You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards ("IFRS").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to 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 that 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" and "Business."

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

OVERVIEW

We are an innovative biopharmaceutical company with international reach, specializing in the R&D, manufacturing and commercialization of recombinant proteins, antibodies and targeted-delivery therapies. We strategically focus on key therapeutic areas — principally oncology and autoimmune diseases — where significant unmet clinical needs persist. We have built a differentiated portfolio of commercialized products and drug candidates through independent innovation and strategic partnerships, advancing therapies with distinct clinical and market advantages. Guided by our dual-engine strategy of "Innovation + Internationalization," we are committed to becoming a leader in high-quality biopharmaceuticals and to bringing more innovative medicines and breakthrough therapies to patients worldwide.

Our tiered and progressively evolving product matrix consists of proprietary commercialized products, pipeline candidates, and in-licensed products. Proprietary commercialized products form the cornerstone of our business, providing a solid foundation for sustainable growth; the advancing pipeline builds long-term technical competitiveness; and in-licensed products enhance portfolio diversity and contribute to rapid revenue generation. We believe this portfolio strikes a balance between near-term commercialization and long-term sustainability.

In 2023, 2024 and 2025, we recorded revenue of RMB1,259.0 million, RMB1,406.9 million and RMB1,534.0 million, respectively. Following our commencement of overseas sales of Apexelsin® in the European Union in the third quarter of 2024, our sales relating to pharmaceutical products generated from overseas sales accounted for 23.9% of our total revenue relating to pharmaceutical products in 2025.

We incurred net loss of RMB195.5 million in 2023, and achieved net profits of RMB27.0 million and RMB152.7 million in 2024 and 2025, respectively. Our net loss in 2023 were primarily attributable to the substantial R&D expenses of RMB344.8 million during the year. For a detailed discussion on our results of operations during the Track Record Period, see "— Period to Period Comparison of Results of Operations."

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. We have early adopted all IFRS effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost basis except for certain financial assets which have been measured at fair value. Our historical financial statements are presented in Renminbi and all values are rounded to the nearest thousand except otherwise indicated.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods. Judgments made by our management in the application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are stated in Note 4 to the Accountants' Report in Appendix I.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Market Demand for Our Products in China and Overseas Markets

The majority of our revenue is generated in China, making the demand for our products in China closely related to our performance. In 2023, 2024 and 2025, sales revenue from China accounted for 89.0%, 84.0% and 76.1% of our total revenue relating to pharmaceutical products, respectively. Leveraging 30 years of commercialization experience, we have established a nationwide marketing network and channel resources. Our key products have secured a strong market position and brand advantage, with SINOGEN (赛若金®) Human Interferon α1b for Injection and EPOSINO (依普定®) Human Erythropoietin Injection ranking among the top in their respective domestic market segments. Based on our existing product portfolio and R&D pipeline, we believe our products hold a competitive edge in China's pharmaceutical market. Several factors influence the domestic market demand for our products, including consumer awareness of our brands and products, the reimbursement coverage under the medical insurance catalogue and centralized procurement prices for our products, distributor sales performance, the success of marketing campaigns, changes in healthcare expenditure levels, and shifts in China's regulatory environment.

During the Track Record Period, our revenue relating to pharmaceutical products generated from overseas sales increased by 61.6% in 2024 as compared with 2023, and increased by 61.5% in 2025 as compared with 2024. Our revenue relating to pharmaceutical products generated from overseas sales recorded significant growth in 2024 and 2025 primarily attributable to the successful execution of our overseas commercialization strategy. With over 20 years of overseas commercialization experience, we have secured the overseas commercialization rights for 33 products. Our sales network now covers more than 70 countries and regions, including the EU, Brazil, Egypt, the Philippines and Indonesia. Moving forward, we plan to continue expanding our overseas sales network in Europe and emerging markets and achieve localized operations in key countries. This depends on our understanding of local pharmaceutical markets and consumer needs, the implementation of localized operations, and collaboration with distributors and channel resources.

Continuously Strengthening Product Research and Development and Achieving Overseas Commercialization Capabilities

Innovative drug research and development ("R&D") is the core engine of our long-term growth, with its efficiency directly determining future market competitiveness and profitability. Therefore, continuously developing new drugs and successfully commercializing them is critical to achieving business growth. We possess a broad portfolio of commercialized products and a future product pipeline across rapidly growing therapeutic areas, including oncology, autoimmune diseases and degenerative diseases. As of the Latest Practicable Date, this portfolio included 11 commercialized products and 15 product candidates. Among our product candidates, three were in Phase III clinical trial stage, four were in Phase II or Phase I clinical trial stage, and eight product candidates were in preclinical stage. For a list of our key product candidates, see "Business — Our Products and Product Candidates."

We have a comprehensive biopharmaceutical R&D system, with full-process development capabilities spanning from drug discovery, pharmaceutical research, preclinical studies, clinical trials to commercialization. Our performance growth will depend on the successful development of our product candidates, which hinges on whether clinical trial results of product candidates demonstrate safety and efficacy, whether regulatory approvals are obtained to initiate clinical trials or advance to the next clinical development phase, and the rational allocation of internal resources. Additionally, overseas markets represent a key growth area for the future.

Thus, the ability to rapidly commercialize our products is also a critical factor in determining our operational performance. Overseas commercialization capabilities depend on numerous factors, including obtaining approvals in major markets, sufficient production capacity, the ability to implement localized operations, the ability to expand overseas sales channels, and the ability to gain recognition from relevant market participants such as doctors and patients. These capabilities are subject to a range of risks and uncertainties, many of which are beyond our control.

Ability to Include Products in the Medical Insurance Catalogue and Compete in Centralized Procurement

The market acceptance and sales volume of our products largely depend on their ability to be included in the medical insurance catalogue and win bids in centralized procurement. According to China's public health policies, patients are entitled to reimbursement for all or part of the costs of drugs listed in the national, provincial or local medical insurance catalogue according to specific plans. Although the pricing of these drugs will be subject to regulatory restrictions, inclusion in the medical insurance catalogue typically significantly increases their demand and sales volume. During the Track Record Period, our major commercialized products — SINOGEN (赛若金®) Human Interferon α1b for Injection, EPOSINO (依普定®) Human Erythropoietin Injection, and WHITE-C (白特喜®) Human Granulocyte Colony-stimulating Factor Injection — were all included in the NRDL. We believe our future products to be launched may also be eligible for inclusion in the NRDL, which would continue to support our business expansion. In addition, in 2023, 2024 and 2025, our pharmaceutical products that had been included in the NRDL as at the end of each year contributed 87.2%, 89.3% and 87.1% of our total revenue relating to pharmaceutical products generated from domestic sales for the respective periods.

In China, public medical institutions are required to conduct centralized bidding for drugs listed in the NRDL. Winning products will be sold to public medical institutions at the bid price, which is the primary determinant of the price at which we sell our products to distributors. This process may exert downward pressure on the pricing of our products. In addition, the VBP scheme, aimed at reducing drug prices through bulk purchases, could also create downward pressure on the prices at which we sell products to distributors. During the Track Record Period, as the scope of centralized procurement expanded, our revenue generated through sales of pharmaceutical products subject to the centralized procurement increased accordingly.

Therefore, our profitability largely depends on whether our products can be included in medical insurance catalogue and the impact of centralized procurement on our bid price. For details, see "Risk Factors — Risks Related to Our Business and Industry — Risks Relating to Market and Commercialization — Certain of our products are subject to price regulation or other policies aimed at reducing healthcare costs."

Existing and Future Collaboration and Licensing Arrangements

By collaborating with domestic and international biotech companies, acquiring overseas commercialization rights for key drugs, and swiftly achieving overseas registration, we have established an essential business model that drives our performance growth. As of the Latest Practicable Date, we had entered into licensing agreements with 26 biopharmaceutical companies, acquiring overseas commercialization rights for 33 products, of which 30 were exclusive.

Beyond expanding our product pipeline, our existing and future collaboration and licensing arrangements will also have a direct impact on our financial performance. Such licensing agreements typically involve upfront payments, milestone payments, and revenue sharing based on sales. Therefore, the specific terms and execution of such agreements will affect our revenue recognition, R&D investments and cost of revenue. Meanwhile, our ability to successfully register and filing our licensed products in the relevant territories will directly determine whether we can achieve product launch and sales returns within the expected timeframe. If collaborations proceed smoothly, we can more rapidly expand our product candidate and marketed product portfolio, increase market share, and establish sustainable revenue streams. Conversely, if collaborations fall short of expectations or future licensing arrangements fail to materialize as planned, it may lead to fluctuations in our performance.

Moreover, collaboration and licensing agreements are typically complex, covering various terms such as the scope of intellectual property usage, sublicensing arrangements, ownership of results and financial obligations. Our ability to fulfill these agreements and maintain stable relationships with partners will significantly influence our ability to sustain ongoing rights to core products and competitive advantages in the market. Failure to maintain or expand these collaborations on commercially reasonable terms may limit our future product development and commercialization processes, which may adversely affect our operating performance.

Ability to Effectively Control Costs and Expenses

Our operating performance is influenced by our ability to control costs and optimize expenses. During the Track Record Period, our operating expenses primarily included cost of revenue, marketing expenses and R&D expenses. Leveraging over 30 years of development experience, we have established comprehensive capabilities spanning R&D, production, registration and sales, which enables us to develop drugs and achieve commercialization in a cost-effective manner. In 2023, 2024 and 2025, our cost of revenue was RMB367.8 million, RMB440.5 million and RMB562.0 million, respectively.

Selling expenses are a significant component of our operating expenses. We adopt a distribution-focused, direct sales-supplemented model, collaborate with high-quality national and regional leading pharmaceutical distribution companies to handle product sales and delivery, establishing a marketing network covering approximately 22,000 terminals of various types. Overseas, we also employ both direct sales and distribution models for export sales, currently achieving market access or sales in over 70 countries and regions. In 2023, 2024 and 2025, our selling expenses accounted for 54.7%, 42.4% and 37.4% of our revenue for the respective periods. In addition, to continuously strengthen the R&D of product candidates, we will invest in cost-effective R&D activities and improve R&D efficiency to lay a solid foundation for future performance growth.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTANTING ESTIMATES AND JUDGMENTS ESTIMATES

We have identified various accounting policies that are significant to the preparation of our historical financial information. These material accounting policies are essential for understanding our financial conditions and results of operations which are disclosed in Note 3.2 to the Accountants' Report in Appendix I. In the application of our accounting policies, our Directors are required to make judgements, estimates and assumptions that affect our revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates can result in outcomes that could require a material adjustment to our revenues, expenses, assets or liabilities in the future. The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future.

The key assumptions concerning the future and other key sources to estimate uncertainty as at the end of each period, that have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities within the next financial year, are set out in Note 4 to the Accountants' Report in Appendix I.

RESULT OF OPERATIONS

The following table sets forth our selected consolidated statements of profit or loss other comprehensive income for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	1,259,036	100.0	1,406,925	100.0	1,534,028	100.0
Cost of revenue	(367,752)	(29.2)	(440,527)	(31.3)	(561,974)	(36.6)
Gross profit	**891,284**	**70.8**	**966,398**	**68.7**	**972,054**	**63.4**
Other income, gains and losses, net	18,677	1.5	7,017	0.5	121,266	7.9
Selling expenses	(689,290)	(54.7)	(596,765)	(42.4)	(574,296)	(37.4)
Research and development expenses	(344,797)	(27.4)	(168,050)	(11.9)	(199,554)	(13.0)
Administrative and other operating expenses	(101,849)	(8.1)	(104,890)	(7.5)	(110,052)	(7.2)
(Reversal of provision)/Provision for impairment of assets, net	366	0.0	(5,278)	(0.4)	(3,065)	(0.2)
Finance costs, net	(34,483)	(2.7)	(41,439)	(2.9)	(40,617)	(2.6)
Share of result of an associate	23	0.0	(91)	(0.0)	(36)	(0.0)
(Loss)/Profit before income tax	**(260,069)**	**(20.7)**	**56,902**	**4.0**	**165,700**	**10.8**
Income tax credit/(expense)	64,583	5.1	(29,854)	(2.1)	(12,955)	(0.8)
(Loss)/Profit for the year	**(195,486)**	**(15.5)**	**27,048**	**1.9**	**152,745**	**10.0**
attributable to:						
Owners of the Company	(190,290)	(15.1)	31,480	2.3	155,568	10.2
Non-controlling interests	(5,196)	(0.4)	(4,432)	(0.3)	(2,823)	(0.2)
Other comprehensive (loss)/income for the year, net of tax	(6)	(0.0)	1,120	0.1	(181)	(0.0)
Total comprehensive (loss)/income for the year	**(195,492)**	**(15.5)**	**28,168**	**2.0**	**152,564**	**9.9**
attributable to:						
Owners of the Company	(190,296)	(15.1)	32,600	2.3	155,387	10.1
Non-controlling interests	(5,196)	(0.4)	(4,432)	(0.3)	(2,823)	(0.2)

NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define EBITDA (non-IFRS measure) as (loss)/profit for the year adjusted by (i) finance income, (ii) finance costs, (iii) depreciation and amortization, and (iv) income tax (credits)/expenses. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) to (loss)/profit for the year in respect of the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/Profit for the year	(195,486)	27,048	152,745
Adjustments:			
Finance income	(6,643)	(3,627)	(2,968)
Finance costs	41,126	45,066	43,585
Depreciation and amortization	99,191	104,162	113,181
Income tax (credit)/expense	(64,583)	29,854	12,955
EBITDA (non-IFRS measure)	**(126,395)**	**202,503**	**319,498**

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from the sale of our pharmaceutical products and provision of pharmaceutical promoting services. Our other revenue primarily includes revenue from sales of other products, provision of technical services and rental income.

The following table sets forth our revenue components, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue relating to pharmaceutical products	1,255,794	99.7	1,401,119	99.6	1,513,742	98.7
Others	3,242	0.3	5,806	0.4	20,286	1.3
Total	**1,259,036**	**100.0**	**1,406,925**	**100.0**	**1,534,028**	**100.0**

The following table sets forth a breakdown of our revenue relating to pharmaceutical products by major therapeutic areas and other sources, in absolute amounts and as a percentage of our total revenue relating to pharmaceutical products, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Hematology	608,062	48.3	653,997	46.7	644,720	42.6
Oncology and immunology	192,811	15.4	296,468	21.2	440,113	29.1
Antiviral	312,119	24.9	318,006	22.7	277,010	18.3
Gastrointestinal diseases	142,802	11.4	125,056	8.9	147,207	9.7
Others[(1)]	0	0.0	7,592	0.5	4,692	0.3
Revenue relating to pharmaceutical products	**1,255,794**	**100.0**	**1,401,119**	**100.0**	**1,513,742**	**100.0**

Note:

(1) Primarily includes revenue from sales of pharmaceutical products in other therapeutic areas and medical devices.

The following table sets forth a breakdown of our revenue relating to pharmaceutical products by customer location, in absolute amounts and as a percentage of our total revenue relating to pharmaceutical products, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic sales	1,117,314	89.0	1,177,296	84.0	1,152,278	76.1
Overseas sales	138,480	11.0	223,823	16.0	361,464	23.9
Revenue relating to pharmaceutical products	**1,255,794**	**100.0**	**1,401,119**	**100.0**	**1,513,742**	**100.0**

Cost of Revenue

Our cost of revenue consists of (i) raw materials costs; (ii) labor costs; (iii) indirect costs, primarily include manufacturing overhead, sales-based royalties payable, and promotional service costs in connection with the provision of pharmaceutical promoting services; and (iv) other miscellaneous costs. The following table sets forth a breakdown of our cost of revenue by nature, in absolute amounts and as a percentage of total cost of revenue, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Material costs	154,748	42.1	187,350	42.5	213,902	38.1
Labor costs	27,719	7.5	30,279	6.9	31,205	5.6
Indirect costs	175,484	47.7	212,296	48.2	301,517	53.7
Other costs	9,801	2.7	10,602	2.4	15,350	2.6
Total	**367,752**	**100.0**	**440,527**	**100.0**	**561,974**	**100.0**

The following table sets forth a further breakdown of our indirect costs for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Manufacturing costs and other production services	109,107	127,269	160,470
Sales-based royalties payable relating to Apexelsin® and Arketin®	–	6,666	23,978
Promotional service costs in connection with the provision of pharmaceutical promoting services	66,377	78,361	117,069
Total	**175,484**	**212,296**	**301,517**

Our indirect costs increased from RMB175.5 million in 2023 to RMB212.3 million in 2024, and further to RMB301.5 million in 2025, primarily due to the growth of our promotion service costs in connection with the provision of pharmaceutical promoting services, which mainly represent fees paid to third-party promotion service providers for academic promotion and market development of our products.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of revenue, and our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB891.3 million, RMB966.4 million and RMB972.1 million in 2023, 2024 and 2025, respectively. Our gross profit margin was 70.8%, 68.7% and 63.4% in 2023, 2024 and 2025, respectively.

We experienced a decreasing trend in our gross profit margin during the Track Record Period, primarily due to: (i) the impact of VBP schemes in China, under which certain of our major products, including WHITE-C (白特喜®) and EPOSINO (依普定®), were included in centralized procurement in 2023, resulting in a significant decrease in their average selling prices and a corresponding decline in the gross profit margin of our domestic sales. In particular, following the inclusion of WHITE-C (白特喜®) in centralized procurement in 2023, the average selling price of our WHITE-C (白特喜®) (drug product) decreased from RMB35.43 in 2023 to RMB32.72 in 2024 and RMB30.75 in 2025, correspondingly, its gross profit margin down from 83.6% in 2023 to 82.9% in 2024 and 82.8% in 2025. Similarly, the average selling price of EPOSINO (依普定®) (drug product) decreased from RMB21.16 in 2023 to RMB19.11 in 2024 and RMB17.67 in 2025, and its gross profit margin decreased from 72.2 % in 2023 to 70.4 % in 2024 and 69.8% in 2025; and (ii) changes in the composition of our revenue following the approval and launch of Apexelsin® in the European Union in 2024, which drove a substantial increase in our revenue from overseas sales of pharmaceutical products. As our overseas sales generally have lower gross profit margins than our domestic sales, this further reduced our overall gross profit margin.

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Relating to pharmaceutical products	889,704	70.8	964,479	68.8	967,497	63.9
Others	1,580	48.7	1,919	33.1	4,557	22.5
Total	**891,284**	**70.8**	**966,398**	**68.7**	**972,054**	**63.4**

The following table sets forth a breakdown of our gross profit and gross profit margin relating to our pharmaceutical products by major therapeutic areas and other sources for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Hematology	417,301	68.6	438,373	67.0	430,462	66.8
Oncology and immunology	101,725	52.8	162,476	54.8	193,896	44.1
Antiviral	254,752	81.6	259,189	81.5	221,115	79.8
Gastrointestinal diseases	115,926	81.2	101,081	80.8	120,009	81.5
Others(1)	0	0.0	3,360	44.3	2,015	42.9
Relating to pharmaceutical products	**889,704**	**70.8**	**964,479**	**68.8**	**967,497**	**63.9**

Note:

(1) Primarily includes revenue from sales of pharmaceutical products in other therapeutic areas and medical devices.

The following table sets forth a breakdown of our gross profit and gross profit margin relating to pharmaceutical products sold to domestic customers and overseas customers for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Domestic sales	820,184	73.4	852,750	72.4	799,231	69.4
Overseas sales	69,520	50.2	111,729	49.9	168,266	46.6
Relating to pharmaceutical products	**889,704**	**70.8**	**964,479**	**68.8**	**967,497**	**63.9**

Other Income, Gains and Losses, Net

Our other income consists of: (i) government grants, (ii) gain on disposal of a subsidiary, and (iii) other miscellaneous income. During the Track Record Period, our government grants were primarily received from PRC local government authorities and mainly comprised (i) subsidies for high-tech and key enterprises and for industrial upgrade and technological transformation projects, and (ii) subsidies to support our research and development activities, talent recruitment and employee training. As at the end of each year during the Track Record Period, there were no unfulfilled conditions related to these government grants, and those government grants were not recurring in nature.

Our other gains and losses primarily consist of (i) foreign exchange gains, primarily related to our bank balances and account receivables dominated in foreign currencies; (ii) unrealized fair value changes on financial assets at fair value through profit or loss ("FVTPL"); (iii) investment income from financial assets; and (iv) net (losses)/gains on disposal and written-off of property, plant and equipment, primarily related to disposal and written-off of property, plant and equipment that were no longer used in our operations.

During the Track Record Period, our financial assets at fair value through profit or loss primarily comprised an investment in a private fund managed by an independent fund manager, unlisted equity investment and wealth management products issued by commercial banks. These investments were made using our surplus cash and cash balances not immediately required for our operations and project needs for treasury and cash management purposes, and are not part of our principal business. Changes in their fair value are recognised in profit or loss.

We have adopted internal policies governing investments and cash management, which set out, among others, the investment scope and permitted product types, risk control principles, approval authorities and reporting requirements. Our investment in the private fund was approved by our Board in accordance with our internal investment management policies. Our finance department actively follows up on the fund's investments and periodically obtains and reviews the fund's financial statements, post-investment management reports and annual audit reports, and considers third-party valuation reports to assess whether investment risk indicators have arisen and to ensure appropriate accounting.

To enhance the efficiency of our cash utilization while safeguarding fund security, we also conduct cash management by investing in bank wealth management products, provided that such arrangements do not affect our daily operations or project funding needs. We generally estimate the investment scope, quota and term for cash management on an annual basis and submit the relevant plan to the Board for approval, with the approved quota typically valid for 12 months. We conduct ongoing monitoring over the relevant products, including reviewing product terms, valuation updates and liquidity position. Where any material risk indicator is identified, we will make timely internal escalation and take appropriate follow-up actions in accordance with our internal policies.

Our audit and supervision department is responsible for auditing and supervising our cash management activities, and our independent non-executive Directors and the Audit Committee are entitled to supervise and inspect our fund utilization and cash management.

Following the [**REDACTED**], our investments in similar financial assets at fair value through profit or loss will continue to be conducted for treasury management purposes in the ordinary and usual course of business. We will monitor the applicable percentage ratios under the Listing Rules and, to the extent that any subscription, redemption, rollover or series of related transactions constitutes a notifiable transaction (and, where applicable, a connected transaction), we will comply with the relevant requirements under Chapter 14 (and Chapter 14A, if applicable) of the Listing Rules.

The following table sets forth a breakdown of our other income, gains and losses, net for the periods indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	8,617	25,534	6,368
Gain on disposal of a subsidiary	–	–	15,274
Sundry income	939	392	695
Foreign exchange gains, net	3,294	745	3,763
Unrealised fair value changes on financial assets at FVTPL, net	239	(29,189)	79,288
Investment income from financial assets	6,911	9,630	15,534
(Loss)/Gain on disposal of property, plant and equipment, net	(1)	77	(40)

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Gain on early termination of leases	282	–	–
Gain on lease modification	–	–	994
Written-off of property, plant and equipment	(1,604)	(172)	(610)
	18,677	7,017	121,266

Selling Expenses

Our selling expenses consist of: (i) marketing expenses, which primarily consist of the expenses associated with various marketing and promotion activities; (ii) labor costs, mainly represent salaries of our sales and marketing staff, share-based compensation and other benefits; (iii) depreciation and amortization related to property, plant and equipment, right of use assets and intangible assets; (iv) travel and conference expenses, primarily traveling expenses of our marketing staff and conference expenses; and (v) others, primarily consisting of office expenses and certain other expenses that are directly related to our marketing and promotion activities. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Marketing expenses	581,124	482,787	456,088
Labor costs	72,843	78,349	79,013
Depreciation and amortization	19,415	18,797	23,090
Travel and conference expenses	11,908	12,330	9,573
Others	4,000	4,502	6,532
Total	**689,290**	**596,765**	**574,296**

Research and Development Expenses

Our research and development expenses consist of: (i) clinical and experimental expenses associated with our development of product candidates; (ii) labor costs, primarily consisting of salaries, share-based compensation, and other benefits for our research and development personnel; (iii) cost of materials and fuel used in our research and development activities; (iv) depreciation and amortization of property, plant and equipment and right-of-use assets used in our research and development activities; (v) others, including research and development related miscellaneous expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Clinical and experimental expenses	196,279	39,573	73,089
Labor costs	55,392	45,170	48,901
Cost of materials and fuel	48,647	45,531	41,160
Depreciation and amortization	28,990	27,320	22,804
Others	15,489	10,456	13,600
Total	**344,797**	**168,050**	**199,554**

The following table sets forth a further breakdown of our clinical and experimental expenses for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Clinical trial expenses	142,027	1,872	18,790
Trial production and outsourcing expenses	54,252	37,701	54,299
Total	**196,279**	**39,573**	**73,089**

Our clinical and experimental expenses decreased to RMB39.6 million in 2024, primarily because some projects entered more advanced stages where a portion of the development costs met the criteria for capitalization as intangible assets and there was a lower level of clinical activities compared with 2023. In 2025, clinical and experimental expenses increased to RMB73.1 million, mainly due to increased non-clinical and early-stage clinical studies for certain new pipeline candidates, partially offset by the continued capitalization of eligible late-stage development costs.

Administrative and Other Operating Expenses

Our administrative and other operating expenses consist of: (i) labor costs, primarily consisting of salaries, share-based compensation, and other benefits for our managerial and administrative staff; (ii) travel, office and general operating expenses related to our managerial and administrative staff; (iii) depreciation and amortization of property, plant and equipment and right of use assets; (iv) service expenses related to consulting, professional services; (v) taxes and surcharges; and (vi) others, which primarily include materials consumption, bank charges and other expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Labor costs	41,914	48,062	47,602
Travel, office and general operating expenses	7,511	5,370	7,679
Depreciation and amortization	16,242	12,378	14,567
Service expenses	14,071	12,136	13,298
Taxes and surcharges	14,269	18,805	21,375
Others	7,842	8,139	5,531
Total	**101,849**	**104,890**	**110,052**

Finance Costs, Net

Our finance income represents bank interest income. Our finance costs consist of the interest accrued on our borrowings, bills receivable and lease liabilities. The following table sets forth a breakdown of our finance income and costs for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income	6,643	3,627	2,968

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Finance costs:			
Interest charges on:			
– bank borrowings	(44,021)	(44,526)	(41,929)
– bills receivable	(406)	(214)	(949)
– lease liabilities	(1,585)	(1,281)	(726)
Less: interest capitalized	4,886	955	19
Total	**(34,483)**	**(41,439)**	**(40,617)**

Share of Result of an Associate

Our share of result in associated companies during the Track Record Period was primarily attributable to our investments in Shaanxi Mingkun Musk Deer Industry Science and Technology Co., Ltd. (陝西名坤麝業科技有限公司). In 2023, we recorded share of profits of an associate of RMB23 thousand. In 2024 and 2025, we recorded share of losses of an associate of RMB91 thousand and RMB36 thousand, respectively.

Income Tax Credits/(Expenses)

Our income tax credits/(expenses) consist of current income tax and deferred income tax. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The following table sets forth a breakdown of our income tax credits/(expenses) for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	(5,729)	(17,105)	(3,691)
Deferred income tax	70,312	(12,749)	(9,264)
Total	**64,583**	**(29,854)**	**(12,955)**

Our income tax primarily consists of enterprise income tax charged on our Group and deferred tax expenses arising from the temporary difference between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit. For the years ended December 31, 2023, 2024 and 2025, we had a total income tax credit of RMB64.6 million, a total income tax expense of RMB29.9 million and a total income tax expense of RMB13.0 million, respectively.

The provision for PRC enterprise income tax is based on the statutory rate of 25% of the assessable profits of PRC companies as determined in accordance with the EIT Law which became effective on January 1, 2008. The EIT Law imposes a unified enterprise income tax rate of 25% on all domestic and foreign invested enterprises unless they are qualified for preferential tax treatments. Under the EIT Law and its implementation rules, the Company passed the renewal review for HNTE on August 17, 2020 and December 7, 2023, and therefore enjoyed a preferential tax rate of 15% during the Track Record Period. Such qualification will expire on December 7, 2026, subject to renewal upon review and approval by the relevant government authorities. One of our subsidiaries, Kexing Pharmaceutical, was also qualified as a HNTE during the Track Record Period and accordingly also enjoyed a preferential tax rate of 15% during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 9.0% from RMB1,406.9 million in 2024 to RMB1,534.0 million in 2025, primarily attributable to the growth in overseas sales, driven by the full-year contribution and continued rapid sales growth of Apexelsin®, which was only commercialized for one quarter in 2024.

Cost of Revenue

Our cost of revenue increased by 27.6% from RMB440.5 million in 2024 to RMB562.0 million in 2025, primarily attributable to a change in sales composition. Our revenue relating to pharmaceutical products generated from overseas sales increased from 16.0% to 23.9% of our total revenue relating to pharmaceutical products during the period, and overseas sales carry lower gross profit margins than domestic sales, which resulted in the increase in cost of revenue.

In general, our domestic sales generate higher gross profit margins than our overseas sales because the division of responsibilities differs between these markets, primarily due to differences in the commercial arrangements and division of responsibilities in these markets. In the PRC, while our products are primarily sold through distributors, we also maintain our in-house marketing team to organize and support branding, marketing and academic promotion activities (such as academic conferences, physician education and market development). In overseas markets, we typically sell our products to local distributors at an agreed transfer price, and such distributors are responsible for local promotion, compliance and sales activities in their respective territories. As a result, we generally offer lower selling prices to overseas distributors to allow them to cover their marketing and distribution costs and earn a distribution margin, which leads to lower gross profit margins on our overseas sales as compared to our domestic sales.

Other Income, Gains and Losses, Net

Our other income, gains and losses, net increased significantly from RMB7.0 million in 2024 to RMB121.3 million in 2025, primarily due to the change from an unrealized net fair value loss of RMB29.2 million on financial assets at FVTPL in 2024 to an unrealized net fair value gain of RMB79.3 million in 2025.

Selling Expenses

Our selling expenses remained relatively stable, decreased by 3.8% from RMB596.8 million in 2024 to RMB574.3 million in 2025.

Research and Development Expenses

Our research and development expenses increased by 18.7% from RMB168.1 million in 2024 to RMB199.6 million in 2025, primarily attributable to the increase in clinical trial expenses and laboratory testing expenses.

Administrative and Other Operating Expenses

Our administrative and other operating expenses remained relatively stable, increased by 4.9% from RMB104.9 million in 2024 to RMB110.1 million in 2025.

(Reversal of Provision)/Provision for Impairment of Assets, Net

We had provision for impairment of assets of RMB5.3 million in 2024 and RMB3.1 million in 2025, primarily attributable to a reduction in inventory impairment from RMB1.9 million in 2024 to RMB0.5 million in 2025, driven by improved inventory management.

Finance Costs, Net

Our finance costs, net remained relatively stable, decreased by 2.0% from RMB41.4 million in 2024 to RMB40.6 million in 2025.

Share of Result of an Associate

Our share of loss of an associate decreased by 60.4% from RMB91 thousand in 2024 to RMB36 thousand in 2025, primarily due to improved financial performance of the associate, driven by an increase in its revenue.

Income Tax Credit/(Expense)

Our income tax expense decreased by 56.6% from RMB29.9 million in 2024 to RMB13.0 million in 2025, primarily due to the impact of settlement of taxes from prior years in 2024.

In June 2024, following a tax inspection conducted by the First Inspection Bureau of the Jinan Municipal Taxation Bureau, State Taxation Administration, we received a tax treatment decision in respect of our enterprise income tax for the fiscal year of 2021. The tax authority determined that certain value-added tax invoices recorded as selling expenses in 2021 were not deductible, and required us to make up enterprise income tax of approximately RMB15.5 million together with late payment interest of approximately RMB5.8 million. We settled the aforesaid enterprise income tax and late payment interest in 2024, which increased our income tax expense for the year ended 2024. There is no implication on the deductibility of our sales expenses for other years.

(Loss)/Profit for the Period

As a result of the foregoing, our profit for the period increased significantly from RMB27.0 million in 2024 to RMB152.7 million in 2025.

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

Revenue

Our revenue increased by 11.7% from RMB1,259.0 million in 2023 to RMB1,406.9 million in 2024. This increase was primarily attributable to (i) stable domestic sales; and (ii) increase in our revenue relating to pharmaceutical products generated from overseas sales from RMB138.5 million to RMB223.8 million reflecting an increase of RMB85.3 million in our revenue relating to pharmaceutical products generated from overseas sales, mainly driven by higher sales of Apexelsin® in the European Union.

Cost of Revenue

Our cost of revenue increased by 19.8% from RMB367.8 million in 2023 to RMB440.5 million in 2024. This increase was primarily attributable to increased costs in line with our sales growth.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of revenue described above, our gross profit increased by 8.4% from RMB891.3 million in 2023 to RMB966.4 million in 2024. Our gross profit margin remained relatively steady at 70.8% in 2023 and 68.7% in 2024.

Other Income, Gains and Losses, Net

Our other income, gains and losses, net decreased by approximately 62.4% from RMB18.7 million in 2023 to RMB7.0 million in 2024, primarily due to the change from an unrealized net fair value gain of RMB0.2 million on financial assets at FVTPL in 2023 to an unrealized net fair value loss of RMB29.2 million in 2024, and a decrease in foreign exchange gains from RMB3.3 million to RMB0.7 million, partially offset by an increase in government grants from RMB8.6 million to RMB25.5 million.

Selling Expenses

Our selling expenses decreased by 13.4% from RMB689.3 million in 2023 to RMB596.8 million in 2024, primarily attributable to (i) reduction in our sales activities and selling costs due to China's VBP scheme; (ii) our cost control and marketing optimization initiatives, including streamlined promotional activities and reduced spending; and (iii) the increased proportion of overseas revenue, which typically has lower selling expenses compared with our domestic sales.

Research and Development Expenses

Our research and development expenses decreased by 51.3% from RMB344.8 million in 2023 to RMB168.1 million in 2024, primarily attributable to the completion of patient enrollment for the Phase III clinical trial of a certain research and development project in 2023, which led to the recognition of substantial research and development expenses of approximately RMB128.6 million during the year.

Administrative and Other Operating Expenses

Our administrative and other operating expenses remained relatively stable, increased by 3.0% from RMB101.8 million in 2023 to RMB104.9 million in 2024.

(Reversal of Provision)/Provision for Impairment of Assets, Net

We had reversal of provision for impairment of assets in the amount of RMB0.4 million in 2023 and we had provision for impairment of assets in the amount of RMB5.3 million in 2024, primarily attributable to an increased trade receivables balance in 2024, which led to increased expected credit loss allowances.

Finance Costs, Net

Our finance costs, net increased by 20.2% from RMB34.5 million in 2023 to RMB41.4 million in 2024, primarily attributable to (i) a decrease of RMB3.9 million in interest capitalized; and (ii) a decrease of RMB3.0 million in interest income.

Share of Result of an Associate

Our share of result of an associate was a profit of RMB23 thousand in 2023 and a loss of RMB91 thousand in 2024, primarily due to the operating losses incurred by our associate Shaanxi Mingkun Musk Deer Industry Science and Technology Co., Ltd. (陝西名坤麝業科技有限公司).

Income Tax Credits/(Expenses)

We had a total income tax credit of RMB64.6 million in 2023 and a total income tax expense of RMB29.9 million in 2024, primarily due to significant research and development expenses in 2023 led to the recognition of deferred tax assets and a higher deferred tax credit.

(Loss)/Profit for the Year

Our profit for the year changed from a loss for the year of RMB195.5 million in 2023 to a profit for the year of RMB27.0 million in 2024 primarily due to (i) a decrease of RMB176.7 million in research and development expenses, primarily attributable to the completion of patient enrollment for the Phase III clinical trial of a certain research and development project in 2023, which led to the recognition of substantial research and development expenses during the year; (ii) our cost control and operational efficiency measures, which reduced selling expenses; and (iii) an increase of RMB85.3 million in our relating to pharmaceutical products generated from overseas sales mainly driven by higher sales of Apexelsin® in the European Union.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our selected items from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	191,365	141,809	139,215	155,357
Trade and other receivables	317,142	528,186	729,165	752,958
Financial assets at FVTOCI	56,322	63,252	88,548	16,844
Pledged deposits	8,866	1,610	2,106	18,855
Cash and cash equivalents	559,931	552,952	648,322	595,188
Total current assets	1,133,626	1,287,809	1,607,356	1,553,202
Non-current assets	1,897,470	1,874,424	1,926,199	1,937,235
Current liabilities				
Trade and other payables	247,926	281,792	340,301	303,361
Contract liabilities	19,636	9,181	12,925	16,434
Bank borrowings	395,730	582,375	663,170	706,652
Lease liabilities	6,705	12,447	4,065	10,135
Income tax payables	–	602	796	568
Total current liabilities	669,997	886,397	1,021,257	1,037,150
Non-current liabilities	730,304	636,590	759,792	724,638
Net current assets	463,629	401,412	586,099	516,052
Net assets	1,630,795	1,639,246	1,752,506	1,728,649
Non-controlling interests	4,774	4,338	1,515	897

Our net current assets decreased from RMB463.6 million as of December 31, 2023 to RMB401.4 million as of December 31, 2024, primarily due to an increase in trade and other payables of approximately RMB33.9 million. Our net current assets increased from RMB401.4 million as of December 31, 2024 to RMB586.1 million as of December 31, 2025, primarily due to an increase in trade and other receivables of approximately RMB201.0 million. Our net current assets decreased from RMB586.1 million as of December 31, 2025 to RMB516.1 million as of March 31, 2026, primarily due to an decrease in financial assets at FVTOCI of approximately RMB71.7 million.

Our non-current liabilities decreased from RMB730.3 million as of December 31, 2023 to RMB636.6 million as of December 31, 2024, primarily due to the reclassification of the portion of our interest-bearing borrowings and lease liabilities that became due within 12 months from the end of the reporting period from non-current liabilities to current liabilities. Such decrease primarily reflected the passage of time and the resulting change in maturity profile, rather than a material reduction in our overall indebtedness. Our non-current liabilities increased from RMB636.6 million as of December 31, 2024 to RMB759.8 million as of December 31, 2025, primarily due to an increase in bank borrowings.

Inventories

Our inventories primarily consist of raw materials, work in progress, finished goods, law-value consumables, and goods in transit. The following table sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	49,059	39,603	43,157
Work in progress	65,801	52,028	33,587
Finished goods	44,732	26,537	23,344
Consigned processing materials	–	–	472
Low-value consumables	28,731	21,764	27,451
Goods in transit	5,543	3,804	11,654
Less: Provision for inventories	(2,501)	(1,927)	(450)
Total	191,365	141,809	139,215

Our inventories decreased by 25.9% from RMB191.4 million as of December 31, 2023 to RMB141.8 million as of December 31, 2024, primarily due to the measures adopted by us, including enhanced inventory control and improved coordination across production, procurement and sales. These measures effectively improved inventory turnover efficiency and thereby reduced the overall inventory levels.

Our inventories remained relatively stable, decreased by 1.8% from RMB141.8 million as of December 31, 2024 to RMB139.2 million as of December 31, 2025.

The table below sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	176,298	130,311	132,605
1 to 2 years	15,771	10,412	5,844
Over 2 years	1,797	3,013	1,216
Impairment	(2,501)	(1,927)	(450)
Total	191,365	141,809	139,215

As of December 31, 2023, 2024 and 2025, a vast majority of our inventories were aged within one year. Our inventories aged longer were mainly raw materials, low-value consumables, because we typically make bulk purchases of raw materials to meet our manufacturing and research and development requirements, and we need to maintain sufficient inventory in line with our safety stock requirements. We recognize impairment on our inventories if their expected net realizable value is lower than the cost of the inventories.

The following table sets forth our inventory turnover days for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
		(days)	
Inventory turnover days[1]	199.8	139.9	92.0

(1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of revenue for the relevant period and multiplied by 365 days.

Our inventory turnover days decreased from 199.8 days in 2023 to 139.9 days in 2024, and further to 92.0 days in 2025, primarily due to our enhanced inventory management measures to accelerate our inventory turnover.

As of March 31, 2026, RMB99.3 million, or 71.1%, of our inventories as of December 31, 2025 had been utilized or sold.

Trade and Bills Receivables

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	299,439	501,590	606,910
Bills receivable	11,197	25,289	58,971
Less: expected credit loss ("ECL") allowance	(24,916)	(26,314)	(27,126)
Total	285,720	500,565	638,755

Our trade and bills receivables increased by 75.2% from RMB285.7 million as of December 31, 2023 to RMB500.6 million as of December 31, 2024, primarily due to the increased sales of our in-licensed products, primarily Apexelsin® and Reminton (类停®), which carries longer credit terms than our existing products.

Our trade and bills receivables increased by 27.6% from RMB500.6 million as of December 31, 2024 to RMB638.8 million as of December 31, 2025, primarily due to (i) an increase in bills receivables, as a portion of our collections were settled by bills which remained outstanding at year-end, and (ii) an increase in trade receivables driven by the rapid growth in overseas sales, particularly in Europe, where longer logistics and settlement cycles resulted in higher outstanding balances, partially offset by improved collection of domestic receivables.

In particular, sales of Apexelsin® in Europe are subject to longer logistics, customs clearance and product inspection processes, which extend the time from shipment to customer acceptance compared with our other overseas markets. In addition, when launching new products in new markets, we have, as a common market entry strategy, offered relatively more flexible payment terms to support market development and build long-term cooperation, which also contributed to higher period-end receivable balances.

The following table sets forth an aging analysis of our trade and bills receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	282,089	499,390	635,319
1 to 2 years	2,243	1,077	3,411
2 to 3 years	1,388	98	25
Total	285,720	500,565	638,755

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
		(days)	
Trade receivables turnover days[(1)]	96.3	103.9	131.9

(1) Calculated using the average of the opening and closing balances of trade receivables for the relevant period divided by revenue and multiplied by 365 days.

Our trade receivables turnover days increased from 96.3 days in 2023 to 103.9 days in 2024, and further to 131.9 days in 2025, primarily due to the increasing proportion of overseas sales, which generally have longer collection cycles than domestic sales.

As of March 31, 2026, RMB225.5 million, or 37.2%, of our trade receivables as of December 31, 2025 had been subsequently settled. The remaining balances mainly related to sales of Apexelsin® and Reminton (类停®) and a small number of customers with relatively longer credit terms. Our customers are primarily leading national or regional pharmaceutical distribution companies with strong credit profiles and longstanding business relationships with us. Having considered the subsequent settlement, the ageing profile of the outstanding balances, the credit quality of these customers and our historical experience of minimal bad debts, our Directors are of the view that there is no material recoverability issue in respect of our trade receivables.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of prepayments, value-added tax recoverable, deposit, amount due from related parties and other receivables. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax recoverable	2,046	4,709	9,491
Prepayments	24,925	6,710	47,044
Deposits	2,866	13,777	15,895
Amounts due from related parties	361	1,703	1,825
[**REDACTED**] fee	–	–	[**REDACTED**]
Other receivables	3,053	1,963	3,670
Less: ECL allowance	(1,829)	(1,241)	(1,152)
Total	**31,422**	**27,621**	**90,410**

Our prepayments, other receivables and other assets mainly consist of our prepayments for research and development costs, production related materials and [**REDACTED**] fee. Value-added tax recoverable represents value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables.

Our prepayments, other receivables and other assets decreased by 12.1% from RMB31.4 million as of December 31, 2023 to RMB27.6 million as of December 31, 2024, primarily attributable to advance prepayments made in 2023 being recognized as expenses in 2024 in accordance with progress under the relevant contracts.

Our prepayments, other receivables and other assets increased by 227.3% from RMB27.6 million as of December 31, 2024 to RMB90.4 million as of December 31, 2025, primarily attributable to increased advance payments, an increase in value-added tax recoverable, and higher prepayments for [**REDACTED**] fees in connection with the progress of the [**REDACTED**] process.

As of March 31, 2026, RMB12.4 million, or 13.6%, of our prepayments, other receivables and other assets as of December 31, 2025 had been subsequently settled. The subsequent settlement rate remained relatively low primarily because the majority of the balance consisted of prepaid fees for commercialization, which are typically subject to a lenthy drug registration process.

Trade and Other Payables

Our trade and other payables primarily represent outstanding amounts due to our suppliers. Our trade payables are non-interest-bearing and are normally settled on terms of 30 to 150 days after the invoice date.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	63,163	99,512	122,520
Salaries payables	24,600	29,523	35,696
Value-added tax payable	747	2,600	8,156
Deposit received	4,366	11,334	9,681
Amounts due to related parties	181	150	140
Provision of sale rebates	–	1,779	1,449
Other payables	154,869	136,894	162,659
Total	**247,926**	**281,792**	**340,301**

Our trade and other payables increased by 13.7% from RMB247.9 million as of December 31, 2023 to RMB281.8 million as of December 31, 2024, primarily attributable to (i) the increase in payables for raw materials and sales-based royalties; and (ii) an RMB7.0 million increase in deposits received.

Our trade and other payables increased by 20.8% from RMB281.8 million as of December 31, 2024 to RMB340.3 million as of December 31, 2025, primarily attributable to the increase in payables for materials.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payables for equipment and construction	81,245	56,826	37,836
Payables for expenses	51,009	56,359	86,177
Others	22,615	23,709	38,646
Total	**154,869**	**136,894**	**162,659**

Our other payables primarily comprise (i) payables for equipment and construction, (ii) payables for expenses, mainly representing accrued selling and administrative expenses, and (iii) other miscellaneous payables, which mainly consist of advances from customers, payables for employee reimbursements and technology transfer fees, various taxes and surcharges payable, and other current liabilities relating to bills receivable that have been endorsed but not yet matured. Our other payables decreased from 2023 to 2024, primarily due to a decrease in payables for equipment and construction, as our major construction projects were mainly carried out during 2021 to 2023, resulting in a relatively higher balance of payables in 2023, which were gradually settled upon completion and acceptance of the relevant projects. Our other payables increased from 2024 to 2025, primarily due to an increase in payables for expense, as (i) payables for clinical and laboratory expenses increased, and (ii) payables for sales-related expenses increased in line with the growth in overseas sales.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	63,158	99,505	122,514
Over 1 year	5	7	6
Total	**63,163**	**99,512**	**122,520**

The following table sets for our trade payables turnover days for the periods indicated:

	Year Ended December 31,		
	2023	2024	2025
		(days)	
Trade payables turnover days[1]	66.8	67.4	72.1

(1) Calculated using the arithmetic mean of the opening and closing balances of trade payables for the relevant period divided by cost of revenue and multiplied by 365 days.

Our trade payables turnover days remained stable at 66.8 days in 2023, 67.4 days in 2024 and 72.1 days in 2025, primarily due to our enhanced bargaining power with suppliers, which enabled us to extend payment terms.

As of March 31, 2026, RMB87.5 million, or 71.4%, of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities consist of advance payments of the contract from customers for sales of pharmaceutical products and providing services. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB19.6 million, RMB9.2 million and RMB12.9 million, respectively. We recognize contract liability when a payment is received from a customer before the relevant criteria for revenue recognition are satisfied. We recognize contract liabilities as revenue when the relevant criteria for revenue recognition are satisfied.

As of March 31, 2026, RMB3.8 million, or 29.2%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

CASH FLOWS

Our use of cash primarily related to operating, investing and financing activities. We have historically financed our operations primarily through cash flows generated from our operations and borrowings.

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

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/from operating activities	(119,585)	74,064	88,966
Net cash flows used in investing activities	(156,247)	(104,125)	(66,698)
Net cash flows from financing activities	48,697	21,691	73,313
Net decrease in cash and cash equivalents	(227,135)	(8,370)	95,581
Cash and cash equivalents at beginning of year	783,971	559,931	552,952
Effect of foreign exchange rate changes	3,095	1,391	(211)
Cash and cash equivalents at end of year	**559,931**	**552,952**	**648,322**

Net Cash Flows (Used in)/From Operating Activities

Our net cash flows from operating activities in 2025 were RMB89.0 million, primarily attributable to (i) RMB165.7 million profit before income tax; (ii) adjustments for depreciation and amortization of RMB113.2 million, and (iii) an RMB75.1 million increase in trade and other payables, partially offset by (i) an RMB210.7 million increase in trade and other receivables and (ii) RMB79.3 million unrealised fair value changes on financial assets at FVTPL, net.

Our net cash flows from operating activities in 2024 were RMB74.1 million, primarily attributable to (i) RMB56.9 million profit before income tax, (ii) adjustments for depreciation and amortization of RMB104.2 million, (iii) an RMB45.9 million decrease in inventories, and (iv) an RMB36.7 million increase in trade and other payables, partially offset by an RMB218.6 million increase in trade and other receivables.

Our net cash flows used in operating activities in 2023 were RMB119.6 million, primarily attributable to RMB260.1 million loss before income tax, partially offset by (i) adjustments for depreciation and amortization of RMB99.2 million and (ii) a decrease in trade and other receivables of RMB43.0 million.

Net Cash Flows Used in Investing Activities

Our net cash flows used in investing activities in 2025 were RMB66.7 million, primarily attributable to the purchases of financial assets of RMB1,770.9 million and the purchases of property, plant and equipment and intangibles assets of RMB86.6 million, which was partially offset by the RMB1,779.2 million proceeds from disposal of financial assets.

Our net cash flows used in investing activities in 2024 were RMB104.1 million, primarily attributable to the purchases of financial assets of RMB1,969.5 million and the purchases of property, plant and equipment and intangible assets of RMB94.0 million, which was partially offset by the RMB1,957.4 million proceeds from disposal of financial assets.

Our net cash flows used in investing activities in 2023 were RMB156.2 million, primarily attributable to the purchases of financial assets of RMB1,973.0 million and the purchases of property, plant and equipment and intangible assets of RMB191.2 million, which was partially offset by the RMB1,991.0 million proceeds from disposal of financial assets.

Net Cash Flows From Financing Activities

Our net cash flows from financing activities in 2025 were RMB73.3 million, primarily attributable to proceeds from bank borrowings of RMB916.4 million, which was partially offset by (i) the repayment of bank borrowings of RMB732.4 million, (ii) the RMB15.8 million payment of dividend, (iii) the RMB42.3 million of interest and (iv) the RMB49.2 million payment of repurchase of shares.

Our net cash flows from financing activities in 2024 were RMB21.7 million, primarily attributable to the proceeds from bank borrowings of RMB661.5 million, which was partially offset by (i) the repayment of bank borrowings of RMB559.5 million, (ii) the RMB44.8 million payment of interest and (iii) the RMB31.1 million payment of repurchase of shares.

Our net cash flows from financing activities in 2023 were RMB48.7 million, primarily attributable to proceeds from bank borrowings of RMB453.1 million, which was partially offset by (i) the repayment of bank borrowings of RMB355.2 million and (ii) the payment of interest of RMB44.2 million.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash flows from operating activities, our current cash and cash equivalents, our banking facilities and the estimated net proceeds from the [**REDACTED**], our Directors are of the view that we have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures principally comprise expenditures for purchases of items of property, plant, and equipment, and addition to intangible assets, primarily related to our production and research and development activities. We have funded our capital expenditures during the Track Record Period mainly from cash generated from operating activities. 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. The following table sets forth a breakdown of our capital expenditures during the periods indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	216,388	40,828	16,407
Intangible assets	9,620	118,106	83,929
Total	226,008	158,934	100,336

Our capital expenditure on intangible assets amounted to approximately RMB9.6 million, RMB118.1 million and RMB83.9 million in 2023, 2024 and 2025, respectively. Capital expenditure on intangible assets increased from RMB9.6 million in 2023 to RMB118.1 million in 2024, mainly due to the acquisition of additional license rights of approximately RMB84.4 million and development costs of approximately RMB30.9 million that met the criteria for capitalization, as well as purchases of software of approximately RMB2.9 million. In 2025, capital expenditure on intangible assets amounted to RMB83.9 million, primarily representing the acquisition of license rights of approximately RMB31.5 million, development costs of approximately RMB51.9 million and purchases of software of approximately RMB0.6 million.

Commitments

As of December 31, 2023, 2024 and 2025, we had contractual commitments for (i) purchases of property, plant and equipment, and intangible assets in an aggregate amount of RMB53.7 million, RMB49.7 million and RMB52.8 million, respectively; and (ii) for short-term leases in an aggregate amount of RMB0.1 million, RMB0.5 million and RMB0.2 million, respectively.

INDEBTEDNESS

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current				
– Bank borrowings	395,730	582,375	663,170	706,652
– Lease liabilities	6,705	12,447	4,065	10,135
– Amount due to related parties	181	150	140	387
Non-current				
– Bank borrowings	695,840	611,179	727,705	685,110
– Lease liabilities	17,786	14,784	1,816	8,266
Total	1,116,242	1,220,935	1,396,896	1,410,550

Borrowings

We had interest-bearing borrowings of RMB1,091.6 million, RMB1,193.6 million, RMB1,390.9 million and RMB1,391.8 million as of December 31, 2023, December 31, 2024, December 31, 2025 and March 31, 2026, respectively. As of the Latest Practicable Date, we had unutilized banking facilities of RMB444.2 million. During the Track Record Period and up to the Latest Practicable Date, we did not violate any material covenant in our borrowings or experience any default in payment of our borrowings, nor did we experience any difficulty in obtaining bank or other borrowings.

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our plant, offices and laboratories during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

As of December 31, 2023, 2024, December 31, 2025, and March 31, 2026, we had a total of current and non-current lease liabilities of RMB24.5 million, RMB27.2 million, RMB5.9 million and RMB18.4 million, respectively.

Indebtedness Statement and Contingent Liabilities

Except as disclosed above, as of March 31, 2026, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities.

Our Directors confirm that there was no material change in our indebtedness from March 31, 2026 to the date of this document.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 37 to the Accountants' Report in Appendix I.

The following table sets forth a breakdown of our balances due from/to related parties as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties(1)	361	1,703	1,825
Amounts due to related parties(2)	181	150	140

Notes:

(1) Primarily represents rental deposit.

(2) Primarily represents utilities payables and rent.

All of our related party balances as of December 31, 2023, 2024 and 2025 were non-trade in nature. We do not expect these non-trade balances to be settled or terminated prior to the completion of the [**REDACTED**], as the underlying transactions are entered into in the ordinary course of business and are expected to continue thereafter. The relevant balances will be settled in accordance with the agreed terms between the parties, and we will continue to monitor and manage our exposures to related parties in accordance with our internal control policies and the Listing Rules. Our Directors confirm that all of our related party transactions during the Track Record Period set out in Note 37 to the Accountants' Report in Appendix I were conducted on an arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates/periods indicated:

	As of December 31,		
	2023	2024	2025
Current ratio(1)	1.7	1.5	1.6
Quick ratio(2)	1.4	1.3	1.4

	Year Ended December 31,		
	2023	2024	2025
Gross profit margin(3)	70.8%	68.7%	63.4%
Return on equity(4)	(11.4%)	1.7%	9.0%

Notes:

(1) Current ratio is calculated using current assets divided by current liabilities as of the relevant period end.

(2) Quick ratio is calculated using current assets less inventories divided by current liabilities as of the relevant period end.

(3) Gross profit margin represents gross profit as a percentage of total revenue of the respective period.

(4) Return on equity is calculated using profit divided by the average of the beginning and ending balance of total equity for that year and multiplied by 100%.

See "— Significant Factors Affecting Our Results of Operations" for a discussion of the factors affecting our gross profit margin during the relevant periods.

Current Ratio and Quick Ratio

Our current ratio slightly decreased from 1.7 as of December 31, 2023 to 1.5 as of December 31, 2024, and our quick ratio slightly decreased from 1.4 as of December 31, 2023 to 1.3 as of December 31, 2024. These slight decreases were primarily because the increase in our current liabilities outpaced the increase in our current assets or current assets less inventories (as the case may be).

Our current ratio slightly increased from 1.5 as of December 31, 2024 to 1.6 as of December 31, 2025, and our quick ratio slightly increased 1.3 as of December 31, 2024 to 1.4 as of December 31, 2025. These slight increases were primarily because the increase in our current assets or current assets less inventories (as the case may be) outpaced the increase in current liabilities.

Return on Equity

We recorded negative return on equity of (11.4%) in 2023. Our negative return on equity was primarily due to losses resulting from substantial R&D investment. In 2024 and 2025, our return on equity was 1.7% and 9.0%, respectively, primarily due to the substantial growth in overseas revenue and decreases in selling expenses and R&D expenses, resulting in increasing profit for the year ended December 31, 2025.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have neither entered into any off-balance sheet transactions, nor any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RISK DISCLOSURES

Our principal financial instruments mainly comprise cash and cash equivalents. The main purpose of these financial instruments is to support our operations, such as trade and bills receivables and trade payables. We have various other financial assets and liabilities which arise directly from our operations. The main risks arising from our financial instruments are foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. For more details, see Note 38 to the Accountants' Report in Appendix I.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations.

Price Risk

We are exposed to equity price risk mainly arising from investments in private fund which are classified as financial assets at FVTPL.

Interest Rate Risk

The interest rate risk primarily arises from bank borrowings and lease liabilities. Bank borrowings issued at variable rates expose us to cash flow interest rate risk. Bank borrowings issued at fixed rates, lease liabilities bearing fixed rates expose us to fair value interest rate risk.

We have been monitoring the level of interest rates. An increase in interest rates will raise the cost of new interest-bearing debts and also increase the interest expenses of our outstanding interest-bearing debts that accrue interest at floating rates, thereby exerting a significant adverse impact on our financial performance. In response, our management team will make timely adjustments in light of the latest market conditions to mitigate interest rate risk.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations and from our investing activities.

We have adopted a policy of conducting transactions only with counterparties with good credit standing. In addition, we assess the creditworthiness of customers based on factors such as customers' financial conditions, the possibility of obtaining guarantees from third parties, credit records, and other factors including current market conditions, and sets corresponding credit periods accordingly. We conduct continuous monitoring of the balances of bills receivable and trade and other receivables as well as their collection status. For customers with poor credit records, we will take measures such as collection actions to avoid significant credit losses. Furthermore, we review the collectability of financial assets on each statement of financial position date to ensure that sufficient expected credit loss provisions have been recognized for the relevant financial assets.

The credit risk of our other financial assets, which comprise cash and cash equivalents, bills receivable, trade and other receivables, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage this risk at the group level by maintaining sufficient cash and bank balances, as well as utilising bank financing. Our objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet short- and long-term requirements.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern by pricing services commensurately with the level of risk so that it can continue to provide returns and benefits to the shareholders.

We actively and regularly review our capital structure and make adjustments in light of changes in economic conditions. We monitor our capital structure on the basis of the gearing ratio. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

DIVIDEND POLICY

After the [**REDACTED**], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our shareholders' meeting and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends.

According to applicable PRC laws and our Articles of Association, when allocating the after-tax profits of the current year, the Company shall allocate 10% of its profit to the statutory reserve fund. In the event that the accumulated statutory reserve fund of the Company has reached more than 50% of the registered capital of the Company, no allocation is needed. In the event that the statutory reserve fund of the Company is insufficient to make up the losses on the previous year, before allocating the statutory reserve fund in accordance with the stipulations of the previous paragraph, the Company shall first make up the losses by using the profits of the current year. After allocating the statutory reserve fund from the after-tax profits of the Company, the Company may allocate the discretionary reserve fund from the after-tax profits according to the resolution of shareholders' general meeting. The remaining profits after tax after the Company has made up its losses and allocated to its reserve funds may be distributed to its shareholders in proportion to their shareholdings, unless it is stipulated in the Articles of Association that no profit distribution shall be made in proportion to shareholdings.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. We do not have a fixed annual dividend payout ratio. Pursuant to our dividend policy under our Articles of Association, subject to the satisfaction of the relevant dividend distribution conditions, the amount of cash dividends distributed each year shall be no less than 10% of the distributable profits for that year, and the aggregate amount of cash dividends distributed over the most recent three years shall be no less than 30% of the average annual distributable profits for those three years.

In 2023 and 2024, we did not declare any dividends. In May 2025, we declared dividends of RMB15.8 million in respect of the year ended December 31, 2024, which had been paid in full. In April 2026, we declared dividends of RMB49.5 million in respect of the year ended December 31, 2025, the distribution of which is pending shareholder approval.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained profits of RMB270.7 million, which were available for distribution to Shareholders.

[REDACTED] EXPENSES

Assuming an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range stated in this document), the [**REDACTED**] fees, commissions, together with the Stock Exchange [**REDACTED**] fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [**REDACTED**], which are payable by us are estimated to be approximately RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]), of which RMB[**REDACTED**] are expected to be charged to our consolidated statements of comprehensive income, and RMB[**REDACTED**] are expected to be deducted from equity following the [**REDACTED**]. The [**REDACTED**] expenses consist of RMB[**REDACTED**]-related expenses and RMB[**REDACTED**] non-[**REDACTED**]-related expenses (including fees and expenses of legal advisors and the reporting accountant of RMB[**REDACTED**] and other fees and expenses of RMB[**REDACTED**]), representing approximately [**REDACTED**]% of our gross proceeds from the [**REDACTED**].

The [**REDACTED**] expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [**REDACTED**] on our consolidated net tangible assets attributable to owners of the Company as of December 31, 2025 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [**REDACTED**] been completed as of December 31, 2025 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2025	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as of December 31, 2025**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of December 31, 2025**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	1,458,993	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	1,458,993	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2025 is extracted from the Accountants' Report set out in Appendix I, which is based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at December 31, 2025 of approximately RMB1,752,506,000 after deducting the Group's intangible assets attributable to owners of the Company of approximately RMB293,513,000 as at December 31, 2025.

(2) The Group's properties and buildings, right-of-use assets and investment properties as at 31 March 2026 were revaluated by Jones Long LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III Property Valuation. The net valuation surplus, representing the excess of market value of the properties and buildings, right-of-use assets and investment properties over their carrying value amounting to RMB32.4 million, has not been included in the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2025. The above adjustment does not take into account the above valuation surplus. Had properties and buildings, right-of-use assets and investment properties been stated as such valuation, an additional depreciation of RMB1,026,000 per annum in respect of the valuation surplus, before income taxes, would be the charged against the consolidated statement of profit or loss and other comprehensive income.

(3) The estimated net proceeds from the [**REDACTED**] are based on [**REDACTED**] at the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end and high end of the indicative [**REDACTED**] range, respectively, after deduction of the estimated [**REDACTED**] fees and other related expenses expected to be incurred by the Group subsequent to December 31, 2025 and takes no account of any Shares which may be allotted and issued by the Company upon the exercise of the [**REDACTED**], any Shares which may be issued by the Company upon the exercise of any options may be granted under the 2024 Restricted Share Incentive Plans or any Shares which may be issued or repurchased by the Company.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares (representing 201,257,250 Shares in issue as at December 31, 2025, excluding 3,199,905 treasury shares as at December 31, 2025, adding [**REDACTED**] [**REDACTED**]) were in issue, assuming that the [**REDACTED**] had been completed on December 31, 2025 but does not take into account of any Shares which may be allotted and issued by the Company upon the exercise of the [**REDACTED**], any Shares which may be issued by the Company upon the exercise of any options may be granted under the 2024 Restricted Share Incentive Plans or any Shares which may be issued or repurchased by the Company.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2025 to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2025.

(6) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the translation of Renminbi amounts into Hong Kong dollars has been made at a rate of RMB0.876 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued certain of our property interests as of March 31, 2026 and is of the opinion that the market value of our selected property interest as of such date was RMB692.1 million. The full text of its letter and certificate in connection with such property interest are set out in Appendix III.

A reconciliation of the net book value of our selected property interest as of December 31, 2025 as set out in Accountants' Report in Appendix I to its market value as of March 31, 2026 as stated in the property valuation report set out in Property Valuation Report in Appendix III is set out below:

	RMB'000
Net book value of the property interest as of December 31, 2025	666,390
Disposal	(335)
Depreciation	(6,366)
Net book value of the property interest as of March 31, 2026	659,689
Fair value gain	32,411
Market value of the property interest as of March 31, 2026 as set out in the property valuation report in Appendix III	692,100

IMPACT OF THE COVID-19 PANDEMIC

As of the Latest Practicable Date, the outbreak of COVID-19 had not had any material adverse impact on our business operations or financial performance. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major delay or disruption to our operations as a result of the COVID-19 pandemic, and we did not experience any material interruption to our supply chain or significant delay in the procurement of key raw materials and services. In particular, our principal R&D projects were at pre-clinical stages and the relevant pre-clinical studies were conducted by our in-house teams. Leveraging our established internal management systems and experienced R&D personnel, the COVID-19 pandemic did not cause any material interruption or suspension to our R&D activities or materially affect the progress of our R&D projects.

During the COVID-19 pandemic, certain of our commercialization activities, such as business development, were conducted through online channels. Our R&D, commercialization and production activities and our supply chain were carried out without any material disruption caused by the COVID-19 pandemic. Given that the PRC government has substantially lifted its COVID-19 prevention and control policies since December 2022, our Directors are of the view that the COVID-19 pandemic did not, and is not expected to, have any material adverse impact on our business operations, financial position or results of operations.

Notwithstanding the above, the COVID-19 pandemic and subsequent changes in market conditions had an impact on the commercial prospects and accounting treatment of certain COVID-19-related product candidates. In particular, with the significant decline in demand for COVID-19 therapeutics following the easing of pandemic control measures, we reassessed the future economic benefits of a COVID-19 antiviral drug candidate, and adjusted the accounting treatment of the related development costs in 2023, resulting in such costs being recognized as expenses. This was reflected in the recognition of substantial research and development expenses of approximately RMB128.6 million in 2023 in connection with the completion of patient enrollment for its Phase III clinical trial. As a result, our research and development expenses in 2023 was RMB344.8 million, higher than RMB168.1 million in 2024. Although such adjustments had a corresponding impact on our financial results for the relevant period, the Directors are of the view that the such adjustment did not have a material adverse impact on our overall business operations.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2025, being the latest balance sheet date of our combined financial statements in the Accountants' Report in Appendix I.

DISCLOSURE UNDER THE LISTING RULES

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