during the Track Record Period. As of the Latest Practicable Date, we did not have a formal dividend policy or fixed 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. Investors should not purchase our H 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. As advised by our PRC Legal Advisor, we are not allowed to make dividend payments if we have accumulated losses. 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 a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves. As disclosed in our consolidated statements of financial position, we had total deficits of RMB74.4 million as of December 31, 2025.

[REDACTED] EXPENSE

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

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield, an independent property valuer, valued our property interests as of March 31, 2026 at no commercial value. The letter and summary disclosure of property valuation with regard to such property interests are set out in Appendix III to this document.

The following table sets out the reconciliation between the net book value of the property as of December 31, 2025 and the property valuation report as set out in Appendix III to this document as of March 31, 2026:

	RMB'000
Net book value of the property as of December 31, 2025	44,465
Depreciation for the three months ended March 31, 2026	(2,813)
Net book value as of March 31, 2026	41,652
Valuation deficit as of March 31, 2026	(41,652)
Market value of the property as of March 31, 2026 as set forth in the property valuation report in Appendix III to this document[1]	nil

Note:

(1) According to the property valuation report, the property interests were valued at no commercial value by the independent property valuer due to the prohibitions against assignment of the properties or otherwise due to the lack of substantial profit rents. This valuation methodology is consistent with industry practice for such restricted properties and does not imply an impairment of the asset's carrying amount in our financial statements.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position 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.