You should read the following discussion and analysis in conjunction with our consolidated financial information including the notes thereto, included in the Accountant's Report set out in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

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 assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Founded in 2017, we are a clinical-stage biotech company focused on the development of T-cell engager ("**TCE**") therapy. TCEs are bispecific or multispecific antibodies engineered to redirect and activate T cells by simultaneously binding tumor-associated antigens ("**TAAs**") on tumor cells and receptors on T cells to induce targeted cytotoxicity. We identified early on the differentiated potential of TCE, a new generation of immunotherapy designed to harness and direct the body's immune system against cancer. Possessing deep insights and innovative capabilities in a high-growth industry, we translate these insights into clinical-stage products, driving our progress from concept to development. We have developed masked TCEs, which can be selectively activated in tumors, for the treatment of solid tumors. As a rapidly evolving therapeutic modality in oncology, the global TCE market reached approximately US$3.0 billion in 2024 and is expected to reach US$121.1 billion by 2035 at a CAGR of 40.0%. China's TCE market reached approximately RMB0.7 billion in 2024 and is expected to reach RMB159.6 billion by 2035 at a CAGR of 63.8%.

As of the Latest Practicable Date, we had four in-house, clinical-stage drug candidates, including (i) DNV3, an advanced TCM targeting LAG-3, (ii) SMET12, an innovative intravenous EGFR×CD3 TCE, (iii) CMD011, an advanced GPC3×CD3 TCE, and (iv) CMDE005, an innovative EGFR×CD3 masked TCE. In addition, we have two preclinical-stage drug candidates for multifunctional/logic-gated TCE, CMDE101 and CMDE102, which are trispecific masked TCEs targeting FOLR1×PD-L1×CD3 and PSMA×PD-L1×CD3, respectively.

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all International Accounting Standards ("**IASs**") and interpretations issued by the International Accounting Standards Board (the "**IASB**"), and accounting principles generally accepted in Hong Kong. All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information for the Track Record Period.

The consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the relevant periods, as explained in the respective accounting policies set out in the Accountants' Report in Appendix I to this Document. The consolidated financial information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand unless otherwise indicated. The preparation of the consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates and also requires our management to exercise its judgment in the process of applying our accounting policies.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Development and Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop, obtain regulatory approvals for, and commercialize our drug candidates. Our research and development efforts primarily focus on applying TCE to solid tumors. As of the Latest Practicable Date, we had established a diversified pipeline comprising four in-house, clinical-stage drug candidates.

A number of our drug candidates have advanced into Phase I or Phase II clinical trials in China, targeting solid tumors such as melanoma, HCC and NSCLC. Several of our programs have also obtained IND approvals from both the NMPA and the FDA, demonstrating our clinical and regulatory execution capability across key jurisdictions. We expect our results of operations to continue to be affected by the progress of our ongoing clinical programs, including patient enrollment, data readouts, and regulatory interactions, as well as by the outcomes of preclinical studies that support new IND applications and indication expansion.

We intend to continue advancing our pipeline through a combination of in-house research and strategic collaborations. Our commercialization strategy focuses on accelerating clinical development, securing regulatory approvals and establishing collaboration or out-licensing arrangements with reputable global or regional biopharmaceutical partners to enhance commercialization and market access. Our ability to successfully develop, obtain approvals for and commercialize our drug candidates will continue to be a key factor affecting our business, financial condition, results of operations and prospects.

Our Cost Structure

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

We believe our ability to successfully develop drug candidates is the primary factor affecting our long-term growth and competitiveness. Developing quality drug candidates requires substantial financial investments over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, we have invested a significant amount of financial resources in research and development to advance and expand our pipeline of clinical- and preclinical-stage drug candidates. The research and development costs we incurred for the years ended December 31, 2024 and 2025 amounted to RMB53.4 million and RMB46.6 million, respectively. See "—Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Research and Development Costs" for detailed information.

We expect our research and development costs to continue to represent a major component in our cost structure. We expect our cost structure to evolve as we continue to develop and expand our business. Beyond research and development costs, we anticipate increasing legal, compliance, accounting, insurance and [**REDACTED**] and public relations expenses associated with being a [**REDACTED**] in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through bank loans and equity financing. We have also benefited from research subsidies and project funding provided by local government authorities to support the development of our drug candidates and related technology platforms. Going forward, prior to the commercialization of our drug candidates, we expect to continue funding our operations mainly through bank loans and equity financing, including [**REDACTED**] from the [**REDACTED**], as well as potential strategic partnerships or collaboration and licensing arrangements. In the longer term, following the successful commercialization of one or more of our drug candidates, we expect to primarily fund our operations with revenue generated from product sales. Any fluctuation in the funding for our operations will impact our cash flow and results of operations.

MATERIAL ACCOUNTING POLICY INFORMATION

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with International Financial Reporting Standards (the "**IFRSs**"). The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

For details of the critical accounting policies, estimates, assumptions and judgments involved in the preparation of financial statements of our Group, see Notes 2.3 and 3 to the Accountants' Report as set forth in Appendix I to this document.

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

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

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income and gains	6,618	9,372
Research and development costs	(53,382)	(46,589)

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Administrative expenses	(12,188)	(43,107)
Other expenses	(62)	(173)
Finance costs	(885)	(463)
LOSS BEFORE TAX	(59,899)	(80,960)
Income tax expense	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(59,899)	(80,960)
Attributable to:		
Owners of the parent	(59,899)	(80,960)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted (RMB)	(3.39)	(4.51)

Other Income and Gains

Our other income consists of (i) government grants, primarily representing subsidies received from local government authorities to support our operation and research and development activities, which are one-off subsidies obtained upon the approval by local government authorities following their assessment process, (ii) interest income, primarily representing interest income from our cash and cash equivalents and time deposits in the bank, and (iii) others; and our gains consist of (i) gain on fair value changes of financial assets at FVTPL and (ii) net foreign gains. The government grants are subject to certain conditions and are received based on the progress of the relevant R&D. Such conditions include clinical approvals, patent approvals and others. We have the ability to satisfy such conditions. Other income and gains for the years ended December 31, 2024 and 2025 were RMB6.6 million and RMB9.4 million, respectively.

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

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Other income		
Government grants	471	5,370
Interest income	764	1,458
Others	56	36
Subtotal	**1,291**	**6,864**
Gains		
Gain on fair value changes of financial assets at FVTPL	5,327	2,508
Subtotal	**5,327**	**2,508**
Total	**6,618**	**9,372**

Research and Development Costs

Our research and development costs consists of (i) clinical research and technical service fees, (ii) staff costs, (iii) raw materials and consumables, (iv) depreciation and amortization, and (v) others. The following table sets forth a breakdown of our research and development costs for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Clinical research and technical service fees	24,969	20,462
Staff costs	17,361	17,414
Raw materials and consumables	3,998	2,275
Depreciation and amortization	5,992	5,315
Others	1,062	1,123
Total	**53,382**	**46,589**

For the years ended December 31, 2024 and 2025, our research and development costs attributable to our Core Products were RMB23.2 million and RMB26.7 million, respectively, representing 43.5% and 57.4% of our total research and development costs in the corresponding periods, respectively.

The research and development costs attributable to our Core Product DNV3, consisting of (i) clinical research and technical service fees, (ii) staff costs, (iii) raw materials and consumables, (iv) depreciation and amortization, and (v) others, were RMB11.3 million and RMB19.4 million for the years ended December 31, 2024 and 2025, respectively.

The following table sets forth a breakdown of research and development costs attributable to our Core Product DNV3 during the Track Record Period.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Clinical research and technical service fees	4,311	9,793
Staff costs	4,050	5,817
Depreciation and amortization	1,142	2,212
Raw materials and consumables	1,281	977
Others	496	593
Total	**11,280**	**19,392**

The research and development costs attributable to our Core Product SMET12, consisting of (i) clinical research and technical service fees, (ii) staff costs, (iii) raw materials and consumables, (iv) depreciation and amortization, and (v) others, were RMB11.9 million and RMB7.4 million for the years ended December 31, 2024 and 2025, respectively. The decrease in research and development costs attributable to our Core Product SMET12 was primarily due to certain exploratory combination studies conducted for SMET12 in 2024, and no expenses were incurred for such studies in 2025.

The following table sets forth a breakdown of research and development costs attributable to our Core Product SMET12 during the Track Record Period.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Staff costs	4,397	2,468
Clinical research and technical service fees	4,349	3,461
Depreciation and amortization	1,208	839
Raw materials and consumables	1,443	370
Others	538	216
Total	**11,935**	**7,354**

Administrative Expenses

Our administrative expenses consist of (i) staff costs, (ii) share-based compensation expenses, (iii) professional service expenses, (iv) depreciation and amortization, which includes depreciation of right-of-use assets and property, plant and equipment and amortization of intangible assets, (v) others, and (vi) [**REDACTED**] expense. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Staff costs	8,189	7,639
Share-based compensation expenses	–	18,024
Professional service expenses	1,692	1,083
Depreciation and amortization	1,772	1,296
Others	535	1,166
[**REDACTED**] expense	–	[REDACTED]
Total	**12,188**	**43,107**

Other Expenses

During the Track Record Period, we incurred a small amount of other expenses, which was primarily attributable to foreign exchange gains or losses. Other expenses for the years ended December 31, 2024 and 2025 were RMB62 thousand and RMB173 thousand, respectively.

Finance Costs

Our finance costs consist of (i) interest on bank borrowings and (ii) interest on lease liabilities. Our finance costs for the years ended December 31, 2024 and 2025 were RMB885 thousand and RMB463 thousand, respectively. The following table sets forth a breakdown of our finance costs for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Interest on bank borrowings	774	277
Interest on lease liabilities	111	186
Total	**885**	**463**

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.

PRC

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "**CIT Law**"), we are subject to corporate income tax at a rate of 25% on the taxable income during the Track Record Period.

Pursuant to the relevant CIT Law, we enjoyed a super deduction of 200% on qualified research and development costs so incurred as tax deductible expenses when determining their assessable profits for the Track Record Period.

The United States

Our subsidiary incorporated and operated in the state of Maryland of the USA is subject to the federal statutory income tax rate at 21% and the state income tax rate at 8.25% during the Track Record Period.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Other Income and Gains

Our other income and gains increased from RMB6.6 million for the year ended December 31, 2024 to RMB9.4 million for the year ended December 31, 2025. The increase was primarily attributable to an increase in government grants of RMB4.9 million, which was due to the completion and acceptance of a government grant project.

Research and Development Costs

Our research and development costs decreased by 12.7% from RMB53.4 million for the year ended December 31, 2024 to RMB46.6 million for the year ended December 31, 2025. The decrease was primarily attributable to a decrease in clinical research and technical service fees of RMB4.5 million, due to our more selective approach in evaluating early-stage preclinical programs. By prioritizing projects with higher clinical and commercial potential, and terminating those with low technical barriers or intense competition, we have focused its R&D resources on high-potential clinical-stage products.

Administrative Expenses

Our administrative expenses increased significantly by 253.7% from RMB12.2 million for the year ended December 31, 2024 to RMB43.1 million for the year ended December 31, 2025. The increase was mainly driven by share-based compensation expenses and [**REDACTED**] expense incurred in 2025.

Finance Costs

Our finance costs decreased from RMB885 thousand for the year ended December 31, 2024 to RMB463 thousand for the year ended December 31, 2025. The decrease was primarily attributable to a decrease of interest on bank borrowings of RMB497 thousand.

Loss for the Year

For the reasons described above, our loss for the year increased from RMB59.9 million for the year ended December 31, 2024 to RMB81.0 million for the year ended December 31, 2025.

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

The following table sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
NON-CURRENT ASSETS		
Property, plant and equipment	9,141	6,198
Other intangible assets	247	218
Right-of-use assets	2,174	3,881
Prepayments, other receivables and other assets	1,865	3,545
Time deposits	40,338	20,621
Total non-current assets	**53,765**	**34,463**
CURRENT ASSETS		
Prepayments, other receivables and other assets	2,794	4,036
Cash and cash equivalents	23,907	33,913
Time deposits	2,875	25,286
Financial assets at fair value through profit or loss ("**FVTPL**")	163,787	86,739
Total current assets	**193,363**	**149,974**
CURRENT LIABILITIES		
Trade and other payables	12,564	23,444
Amounts due to a related party	907	1,782
Interest-bearing bank borrowings	31,030	20,000
Deferred income	4,100	–
Lease liabilities	762	2,094
Total current liabilities	**49,363**	**47,320**
Net current assets	**144,000**	**102,654**
Total assets less current liabilities	**197,765**	**137,177**
NON-CURRENT LIABILITIES		
Lease liabilities	1,415	620
Deferred income	20,617	21,268
Total non-current liabilities	22,032	21,888
Net assets	**175,733**	**115,229**
EQUITY		
Equity attributable to owners of the parent		
Paid-in capital	17,664	–
Share capital	–	18,450
Reserves	158,069	96,779
Total equity	**175,733**	**115,229**

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

	As of December 31,		As of March 31,
	2024	**2025**	**2026**
	(RMB in thousands)		*(Unaudited)*
Current assets			
Prepayments, other receivables and other assets	2,794	4,036	5,855
Cash and cash equivalents	23,907	33,913	90,954
Time deposits	2,875	25,286	25,414
Financial assets at fair value through profit or loss ("**FVTPL**")	163,787	86,739	161,370
Total current assets	**193,363**	**149,974**	**283,593**
Current liabilities			
Trade and other payables	12,564	23,444	21,708
Interest-bearing bank borrowings	31,030	20,000	–
Amounts due to a related party	907	1,782	1,335
Deferred income	4,100	–	–
Lease liabilities	762	2,094	2,122
Total current liabilities	**49,363**	**47,320**	**25,165**
NET CURRENT ASSETS	**144,000**	**102,654**	**258,428**

During the Track Record Period, we had net assets position, which gradually decreased over the periods primarily due to the total comprehensive losses incurred in each period of the Track Record Period, as a result of our continuous investment in research and development activities. The decrease in net assets from RMB175.7 million as of December 31, 2024 to RMB115.2 million as of December 31, 2025 was mainly attributable to the loss for the year of RMB81.0 million.

The increase in net current assets from RMB102.7 million as of December 31, 2025 to RMB258.4 million as of March 31, 2026 was primarily due to (i) an increase in financial assets at FVTPL of RMB74.6 million, (ii) an increase in cash and cash equivalents of RMB57.0 million and (iii) a decrease in interest-bearing bank borrowings of RMB20.0 million.

The decrease in net current assets from RMB144.0 million as of December 31, 2024 to RMB102.7 million as of December 31, 2025 was primarily due to (i) a decrease in financial assets at fair value through profit or loss of RMB77.0 million, (ii) an increase in trade and other payables of RMB10.9 million, partially offset by an increase in time deposits of RMB22.4 million and a decrease in interest-bearing bank borrowings of RMB11.0 million.

Property, Plant and Equipment

Our property, plant and equipment consists of (i) office and electronic equipment, (ii) motor vehicles, (iii) laboratory equipment and (iv) leasehold improvements. The following table sets forth a breakdown of the net carrying amount of our property, plant and equipment as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Office and electronic equipment	322	199
Motor vehicles	94	238
Laboratory equipment	8,725	5,675
Leasehold improvements	–	86
Total	**9,141**	**6,198**

Our property, plant and equipment decreased from RMB9.1 million as of December 31, 2024 to RMB6.2 million as of December 31, 2025, primarily attributable to the depreciation of laboratory equipment of RMB3.1 million for the year ended December 31, 2025.

Right-of-use Assets

Our right-of-use assets are primarily related to our laboratories and office premises used in our operations. Leases of laboratories and office premises generally have lease terms between 1.75 and 3 years. Our right-of-use assets increased from RMB2.2 million as of December 31, 2024 to RMB3.9 million as of December 31, 2025, primarily due to the additions in laboratories and office premises of RMB5.0 million.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of (i) value-added tax recoverable; (ii) rental deposits; (iii) prepayments, with includes clinical trial expenses, raw material costs and prepaid rent; and (iv) 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,	
	2024	2025
	(RMB in thousands)	
Non-current		
Value-added tax recoverable	1,809	3,489
Rental deposits	56	56
Subtotal	**1,865**	**3,545**
Current		
Prepayments	2,229	645
Other receivables	565	417
Deferred [**REDACTED**] expense	–	[REDACTED]
Subtotal	**2,794**	**4,036**
Total	**4,659**	**7,581**

Our prepayments, other receivables and other assets increased from RMB4.7 million as of December 31, 2024 to RMB7.6 million as of December 31, 2025, primarily due to an increase of deferred [**REDACTED**] expenses of RMB[**REDACTED**].

As of March 31, 2026, RMB434 thousand, or 67.3% of our prepayments as of December 31, 2025 had been subsequently settled.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash on hand and cash at banks. The following table sets forth a breakdown of our cash and cash equivalents by currency type as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Denominated in:		
– Renminbi	20,828	30,500
– U.S. dollar	3,079	3,413
Total	**23,907**	**33,913**

Our cash and cash equivalents increased from RMB23.9 million as of December 31, 2024 to RMB33.9 million as of December 31, 2025. For an analysis on cash flows during the Track Record Period, see "—Liquidity and Capital Resources."

Time Deposits

All time deposits with original maturity over three months but less than one year with corresponding interest receivables are classified as our current assets. Time deposits with original maturity over one year with corresponding interest receivables are classified as our non-current assets. Most of our time deposits were denominated in Renminbi.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Time deposits with original maturity over three months but less than one year	2,875	4,569
Time deposits with original maturity over one year	40,338	41,338
Total	**43,213**	**45,907**

Our time deposits increased from RMB43.2 million as of December 31, 2024 to RMB45.9 million as of December 31, 2025, primarily due to an increase of time deposits with original maturity over one year.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consist of (i) wealth management products, and (ii) structured deposits, purchased from reputable banks. The following table sets forth a breakdown of our financial assets at FVTPL as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Wealth management products	62,319	6,513
Structured deposits	101,468	80,226
Total	**163,787**	**86,739**

Our financial assets at FVTPL decreased from RMB163.8 million as of December 31, 2024 to RMB86.7 million as of December 31, 2025, primarily due to a decrease in wealth management products of RMB55.8 million.

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

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

Trade and Other Payables

Our trade and other payables primarily related to our purchases of materials and third-party contracting services in relation to our research and development activities. The following table sets forth a breakdown of our trade and other payables.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Trade payables	2,531	649
Accrued research and development costs	4,138	10,635
Payroll payables	5,755	5,990
Other taxes payables	31	9
Accrued [**REDACTED**] expenses	–	[REDACTED]
Other payables	109	305
Total	**12,564**	**23,444**

Our trade and other payables increased from RMB12.6 million as of December 31, 2024 to RMB23.4 million as of December 31, 2025, primarily attributable to an increase in accrued research and development costs of RMB6.5 million and an increase in accrued [**REDACTED**] expenses of RMB[**REDACTED**].

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,	
	2024	2025
	(RMB in thousands)	
Within 3 months	2,505	642
3 months to 1 year	26	7
Total	**2,531**	**649**

Our trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days of the invoice date.

As of March 31, 2026, RMB568 thousand, or 87.5%, of our trade payables as of December 31, 2025 had been subsequently settled.

Amounts Due to A Related Party

The amounts due to a related party represent our payables to a related party in connection with our purchases of R&D and clinical-related services from such related party. We recorded RMB907 thousand and RMB1.8 million in amounts due to a related party as of December 31, 2024 and 2025, respectively.

Deferred Income

Our deferred income decreased from RMB24.7 million as of December 31, 2024 to RMB21.3 million as of December 31, 2025, primarily due to completion and acceptance of a government grant project.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, we monitor the utilization of borrowings and, from time to time, evaluate the options to renew the borrowings upon expiry based on our actual business requirement. We relied on bank loans and equity financing as the major sources of liquidity during the Track Record Period.

During the Track Record Period, we incurred negative cash flows from our operations and our operating cash outflows mainly resulted from our research and development costs. Our operating activities used RMB53.4 million and RMB50.5 million for the years ended December 31, 2024 and 2025, respectively. We expect to generate more cash flow from our operating activities, through income from the commercialization of our drug candidates, collaboration arrangements with third parties, and enhancing our cost management and operating efficiency. In order to bring to fruition our research and development objectives, we will ultimately need additional funding sources and there can be no assurances that they will be made available.

Cash Flows

The following table sets forth key items of our consolidated statements of cash flows for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Operating activities		
Interest received	336	248
Cash used in operating activities	(53,689)	(50,728)
Net cash flows used in operating activities	**(53,353)**	**(50,480)**
Investing activities		
Interest received from term deposits with original maturity over three months	90	210
Purchases of items of property, plant and equipment	(70)	(350)
Purchases for other intangible assets	(48)	–
Purchases of time deposits	(42,875)	(24,600)
Withdrawal of time deposits	10,000	22,875
Purchases of financial assets at FVTPL	(965,000)	(801,500)
Withdrawal of financial assets at FVTPL	1,022,528	881,056
Net cash flows from investing activities	**24,625**	**77,691**
Financing activities		
Lease payments	(2,403)	(4,645)
New interest-bearing bank borrowings	59,000	50,550
Repayment of interest-bearing bank borrowings	(28,000)	(61,550)
Interest on bank borrowings	(744)	(307)
Capital contribution by a shareholder	–	786
Payment of [**REDACTED**] expense	–	[**REDACTED**]
Net cash flows from/(used in) financing activities	**27,853**	**(17,062)**
Net (decrease)/increase in cash and cash equivalents	(875)	10,149
Cash and bank balances at beginning of year	24,831	23,907
Effects of foreign exchange rate changes, net	(49)	(143)
Cash and cash equivalents at end of year	**23,907**	**33,913**

Net Cash Flows Used in Operating Activities

In 2025, our net cash used in operating activities was RMB50.5 million, which was primarily attributable to our loss before tax of RMB81.0 million, primarily adjusted for (i) gain on fair value changes of financial assets at FVTPL of RMB2.5 million, (ii) depreciation of property, plant and equipment of RMB3.3 million and (iii) depreciation of right-of-use assets of RMB3.3 million.

In 2024, our net cash used in operating activities was RMB53.4 million, which was primarily attributable to our loss before tax of RMB59.9 million, primarily adjusted for (i) increase in deferred income of RMB9.7 million, (ii) decrease in trade and other payables of RMB6.7 million, (iii) gain on fair value changes of financial assets at FVTPL of RMB5.3 million, (iv) depreciation of property, plant and equipment of RMB4.5 million and (v) depreciation of right-of-use assets of RMB3.2 million.

As a clinical-stage biotechnology company, we expect to continue to incur net operating cash outflows as we advance our clinical development programs. To manage our cash utilization, we are implementing a number of measures to enhance operational efficiency and optimize resource allocation. In particular, we have prioritized the allocation of resources toward our key clinical programs while streamlining certain CMC-related expenditures and controlling operating costs. In addition, we continuously evaluate various financing alternatives, including equity financing, strategic collaborations and other funding sources, to support our liquidity and ongoing operations. We believe these measures will enable us to manage our funding requirements and support the continued advancement of our pipeline.

Net Cash Flows from Investing Activities

In 2025, our net cash generated from investing activities was RMB77.7 million, which was primarily attributable to withdrawal of financial assets at FVTPL of RMB881.1 million and partially offset by purchases of financial assets at FVTPL of RMB801.5 million.

In 2024, our net cash generated from investing activities was RMB24.6 million, primarily attributable to withdrawal of financial assets at FVTPL of RMB1,022.5 million and partially offset by purchases of financial assets at FVTPL of RMB965.0 million.

Net Cash Flows From/(used in) Financing Activities

In 2025, we had RMB17.1 million of net cash used in financing activities, which was attributable to our repayment of interest-bearing bank borrowings of RMB61.6 million and partially offset by new interest-bearing bank borrowings of RMB50.6 million.

In 2024, we had RMB27.9 million of net cash from financing activities, primarily attributable to new interest-bearing bank borrowings of RMB59.0 million and partially offset by repayment of interest-bearing bank borrowings of RMB28.0 million.

CASH OPERATING COSTS

The following table sets forth information on our cash operating costs for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Research and development costs for Core Product DNV3		
– Clinical research and technical service fees	5,643	4,289
– Staff costs	4,115	5,267
– Raw material and consumables	1,468	773
Research and development costs for Core Product SMET12		
– Clinical research and technical service fees	2,294	1,956
– Staff costs	4,013	3,111
– Raw material and consumables	1,324	392
Subtotal	**18,857**	**15,788**
Research and development costs for other product candidates		
– Clinical research and technical service fees	19,633	6,918
– Staff costs	9,212	9,369
– Raw material and consumables	1,574	739
Subtotal	**30,419**	**17,026**
Total research and development costs	**49,276**	**32,814**
Other costs		
Administrative staff costs	8,026	8,527
Other professional service costs	5,107	7,954
Other	1,593	2,297
Total other costs	**14,726**	**18,778**
Total cash operating costs	**64,002**	**51,592**

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available, including cash and bank balances, and the estimated net [**REDACTED**] from the [**REDACTED**], as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses and other operating costs for at least the next 12 months from the date of this Document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, (ii) capital expenditures, and (iii) lease payments. Assuming an average cash burn rate going forward of 2.5 times the level of the average expenditure during 2024 and 2025, even without taking into account the estimated net [**REDACTED**] from the [**REDACTED**], we estimate that our cash and cash equivalents and financial assets at FVTPL as of December 31, 2025, will be able to maintain our financial viability for 10 months or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**] (based on the low-end of the [**REDACTED**] stated in this document), for [**REDACTED**] months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

In the event that the [**REDACTED**] does not take place or experiences a significant delay compared to the expected timetable, we will promptly implement a prudent and conservative capital management strategy to ensure our long-term financial viability and business continuity. Under such circumstances, we will strictly control our daily operational expenses and research and development expenditures and align with the historical average levels observed in 2024 and 2025. Specifically, we would strategically prioritize our internal resources to safeguard the essential clinical advancement of our Core Products, DNV3 and SMET12. Meanwhile, we may defer, scale back, or adjust the initiation timelines for certain capital-intensive, large-scale Phase III clinical trials and early-stage exploratory research programs that were originally anticipated to be funded by the net [**REDACTED**] of the [**REDACTED**]. Consequently, the potential impact of such a delay would primarily be a moderated pace of clinical expansion and commercialization preparation, while the core value and fundamental progress of our lead assets would remain intact and steadily advancing.

INDEBTEDNESS

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

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		(Unaudited)
Current			
Interest-bearing bank borrowings	31,030	20,000	–
Lease liabilities	762	2,094	2,122
Non-current			
Lease liabilities	1,415	620	415
Total	**33,207**	**22,714**	**2,537**

As of March 31, 2026, our committed unutilized bank facilities amounted to RMB150.0 million.

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings consist of (i) secured bank loans and (ii) current portion of secured long-term bank loans. The secured portion of our bank loans are secured by certain of our patents. During the Track Record Period, the effective interest rates of our bank borrowings ranged from 2.20% to 2.95%. The following table sets forth a breakdown of our interesting-bearing bank borrowings.

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
			(Unaudited)
Bank loans – secured	11,030	20,000	–
Current portion of long term bank loans – secured	20,000	–	–
Total	**31,030**	**20,000**	**–**

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
			(Unaudited)
Current	762	2,094	2,122
Non-current	1,415	620	415
Total	**2,177**	**2,714**	**2,537**

Our lease liabilities increased from RMB2.2 million as of December 31, 2024 to RMB2.7 million as of December 31, 2025, and decreased to RMB2.5 million as of March 31, 2026.

Except for our indebtedness as disclosed above as of December 31, 2024 and 2025, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of March 31, 2026, being our indebtedness statement date.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Since December 31, 2025, and up to the date of this document, there had been no material change to our indebtedness.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated.

	For the Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Purchases of items of property, plant and equipment	70	350

Our historical capital expenditures during the Track Record Period primarily included purchases of property, plant and equipment. We funded our capital expenditure requirements during the Track Record Period mainly from bank loans and equity financing. We plan to fund our planned capital expenditures using our cash at bank and the net [**REDACTED**] received from the [**REDACTED**]. See the section headed "Use of [**REDACTED**]" in this Document for more details. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL COMMITMENTS

As of the Latest Practicable Date, we do not have any material contractual commitment.

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain transactions with our related parties, the details of which are set out in Note 26 to the Accountants' Report included in Appendix I to this Document. Our Directors confirm that the material related party transaction during the Track Record Period was conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

KEY FINANCIAL RATIOS

The following table sets forth the current ratio of our Group as of the dates indicated.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Current ratio(1)	3.9	3.2
Quick ratio(2)	3.9	3.2
Gearing ratio(3)	0.2	0.2

Notes:

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

(2) Quick ratio is calculated based on current assets minus inventories divided by current liabilities as of the dates indicated;

(3) Gearing ratio is calculated based on total borrowings divided by total equity as of the dates indicated.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk, as set out below. We manage and monitor these risks to ensure that appropriate measures can be implemented in a timely and effective manner. For further details, see Note 29 to the Accountants' report in Appendix I to this Document.

DIVIDEND

We have never declared or paid any dividends on our ordinary shares or any other securities. As of the Latest Practicable Date, we did not have a formal dividend policy. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not intend to declare or pay any dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors subject to our Articles of Association and the PRC Company Law, and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Regulations in China currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China.

As confirmed by our PRC Legal Advisor, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

DISTRIBUTABLE RESERVES

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

[REDACTED]-RELATED EXPENSE INCURRED AND TO BE INCURRED

Our [**REDACTED**] expenses represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**], we estimated that the total [**REDACTED**] expenses for the [**REDACTED**] are approximately HK$[**REDACTED**], accounting for approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming no H Shares are issued pursuant to the [**REDACTED**]), of which approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income upon the completion of [**REDACTED**], and approximately HK$[**REDACTED**] is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**]. The above expenses comprise of (i) [**REDACTED**]-related expenses, including [**REDACTED**] and other expenses, of HK$[**REDACTED**]; and (ii) non-[**REDACTED**]-related expenses of HK$[**REDACTED**] , including (a) fee paid and payable to legal advisors and reporting accountants of HK$[**REDACTED**], and (b) other fees and expenses of HK$[**REDACTED**]. We recorded [**REDACTED**] expenses of RMB[**REDACTED**] as of December 31, 2025, among which RMB[**REDACTED**] were recognized in our consolidated statement of profit or loss, and RMB[**REDACTED**] were recognized in the consolidated statement of financial position to be accounted for as a deduction from equity upon [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, there has been no material adverse change in our financial or [**REDACTED**] position since December 31, 2025 (being the date on which the latest consolidated financial information of our Group was prepared) and there has been no event since December 31, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF 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 of the Listing Rules.