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FINANCIAL INFORMATION

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

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

OVERVIEW

We are a global pharmaceutical company spearheading breakthroughs in metabolic and respiratory diseases and other therapeutic areas with significant disease burden. Founded in 2001, we have built a diversified portfolio comprising APIs/intermediates, generics, and innovative drugs, leveraging our multidisciplinary expertise and industry-leading R&D capabilities. Our global commercial network spanning over 40 countries and regions, combined with integrated operational capabilities, positions us to capture growing international market opportunities.

Building on our foundation in high-barrier generics and specialty APIs, we have successfully advanced into innovative therapeutics with a globally competitive pipeline. As of the Latest Practicable Date, we had six major innovative drug candidates, spearheaded by BGM0504, a GLP-1/GIP dual agonist with global best-in-class potential for the treatment of T2DM and obesity/overweight. Meanwhile, our marketed product portfolio comprises over 40 finished drug products and APIs/intermediates.

During the Track Record Period, our revenue was primarily derived from the sales of marketed generic drug products and APIs/intermediates, covering a wide range of therapeutic areas including infectious diseases, immunology and oncology. For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB1,163.6 million, RMB1,254.9 million and RMB1,198.2 million, respectively. Our profit for the year amounted to RMB173.4 million, RMB141.3 million and RMB37.0 million, respectively, during the same years.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each year during the Track Record Period. For details, see Note 2.1 to the Accountants’ Report set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

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The Growth of the Pharmaceutical Market and Our Major Therapeutic Areas

Our financial performance and future growth are underpinned by the overall growth of the pharmaceutical market in China and globally. Our diversified business model covers the full pharmaceutical value chain, encompassing APIs and intermediates and finished drug products. During the Track Record Period, our revenue was primarily derived from the sales of marketed generic drug products and APIs/intermediates, covering a wide range of therapeutic areas including infectious diseases, immunology and oncology. For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB1,163.6 million, RMB1,254.9 million and RMB1,198.2 million, respectively, with APIs and intermediates constituting the majority of our revenue during the Track Record Period. As the global economy continues to develop, multiple structural trends such as population growth, aging demographics, increased public awareness of health, urbanization in emerging markets, and the enhancement of healthcare insurance systems have contributed to the consistent growth of the global pharmaceutical industry. In particular, the accelerating expansion of the global generic drug market is a key factor driving the growing demand for APIs and intermediates. According to CIC, the global market for APIs and intermediates was US\$272.5 billion in 2025 and is expected to reach US\$457.5 billion by 2035, representing a CAGR of 5.2%.

Building on our established portfolio of marketed generic drug products and APIs/intermediates, we have strategically expanded into innovative therapeutics, establishing a globally competitive product pipeline. We currently focus our R&D efforts on developing globally novel and proprietary therapeutics for metabolic diseases, while building a competitive portfolio of inhalation-based drug-device combination products for respiratory diseases. According to CIC, the global metabolic disease drug market was US\$222.9 billion in 2025 and is expected to increase to US\$584.7 billion by 2035 at a CAGR of 10.0%, while the global respiratory drug market was valued at US\$150.7 billion in 2025 and is expected to increase to US\$219.3 billion by 2035 at a CAGR of 3.7%. Upon commercialization, our drug candidates will expand our marketed product portfolio and tap into the substantial unmet needs and growth opportunities in metabolic and respiratory diseases. For more details on the market opportunities of our product portfolio and pipeline candidates, see “Industry Overview.”

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

The success of our business and results of operation depends in part on our ability to advance our drug development programs, demonstrate satisfactory safety and efficacy in clinical trials, obtain the necessary regulatory approvals, and launch our products in our target markets as planned. As of the Latest Practicable Date, we had six major innovative drug candidates. See “Business — Our Product Portfolio” for details. Subject to regulatory communications and marketing approval, we anticipate filing NDAs for our flagship metabolic disease candidate, BGM0504, as early as 2026 for T2DM and obesity/overweight. Our ability to bring BGM0504 and other pipeline candidates to market within projected timelines will be critical to sustaining our long-term growth. After our drug candidates are commercialized, our business and results of operations will depend on the market acceptance and sales of our commercialized drugs. The market performance of newly launched products will in turn be influenced by their clinical differentiation, pricing strategies, reimbursement coverage and the effectiveness of our commercialization efforts, including brand positioning and academic promotion.

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

Our ability to sustain and grow our business depends on the competitiveness of our marketed products and our capacity to maintain or expand their market positions in both domestic and international markets. Consequently, our revenue and profitability may fluctuate depending on how effectively our products compete within their respective markets and whether we can successfully maintain or expand their market share.

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During the Track Record Period, the majority of our revenue was derived from eight major marketed products. For details, see “Business — Our Product Portfolio — Our Marketed Products.” The future performance of our marketed products will continue to depend on their ability to compete within the market. Changes in market dynamics or competitive positioning may influence sales volumes and market share, which could in turn affect our business, financial condition, and results of operations. Our marketed products and those of our competitors may experience fluctuations in sales, gross profit margins, and profitability throughout different stages of their life cycles, as market acceptance, competition, and product maturity evolve. Such movements are typical in the industry and generally reflect market patterns beyond company-specific developments.

Our Ability to Expand in the Global Pharmaceutical Market

We have been, and will continue, expanding our global footprint to unlock and maximize the potential of our product portfolio and technology platforms and address unmet medical needs worldwide. As of the Latest Practicable Date, our marketed products reach over 40 countries and regions globally, including numerous in-house developed APIs and intermediates holding DMFs registrations across major markets — China, the U.S., Europe, Japan and South Korea — which have been frequently referenced by customers in their regulatory submissions. We have also maintained long-term and stable collaborations with multiple global partners across various product and technology areas, demonstrating our recognized quality and technical strengths within the global pharmaceutical value chain.

In addition, we plan to further strengthen our global footprint through targeted collaboration, licensing, and commercialization partnerships that leverage our innovation and manufacturing base. For example, for our flagship metabolic disease candidate, BGM0504, we are exploring potential collaboration and market entry opportunities in Southeast Asia and other international markets. We will also continue to pursue international regulatory approvals and quality accreditations to enhance the global competitiveness and accessibility of our products, which are expected to reinforce our position to become globally oriented, innovation-driven pharmaceutical company.

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

For the years ended December 31, 2023, 2024 and 2025, revenue generated from Chinese Mainland accounted for 65.9%, 54.0% and 56.6% of our total revenue, respectively. The NRDL forms the basis for medical insurance coverage and reimbursement standards under China’s basic medical insurance, work-related injury insurance and maternity insurance programs. NRDL inclusion significantly influences market dynamics by determining patient access to insurance reimbursement for covered medications, thereby affecting both demand patterns and achievable pricing levels. Consequently, the inclusion or exclusion of a product in or from any of these medical insurance programs will significantly affect the demand for such product in China.

As of December 31, 2025, nine of our marketed finished drug products sold in China were included in the NRDL. For details on our major marketed products included in the NRDL, see “Business — Our Product Portfolio — Our Marketed Products.” While the inclusion of a pharmaceutical product in these national or other government-sponsored medical insurance programs can significantly improve its accessibility and substantially boost its demand and potential sales volume, products so included may subsequently face pricing pressure in the centralized tender process. For details, see “Risk Factors — Risks Relating to Our Business and Industry — National or other government-sponsored medical insurance programs may have a material impact on our sales, profitability and business prospects.”

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

The VBP schemes implemented by the PRC government aim to secure larger quantities of pharmaceutical products at lower prices and thus may potentially impact how drugs are priced and procured in China. During the Track Record Period, five of our marketed finished drug products were included in national VBP scheme. See “Business — Pricing — Pricing of Finished Drug — VBP Schemes” for details. The VBP schemes, while enabling larger sales volumes, exert downward pressure on our product pricing to win bids and influence the prices at which we sell our products to our customers, thus potentially affecting our revenue and profitability. In addition, the inclusion of our customers’ products under the VBP schemes may also have a material impact on the sales performance of our APIs and intermediates. Specifically, inclusion in the VBP schemes may create pricing pressures for our downstream generic drug manufacturers, particularly for products already facing intense competition. These cost pressures may extend upstream to us and other API and intermediate suppliers, potentially leading to price adjustments throughout the supply chain. See also “Risk Factors — Risks Relating to Our Business and Industry — Pricing regulations or other policies such as volume-based procurement that are intended to reduce healthcare costs could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability.”

Our Ability to Effectively Control Our Costs and Expenses

Our profitability depends in part on our ability to manage costs and enhance operating efficiency. As we strive to expand sales of our marketed products while pursuing effective cost control measures, we aim to maintain profitability while steadily increasing investment in our innovation-focused pipeline. Our cost of sales consists primarily of raw material costs, direct labor and manufacturing costs, the fluctuations in which may directly affect our gross profit margin. Our operating expenses include research and development expenses, administrative expenses, as well as selling and distribution expenses. Research and development expenses constituted a significant portion of our operating expenses throughout the Track Record Period, reflecting our commitment to advancing our drug candidates through various stages of development. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to RMB248.6 million, RMB297.5 million and RMB304.9 million, respectively, accounting for 21.4%, 23.7% and 25.5% of our total revenue for the same periods. Going forward, as we endeavor to advance our innovative pipeline and enhance our drug development capabilities, we expect to continue incurring significant research and development expenses, which may affect our results of operations for 2026 and the subsequent years.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Revenue recognition (revenue from contracts with customers). Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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

Other accounting policies, accounting judgments and estimates. See Note 2.3 and Note 3 to the Accountants’ Report set out in Appendix I to this document.

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

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

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Revenue	1,163,623	1,254,868	1,198,205
Cost of sales	(510,407)	(519,145)	(580,810)
Gross profit	653,216	735,723	617,395
Other income and gains	67,386	70,571	83,024
Selling and distribution expenses	(64,069)	(71,743)	(78,022)
Administrative expenses	(121,871)	(147,399)	(166,279)
Research and development expenses	(248,592)	(297,453)	(304,947)
Impairment losses on financial assets, net	(2,467)	(12,353)	(20,274)
Other expenses	(36,804)	(58,549)	(41,414)
Finance costs	(44,424)	(52,435)	(62,957)
Share of losses of associates	(13,605)	(9,162)	(12,617)
Profit/(Loss) before tax	188,770	157,200	13,909
Income tax (expense)/credit	(15,346)	(15,937)	23,045
Profit for the year	173,424	141,263	36,954
Attributable to:			
Owners of the parent	202,466	189,167	54,514
Non-controlling interests	(29,042)	(47,904)	(17,560)
	<u>173,424</u>	<u>141,263</u>	<u>36,954</u>

Revenue

We generated revenue primarily from the sales of pharmaceutical products, including APIs/intermediates and finished drug products, during the Track Record Period. See “Business — Our Product Portfolio — Our Marketed Products” for details. We also provided research and development services, which constituted a small portion of our revenue during the Track Record Period.

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The following table sets forth the breakdown of our revenue by types of goods or services for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Product sales						
APIs and intermediates	947,363	81.4	1,047,914	83.5	968,855	80.9
Finished drug products	138,009	11.9	161,150	12.8	176,191	14.7
Subtotal	<u>1,085,372</u>	<u>93.3</u>	<u>1,209,064</u>	<u>96.3</u>	<u>1,145,046</u>	<u>95.6</u>
Research and development services	75,805	6.5	39,218	3.1	16,157	1.3
Others⁽¹⁾	2,446	0.2	6,586	0.6	37,002	3.1
Total	<u><u>1,163,623</u></u>	<u><u>100.0</u></u>	<u><u>1,254,868</u></u>	<u><u>100.0</u></u>	<u><u>1,198,205</u></u>	<u><u>100.0</u></u>

Note:

- (1) Primarily representing licensing revenue and income from providing manufacturing services to third parties.

The following table sets forth the revenue contribution from our major marketed products that contributed over 5% of our revenue in any year of the Track Record Period, for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Micafungin sodium⁽¹⁾	159,315	13.7	217,904	17.3	169,978	14.2
Finished drug products	49,872	4.3	69,265	5.5	72,042	6.0
APIs/Intermediates	109,443	9.4	148,639	11.8	97,936	8.2
Oseltamivir phosphate⁽¹⁾	331,644	28.5	202,090	16.1	112,920	9.5
Finished drug products	78,495	6.7	64,343	5.1	66,595	5.6
APIs/Intermediates	253,149	21.8	137,747	11.0	46,325	3.9
Caspofungin acetate⁽¹⁾	84,937	7.3	119,327	9.5	108,729	9.1
Finished drug products	227	0.0	—	—	—	—
APIs/Intermediates	84,710	7.3	119,327	9.5	108,729	9.1
Anidulafungin⁽²⁾	48,921	4.2	119,735	9.5	106,477	8.9
Fidaxomicin⁽²⁾	52,591	4.5	87,006	6.9	64,983	5.4
Eribulin mesylate⁽¹⁾	34,152	2.9	77,096	6.2	32,800	2.7
Finished drug products	2,567	0.2	15,744	1.3	12,576	1.0
APIs/Intermediates	31,585	2.7	61,352	4.9	20,224	1.7
Pimecrolimus⁽²⁾	19,569	1.7	37,003	2.9	63,250	5.3
Dalbavancin⁽²⁾	35,355	3.0	21,225	1.7	93,629	7.8

Notes:

- (1) Including revenue from the sales of both finished drug products and APIs/intermediates.
- (2) Including revenue from the sales of APIs/intermediates only. During the Track Record Period, we did not sell these products in final dosage forms.

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The following table sets forth a breakdown of our revenue by geographic area and distribution channel for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Chinese Mainland						
Direct sales ⁽¹⁾	470,283	40.4	325,726	26.0	288,733	24.1
Distributors	296,642	25.5	352,331	28.1	389,761	32.5
Subtotal	<u>766,925</u>	<u>65.9</u>	<u>678,057</u>	<u>54.0</u>	<u>678,494</u>	<u>56.6</u>
Outside Chinese Mainland						
Direct sales ⁽¹⁾	302,626	26.0	364,448	29.0	355,233	29.6
Distributors	94,072	8.1	212,363	16.9	164,478	13.7
Subtotal	<u>396,698</u>	<u>34.1</u>	<u>576,811</u>	<u>46.0</u>	<u>519,711</u>	<u>43.4</u>
Total	<u><u>1,163,623</u></u>	<u><u>100.0</u></u>	<u><u>1,254,868</u></u>	<u><u>100.0</u></u>	<u><u>1,198,205</u></u>	<u><u>100.0</u></u>

Note:

- (1) Our direct sales primarily represent sales of APIs and intermediates to downstream pharmaceutical companies, both domestically and overseas.

Cost of Sales

Our cost of sales primarily consists of (i) raw material costs and (ii) direct labor and manufacturing costs. The following table sets forth the breakdown of our cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Raw material costs	325,433	63.7	274,889	52.9	250,188	43.1
Direct labor and manufacturing costs . . .	163,180	32.0	223,538	43.1	302,113	52.0
Others	21,794	4.3	20,718	4.0	28,509	4.9
Total	<u><u>510,407</u></u>	<u><u>100.0</u></u>	<u><u>519,145</u></u>	<u><u>100.0</u></u>	<u><u>580,810</u></u>	<u><u>100.0</u></u>

The following table sets forth a breakdown of our cost of sales by types of goods or services for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Product sales						
APIs and intermediates	443,037	86.8	440,293	84.8	446,624	76.9
Finished drug products	45,576	8.9	58,134	11.2	105,677	18.2
Subtotal	<u>488,613</u>	<u>95.7</u>	<u>498,427</u>	<u>96.0</u>	<u>552,301</u>	<u>95.1</u>
Research and development services	20,976	4.1	18,174	3.5	6,804	1.2
Others⁽¹⁾	818	0.2	2,544	0.5	21,705	3.7
Total	<u><u>510,407</u></u>	<u><u>100.0</u></u>	<u><u>519,145</u></u>	<u><u>100.0</u></u>	<u><u>580,810</u></u>	<u><u>100.0</u></u>

Note:

- (1) Primarily representing cost of sales related to our licensing revenue and income from providing manufacturing services to third parties.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin represents gross profit as a percentage of revenue. For the years ended December 31, 2023, 2024 and 2025, our gross profit amounted to RMB653.2 million, RMB735.7 million and RMB617.4 million, respectively, representing a gross profit margin of 56.1%, 58.6% and 51.5%, respectively.

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The following table sets forth our gross profit and gross profit margin by types of goods or services for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit Amount	Gross profit margin %	Gross profit Amount	Gross profit margin %	Gross profit Amount	Gross profit margin %
	<i>(RMB in thousands, except for percentages)</i>					
Product sales						
APIs and intermediates	504,326	53.2	607,621	58.0	522,231	53.9
— Micafungin sodium	86,849	79.4	119,469	80.4	74,400	76.0
— Oseltamivir phosphate	94,886	37.5	55,932	40.6	5,255	11.3
— Other products	322,591	55.2	432,220	56.8	442,576	53.7
Finished drug products	92,433	67.0	103,016	63.9	70,514	40.0
— Micafungin sodium	42,255	84.7	59,582	86.0	52,708	73.2
— Oseltamivir phosphate	49,199	62.7	29,676	46.1	11,920	17.9
— Other products	979	10.2	13,758	50.0	5,886	15.7
Subtotal	596,759	55.0	710,637	58.8	592,745	51.8
Research and development services	54,829	72.3	21,044	53.7	9,353	57.9
Others⁽¹⁾	1,628	66.6	4,042	61.4	15,297	41.3
Total	653,216	56.1	735,723	58.6	617,395	51.5

Note:

- (1) Primarily representing gross profit and gross profit margin related to our licensing revenue and income from providing manufacturing services to third parties.

The following table sets forth a breakdown of our gross profit and gross profit margin by geographic area and distribution channel for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit Amount	Gross profit margin %	Gross profit Amount	Gross profit margin %	Gross profit Amount	Gross profit margin %
	<i>(RMB in thousands, except for percentages)</i>					
Chinese Mainland						
Direct sales ⁽¹⁾	226,026	48.1	142,903	43.9	116,580	40.4
Distributors	153,185	51.6	182,819	51.9	176,441	45.3
Subtotal	379,211	49.4	325,722	48.1	293,021	43.2
Outside Chinese Mainland						
Direct sales ⁽¹⁾	208,222	68.8	258,211	70.9	219,941	61.9
Distributors	65,783	69.9	151,790	71.5	104,433	63.5
Subtotal	274,005	69.1	410,001	71.0	324,374	62.4
Total	653,216	56.1	735,723	58.6	617,395	51.5

Note:

- (1) Our direct sales primarily represent sales of APIs and intermediates to downstream pharmaceutical companies, both domestically and overseas.

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Other Income and Gains

Our other income and gains primarily consist of (i) government grants, primarily representing R&D project grants and industry development support subsidies received from local governmental authorities in recognition of our innovation efforts, (ii) rental income, (iii) bank interest income, (iv) net foreign exchange differences, and (v) fair value gains of financial instruments at FVTPL. The amount and timing of government grants are subject to the policies and discretion of the relevant governmental authorities, and we cannot assure you that we will continue to receive government grants at a similar level or at all in the future. The following table sets forth the breakdown of our other income and gains for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>					
Other income						
Government grants	30,088	44.6	29,804	42.3	38,466	46.4
Bank interest income	17,991	26.7	10,964	15.5	5,547	6.7
Rental income	15,894	23.6	27,684	39.2	25,435	30.6
Others	810	1.2	200	0.3	403	0.5
Total other income	64,783	96.1	68,652	97.3	69,851	84.2
Gains						
Foreign exchange differences, net	2,603	3.9	1,919	2.7	6,093	7.3
Fair value gains of financial instruments at FVTPL	—	—	—	—	7,080	8.5
Total gains	2,603	3.9	1,919	2.7	13,173	15.8
Total	67,386	100.0	70,571	100.0	83,024	100.0

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) marketing expenses, which primarily consist of the expenses associated with market research and various marketing and promotion activities, (ii) staff costs, consisting of salaries, share-based compensation, and other benefits for our in-house sales and marketing staff, and (iii) travel and conference expenses, including expenses for hosting and participating in different levels of academic conferences, seminars and symposia. The following table sets forth the breakdown of our selling and distribution expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>					
Marketing expenses	53,196	83.1	55,668	77.6	60,707	77.9
Staff costs	9,158	14.3	13,353	18.6	14,225	18.2
Travel and conference expenses	1,115	1.7	2,073	2.9	1,730	2.2
Others	600	0.9	649	0.9	1,360	1.7
Total	64,069	100.0	71,743	100.0	78,022	100.0

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our managerial and administrative staff, (ii) travel expenses, office expenses and general operating expenses, (iii) consulting, professional and other service expenses, (iv) depreciation and amortization of property, plant and equipment and right-of-use assets, and (v) taxes and surcharges. The following table sets forth the breakdown of our administrative expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Staff costs	53,063	43.5	69,450	47.1	75,580	45.5
Travel expenses, office expenses and general operating expenses	18,872	15.5	21,777	14.8	21,853	13.1
Consulting, professional and other service expense	19,514	16.0	22,728	15.4	21,906	13.2
Depreciation and amortization	15,428	12.7	15,274	10.4	23,466	14.1
Taxes and surcharges	5,712	4.7	8,420	5.7	13,030	7.8
Others	9,282	7.6	9,750	6.6	10,444	6.3
Total	121,871	100.0	147,399	100.0	166,279	100.0

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our R&D personnel, (ii) clinical trial and testing expenses primarily associated with our development of our product candidates, (iii) cost of materials, which primarily consists of costs of reagents and consumables used in our R&D activities, and (iv) depreciation and amortization of property, plant and equipment and right-of-use assets used in our R&D activities.

Our research and development expenses does not include capitalized development costs. See “Appendix I — Material Accounting Policies — Research and development expenditures” for details. The following table sets forth the breakdown of our research and development expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Staff costs	81,904	32.9	88,943	29.9	84,344	27.8
Clinical trial and testing expenses	67,902	27.3	93,705	31.5	129,098	42.3
Cost of materials	64,129	25.8	75,751	25.5	48,626	15.9
Depreciation and amortization	19,816	8.0	24,146	8.1	25,445	8.3
Others	14,841	6.0	14,908	5.0	17,434	5.7
Total	248,592	100.0	297,453	100.0	304,947	100.0

Impairment Losses on Financial Assets, Net

Our impairment losses or reversals of impairment losses on financial assets represent the expected credit losses or reversals of the expected credit losses on our trade and bills receivables and other receivables. We recorded net impairment losses of RMB2.5 million, RMB12.4 million and RMB20.3 million in 2023, 2024 and 2025, respectively.

Other Expenses

Our other expenses primarily consist of (i) write-down of inventories to net realisable value, (ii) rental cost, and (iii) fair value losses on financial instruments at FVTPL. We incurred other expenses of RMB36.8 million, RMB58.5 million and RMB41.4 million for the years ended December 31, 2023, 2024 and 2025, respectively.

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FINANCIAL INFORMATION

Finance Costs

Our finance costs primarily represent interest on bank borrowings as well as lease liabilities. For the years ended December 31, 2023, 2024 and 2025, our finance costs amounted to RMB44.4 million, RMB52.4 million and RMB63.0 million, respectively.

Share of Losses of Associates

For the years ended December 31, 2023, 2024 and 2025, our share of losses of associates amounted to RMB13.6 million, RMB9.2 million and RMB12.6 million, respectively. Share of losses of associates primarily represented our share of losses of Oralead Pharma and PT Anvita Pharma Indonesia, both of which were still at an early stage of operations and had not yet achieved profitability as of the Latest Practicable Date.

Income Tax (Expense)/Credit

We recorded income tax expense of RMB15.3 million and RMB15.9 million for the years ended December 31, 2023 and 2024, respectively, and an income tax credit of RMB23.0 million for the year ended December 31, 2025. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or unresolved tax issues with the relevant tax authorities. 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 provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on January 1, 2008. Our Company and certain subsidiaries of us were qualified as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% during the Track Record Period. The qualification is subject to review by the relevant tax authority in Chinese Mainland for every three years. In addition, certain subsidiaries operating in Chinese Mainland were entitled to preferential tax rates of 2.5% to 5% during the Track Record Period due to their designation as “small-scaled minimal profit enterprises” during the corresponding period.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue decreased by 4.5% from RMB1,254.9 million in 2024 to RMB1,198.2 million in 2025, primarily reflecting lower sales across several major marketed products. The decrease was primarily attributable to (i) a decline in revenue from oseltamivir phosphate APIs/intermediates, reflecting ongoing price compression following oseltamivir phosphate’s inclusion in the VBP scheme and intensified market competition from a growing number of generic products, (ii) a decrease in revenue from micafungin sodium APIs/intermediates, primarily because procurement by customers in 2024 was elevated as they built up inventories in preparation for product commercialization, (iii) a decrease in revenue from eribulin mesylate APIs/intermediates as customer demand normalized following initial stocking for the U.S. market launch in 2024, and (iv) a decrease in revenue from fidaxomicin APIs, primarily as customer procurement normalized following elevated demand in 2024 driven by the expiry of the originator drug’s core compound patent in the U.S.

Cost of Sales

Our cost of sales increased by 11.9% from RMB519.1 million in 2024 to RMB580.8 million in 2025, primarily due to an increase in direct labor and manufacturing costs from RMB223.5 million to RMB302.1 million. This increase was mainly attributable to the continued ramp-up of production lines at our Suzhou facilities, requiring additional staffing and overhead expenditure. This increase was partially offset by a decrease in raw material costs from RMB274.9 million to RMB250.2 million, reflecting changes in product mix and lower procurement volumes.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit decreased by 16.1% from RMB735.7 million in 2024 to RMB617.4 million in 2025. Our gross profit margin decreased from 58.6% in 2024 to 51.5% in 2025. This decrease primarily reflected the combined impact of margin compression and changes in revenue mix across multiple marketed products, including (i) the continued decline in the gross profit margin of oseltamivir phosphate following its inclusion in the VBP scheme, and (ii) a decrease in revenue contribution from certain higher-margin APIs/intermediates, such as micafungin sodium, eribulin mesylate and anidulafungin.

The gross profit margin of our APIs and intermediates decreased from 58.0% in 2024 to 53.9% in 2025, primarily reflecting margin compression and revenue mix changes across multiple API/intermediate products, including (i) the decline in the gross profit margin of oseltamivir phosphate APIs/intermediates from 40.6% in 2024 to 11.3% in 2025, primarily reflecting ongoing price compression following oseltamivir phosphate’s inclusion in the VBP scheme, and (ii) a decrease in revenue contribution from certain higher-margin APIs/intermediates, such as micafungin sodium, eribulin mesylate and anidulafungin. The gross profit margin of our finished drug products decreased from 63.9% in 2024 to 40.0% in 2025, reflecting margin compression across our finished drug product portfolio, primarily attributable to (i) the decline in the gross profit margin of oseltamivir phosphate finished drug products from 46.1% in 2024 to 17.9% in 2025, and (ii) a decrease in the gross profit margin of micafungin sodium finished drug products from 86.0% in 2024 to 73.2% in 2025, primarily due to pricing pressure amid an increasingly competitive market landscape.

Other Income and Gains

Our other income and gains increased by 17.6% from RMB70.6 million in 2024 to RMB83.0 million in 2025, primarily due to (i) an increase of RMB8.7 million in government grants, primarily attributable to the receipt of additional R&D project grants from local governmental authorities, and (ii) an increase of RMB7.1 million in fair value gains on financial instruments at FVTPL. These increases were partially offset by a decrease in interest income, mainly due to a decrease in average bank balances in 2025.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 8.8% from RMB71.7 million in 2024 to RMB78.0 million in 2025, primarily due to an increase in promotional, consulting and exhibition-related expenses as we enhanced our marketing efforts for micafungin sodium and other marketed products to capture market share.

Administrative Expenses

Our administrative expenses increased by 12.8% from RMB147.4 million in 2024 to RMB166.3 million in 2025, primarily due to (i) an increase of RMB8.2 million in depreciation and amortization following the completion of our Suzhou facilities’ construction in December 2024, and (ii) an increase of RMB6.1 million in staff costs, mainly attributable to the recognition of share-based compensation expenses in relation to our employee incentive awards granted in 2025.

Research and Development Expenses

Our research and development expenses remained stable at RMB297.5 million in 2024 and RMB304.9 million in 2025.

FINANCIAL INFORMATION

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets increased by 64.1% from RMB12.4 million in 2024 to RMB20.3 million in 2025, primarily due to our prudent assessment of the recoverability of certain aged trade receivables, resulting in additional expected credit loss provisions.

Other Expenses

Our other expenses decreased by 29.3% from RMB58.5 million in 2024 to RMB41.4 million in 2025, primarily due to a decrease of RMB8.2 million in fair value losses on financial instruments at FVTPL due to improved performance of equity investments.

Finance Costs

Our finance costs increased by 20.1% from RMB52.4 million in 2024 to RMB63.0 million in 2025, primarily due to a decrease of RMB10.2 million in capitalized interest, as the construction of our Suzhou facilities was completed in December 2024 and the related borrowing costs ceased to be capitalized in 2025.

Share of Losses of Associates

Our share of losses of associates increased by 37.7% from RMB9.2 million in 2024 to RMB12.6 million in 2025, primarily due to the recognition of losses from a newly added associate during 2025.

Income Tax (Expense)/Credit

We recorded income tax expense of RMB15.9 million in 2024 and income tax credit of RMB23.0 million in 2025, primarily due to changes in profit before tax.

Profit for the Year

As a result of the foregoing, we recorded profit for the year of RMB141.3 million in 2024 and RMB37.0 million in 2025.

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

Revenue

Our revenue increased by 7.8% from RMB1,163.6 million in 2023 to RMB1,254.9 million in 2024, primarily driven by increased sales of certain major marketed products, including micafungin sodium, eribulin mesylate and anidulafungin, which reflected (i) growing market penetration of our finished drug products, driven by growing demand and our effective marketing efforts, and (ii) higher demand for our APIs/intermediates from downstream customers preparing for commercialization and drug manufacturing. This increase in revenue was partially offset by reduced sales of oseltamivir phosphate, which was primarily due to lower flu incidence and continuously declining average selling price following the implementation of China’s national VBP schemes applicable to oseltamivir phosphate products in the PRC market, which commenced in November 2022 for capsules and in July 2023 for powder for oral suspension.

Cost of Sales

Our cost of sales remained stable at RMB510.4 million in 2023 and RMB519.1 million in 2024 despite an increase in revenue, primarily because the higher direct labor and manufacturing costs associated with higher sales were substantially offset by lower raw materials cost resulting from changes in product mix.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit increased by 12.6% from RMB653.2 million in 2023 to RMB735.7 million in 2024. Our gross profit margin increased from 56.1% in 2023 to 58.6% in 2024, primarily due to a shift in revenue mix towards higher-margin products, such as micafungin sodium, eribulin mesylate and anidulafungin. Meanwhile, the revenue contribution from oseltamivir phosphate, which carried a relatively lower gross profit margin, decreased from 28.5% of total revenue in 2023 to 16.1% in 2024.

The gross profit margin of our APIs and intermediates increased from 53.2% in 2023 to 58.0% in 2024, primarily driven by (i) a shift in product mix towards higher-margin products, such as micafungin sodium, eribulin mesylate and anidulafungin, and (ii) the reduced revenue contribution from oseltamivir phosphate APIs/intermediates, which carried a relatively lower gross profit margin. The gross profit margin of our finished drug products decreased from 67.0% in 2023 to 63.9% in 2024, reflecting changes in margin and product mix across our finished drug product portfolio, primarily attributable to the decline in the gross profit margin of oseltamivir phosphate finished drug products from 62.7% in 2023 to 46.1% in 2024, following the inclusion of oseltamivir phosphate powder for oral suspension in the VBP scheme, the results of which were implemented in July 2023 and led to substantial price reductions. This decrease was partially offset by the increased revenue contribution from micafungin sodium for injection, which carried a higher gross profit margin.

Other Income and Gains

Our other income and gains increased by 4.7% from RMB67.4 million in 2023 to RMB70.6 million in 2024, primarily due to higher rental income. The increase was mainly attributable to the recognition of full-year rental income in 2024, compared with only seven months in 2023, as one of our subsidiaries commenced leasing certain facilities and equipment in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 12.0% from RMB64.1 million in 2023 to RMB71.7 million in 2024, primarily due to (i) an increase of RMB4.2 million in staff costs, resulting from the expansion of our sales team and enhanced marketing activities to support our overall business growth, and (ii) an increase of RMB2.5 million in marketing expenses, mainly attributable to enhanced promotional campaigns and brand-building efforts to strengthen market awareness.

Administrative Expenses

Our administrative expenses increased by 20.9% from RMB121.9 million in 2023 to RMB147.4 million in 2024, primarily due to an increase of RMB16.4 million in staff costs, mainly attributable to personnel costs incurred in the second half of 2024 following the completion of our Suzhou facilities' construction, for which related costs were previously capitalized to property, plant and equipment during the construction phase.

Research and Development Expenses

Our research and development expenses increased by 19.7% from RMB248.6 million in 2023 to RMB297.5 million in 2024, primarily due to an increase of RMB25.8 million in clinical trial and testing expenses, as we continued to advance the development of BGM0504 and other pipeline products. In 2023 and 2024, our research and development expenses attributable to BGM0504 amounted to RMB32.1 million and RMB72.1 million, respectively, representing 12.9% and 24.2% of our total research and development expenses for the corresponding periods.

FINANCIAL INFORMATION

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets increased significantly from RMB2.5 million in 2023 to RMB12.4 million in 2024, mainly attributable to (i) increase in trade and bills receivables as a result of higher sales, and (ii) our prudent assessment of the recoverability risk associated with certain aged trade receivables, resulting in additional expected credit loss provisions.

Other Expenses

Our other expenses increased by 59.1% from RMB36.8 million in 2023 to RMB58.5 million in 2024, primarily due to (i) an increase of RMB14.8 million in rental costs, which reflected full-year expense recognition in 2024 compared to seven months in 2023, as the lease commenced during 2023, and (ii) an increase of RMB6.1 million in fair value losses on financial instruments at FVTPL. These increases were partially offset by a decrease of RMB5.0 million in write-downs of inventories to net realizable value as a result of our enhanced inventory management.

Finance Costs

Our finance costs increased by 18.0% from RMB44.4 million in 2023 to RMB52.4 million in 2024, primarily due to an increase of RMB8.0 million in interest on bank borrowings and other borrowings resulting from higher borrowing balances.

Share of Losses of Associates

Our share of losses of associates decreased by 32.7% from RMB13.6 million in 2023 to RMB9.2 million in 2024, primarily due to a lower share of investment losses from associates as its operating performance improved.

Income Tax Expense

Our income tax expense remained stable at RMB15.3 million and RMB15.9 million in 2023 and 2024, respectively.

Profit for the Year

As a result of the foregoing, we recorded profit for the year of RMB173.4 million in 2023 and RMB141.3 million in 2024.

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FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

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

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	2,484,541	2,726,846	2,771,728
Investment properties	62,454	59,566	56,684
Right-of-use assets	101,806	87,195	83,585
Goodwill	7,500	3,120	—
Other intangible assets	26,017	38,172	315,744
Investment in associates	43,490	39,043	122,791
Equity investments designated at FVTOCI	110,700	86,196	113,171
Financial assets at fair value through profit or loss (“FVTPL”)	271,666	311,821	435,122
Deferred tax assets	34,453	62,201	94,679
Prepayments, other receivables and other assets	41,638	98,562	42,835
Total non-current assets	3,184,265	3,512,722	4,036,339
CURRENT ASSETS			
Inventories	344,628	364,615	364,253
Trade and bills receivables	308,875	339,504	330,001
Prepayments, other receivables and other assets	116,326	170,459	128,170
Amounts due from related parties	21,246	347	5,014
Financial assets at FVTPL	50,617	—	—
Pledged deposits	27,005	11,251	6,001
Cash and cash equivalents	971,041	754,102	955,063
Total current assets	1,839,738	1,640,278	1,788,502
CURRENT LIABILITIES			
Trade and bills payables	142,161	189,625	125,696
Other payables and accruals	166,370	168,413	233,045
Derivative financial instruments	2,234	3,735	7,070
Interest-bearing bank borrowings	554,803	632,220	869,369
Lease liabilities	16,101	13,692	8,831
Contract liabilities	24,003	28,019	25,560
Amounts due to related parties	2,532	—	128
Income tax payable	14,043	16,683	10,606
Total current liabilities	922,247	1,052,387	1,280,305
NET CURRENT ASSETS	917,491	587,891	508,197
TOTAL ASSETS LESS CURRENT LIABILITIES	4,101,756	4,100,613	4,544,536
NON-CURRENT LIABILITIES			
Convertible bonds	430,261	455,344	462,801
Interest-bearing bank borrowings	1,184,658	1,109,933	718,033
Lease liabilities	21,011	10,207	10,208
Deferred tax liabilities	3,518	—	—
Deferred income	56,070	84,710	107,547
Other long-term payables	—	14,389	114,264
Contract liabilities	—	—	90,330
Bonds payables	—	—	195,177
Total non-current liabilities	1,695,518	1,674,583	1,698,360
NET ASSETS	2,406,238	2,426,030	2,846,176

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, machinery, motor vehicles, electronic and other equipment, experimental equipment, leasehold improvements and construction in progress. Our property, plant and equipment increased from RMB2,484.5 million as of December 31, 2023 to RMB2,726.8 million as of December 31, 2024 and further to RMB2,771.7 million as of December 31, 2025. The overall increase was primarily attributable to the completion and capitalization of production lines, warehouses and ancillary facilities at our manufacturing sites, as well as continued investment in new manufacturing and R&D facilities.

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Right-of-use Assets

Our right-of-use assets represent leases of plant and office premises and leasehold land. Our right-of-use assets decreased from RMB101.8 million as of December 31, 2023 to RMB87.2 million as of December 31, 2024, and further decreased to RMB83.6 million as of December 31, 2025, primarily due to the depreciation of the right-of-use assets, partially offset by the additions of right-of-use assets to support our operations.

Other Intangible Assets

Our other intangible assets represent our software, patents, proprietary technology, and capitalized development costs. Our other intangible assets increased from RMB26.0 million as of December 31, 2023 to RMB38.2 million as of December 31, 2024 and to RMB315.7 million as of December 31, 2025, mainly attributable to the capitalization of development costs related to our clinical-stage product candidates that were not yet available for use and not subject to amortization.

Financial Assets at FVTPL

Our financial assets at FVTPL consist of wealth management products and other unlisted fund investments at fair value, which comprise current portion and non-current portion. The following table sets forth the breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Current:			
Wealth management products	50,617	—	—
Non-current:			
Unlisted equity investment, at fair value	—	—	20,000
Unlisted fund investments, at fair value	271,666	311,821	415,122
Total	322,283	311,821	435,122

As part of our cash management policy, we invest in wealth management products to better utilize our idle cash without interfering with our business operations or capital expenditures. During the Track Record Period, we purchased low-risk wealth management products issued by reputable financial institutions, with a floating return being paid together with the principal on the maturity date, which were recognized as financial assets at FVTPL.

Our unlisted equity and fund investments at fair value primarily represent investments in early-stage innovative pharmaceutical and biotechnology companies. We make such investments on a selective basis, taking into account the growth potential of the investees’ product pipelines as well as their potential complementarity or synergy with our own business development. We have established rigorous decision-making procedures and internal control systems to assess and monitor such investments to manage the related risks appropriately.

To monitor and control the investment risks associated with our financial assets at FVTPL, we have adopted a comprehensive set of internal policies and guidelines to manage our investments in these assets. We make investment decisions based on our estimated capital requirements and our annual budget, taking into account the duration, expected returns and risks of the wealth management product. We generally limit our purchases to low-risk products which are redeemable on demand. After [REDACTED], we may continue to invest in low-risk wealth management products and other financial assets based on our operational needs, strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

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FINANCIAL INFORMATION

Inventories

Our inventories consist of raw materials, work in progress and finished goods. The following table sets forth our inventories as of the date indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Raw materials	45,059	43,134	55,563
Work in progress	128,749	160,637	162,109
Finished goods	170,820	160,844	146,581
Total	344,628	364,615	364,253

Our inventories increased from RMB344.6 million as of December 31, 2023 to RMB364.6 million as of December 31, 2024, primarily due to an increase in work in progress from RMB128.7 million to RMB160.6 million as we increased production volumes for certain marketed products, such as dalbavancin, in anticipation of market demand, in particular following the gradual ramp-up of production capacity at our manufacturing facilities. Our inventories remained stable at RMB364.3 million as of December 31, 2025. Write-down provisions are made for our inventories in accordance with our accounting policies where appropriate.

The following table summarizes an aging analysis of our inventories as of the date indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	273,200	311,354	302,534
Over 1 year	71,428	53,261	61,719
Total	344,628	364,615	364,253

Our inventory turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of inventories by cost of sales for the relevant year and then multiplying by the number of days for that year, were 236 days, 270 days and 256 days for the years ended December 31, 2023, 2024 and 2025, respectively. Our inventory turnover days increased from 236 days in 2023 to 270 days in 2024, primarily due to increased production volumes for certain marketed products in anticipation of market demand, which led to a higher level of work in progress, while our cost of sales remained relatively stable. Our inventory turnover days decreased from 270 days in 2024 to 256 days in 2025, primarily driven by stronger sales of certain products, including dalbavancin and pimecrolimus, which accelerated the utilization of inventories.

As of March 31, 2026, 46.0%, or RMB192.2 million of our inventories as of December 31, 2025 was subsequently utilized.

Trade and Bills Receivables

Our trade and bills receivables represent outstanding amounts due from our customers. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Trade receivables	308,064	364,431	368,437
Bills receivables at amortized cost	2,365	1,402	200
Bills receivables at FVTOCI	23,532	10,326	13,378
Impairment	(25,086)	(36,655)	(52,014)
Total	308,875	339,504	330,001

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FINANCIAL INFORMATION

The following table summarizes an aging analysis of our trade and bills receivables as of the date indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	294,007	330,478	305,208
1 to 2 years	9,607	4,909	22,806
2 to 3 years	5,261	4,117	1,987
Total	308,875	339,504	330,001

Our trade and bills receivables increased from RMB308.9 million as of December 31, 2023 to RMB339.5 million as of December 31, 2024, generally in line with our business expansion. Our trade and bills receivables decreased from RMB339.5 million as of December 31, 2024 to RMB330.0 million as of December 31, 2025, primarily due to higher impairment provisions recognized in 2025. Trade and bills receivables aged from one to two years increased from RMB4.9 million as of December 31, 2024 to RMB22.8 million as of December 31, 2025, primarily reflecting extended payment timelines as we facilitated amended settlement arrangements with certain customers, taking into account their short-term liquidity needs while preserving long-standing business relationships. We continue to actively engage with these customers to expedite settlement, in line with our established credit risk management policies. Our Directors are of the view that the outstanding receivables are not expected to have a material adverse impact on our overall financial position, considering the insignificant amounts involved and the impairment provisions already made in accordance with our accounting policies. See also “Risk Factors — Risks Relating to Our Financial Position and Need for Additional Capital — We are subject to credit risk in relation to our trade and bills receivables.”

For the years ended December 31, 2023, 2024 and 2025, our trade and bills receivables turnover days, calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills receivables by revenue for the relevant year and then multiplying by number of days for that year, amounted to 103 days, 102 days and 114 days. Our trade and bills receivables turnover days remained stable in 2024 and increased moderately in 2025, primarily reflecting timing differences between sales and collection cycles.

As of March 31, 2026, 48.7%, or RMB179.4 million of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Current			
Prepayments	53,725	112,599	66,497
Deferred [REDACTED]	—	—	21,032
Tax recoverable	59,157	56,374	38,685
Deposit	4,773	4,628	5,796
Other receivables	822	1,003	893
Impairment allowance	(2,151)	(4,145)	(4,733)
Total	116,326	170,459	128,170
Non-Current			
Prepayments for property, plant and equipment	38,109	16,462	15,777
Prepayments for equity investments	3,529	—	—
Intention payments for the purchase of non-controlling interests in a subsidiary	—	80,000	—
Deposits	—	2,100	7,100
Tax recoverable	—	—	19,958
Total	41,638	98,562	42,835

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The current portion of our prepayments, other receivables and other assets increased from RMB116.3 million as of December 31, 2023 to RMB170.5 million as of December 31, 2024, primarily due to an increase in prepayments for R&D services as several pipeline programs, including BGM0504, progressed into later-stage clinical trials, which typically required higher advance payments for clinical trial services and drug manufacturing. The current portion of our prepayments, other receivables and other assets then decreased to RMB128.2 million as of December 31, 2025, primarily due to the provision of R&D services by the suppliers.

The non-current portion of our prepayments, other receivables and other assets increased from RMB41.6 million as of December 31, 2023 to RMB98.6 million as of December 31, 2024, mainly due to the intent deposit for the purchase of non-controlling interests in a subsidiary. The non-current portion of our prepayments, other receivables and other assets decreased from RMB98.6 million as of December 31, 2024 to RMB42.8 million as of December 31, 2025, primarily due to the completion of the purchase and the settlement of the aforementioned intent deposit.

As of March 31, 2026, 29.2%, or RMB37.5 million of the current portion of our prepayments, other receivables and other assets as of December 31, 2025 had been subsequently settled.

Cash and Cash Equivalents

Most of our cash and cash equivalents are denominated in Renminbi, with the remaining denominated in U.S. dollars or other currencies. Our cash and cash equivalents decreased from RMB971.0 million as of December 31, 2023 to RMB754.1 million as of December 31, 2024, primarily due to our continuous investment in the clinical development of our pipeline products, as well as capital expenditures in connection with our manufacturing and R&D facilities. Our cash and cash equivalents increased from RMB754.1 million as of December 31, 2024 to RMB955.1 million as of December 31, 2025, primarily due to capital injection by non-controlling interests.

Trade and Bills Payables

Our trade and bills payables primarily include amounts due to suppliers for the purchase of raw materials and R&D services. The following table sets forth an aging analysis of trade and bills payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within 1 year	138,973	187,998	125,122
1 to 2 years	2,719	477	91
2 to 3 years	232	688	45
Over 3 years	237	462	438
Total	142,161	189,625	125,696

Our trade and bills payables increased from RMB142.2 million as of December 31, 2023 to RMB189.6 million as of December 31, 2024, primarily due to an increase in purchase of raw materials and R&D services as we expanded our R&D and manufacturing activities. Our trade and bills payables decreased to RMB125.7 million as of December 31, 2025, primarily attributable to the settlement of outstanding payables.

Our trade payable turnover days, which are calculated by dividing the arithmetic mean of the opening and ending balance of trade and bills payables by cost of sales for the relevant year, multiplied by the number of days for that year, amounted to 88 days, 123 days and 125 days for the years ended December 31, 2023, 2024 and 2025, respectively. Our trade payable turnover days increased from 88 days to 123 days in 2024, primarily because we extended the credit terms negotiated with certain major suppliers. Our trade payable turnover days remained stable at 123 days in 2024 and 125 days in 2025.

As of March 31, 2026, 78.7%, or RMB83.5 million of our trade payables as of December 31, 2025 had been subsequently settled.

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Other Payables and Accruals

The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Current			
Payroll payable	49,127	51,809	56,171
Other payables	27,372	23,538	29,005
Other tax payables	3,855	9,969	11,618
Payables relating to purchases of items of property, plant and equipment	86,016	76,378	57,037
Payables related to sale and leaseback arrangements ⁽¹⁾	—	6,719	61,273
Payables related to factoring	—	—	15,840
Accrued [REDACTED]	—	—	2,101
Subtotal	166,370	168,413	233,045
Non-current			
Payables related to sale and leaseback arrangements ⁽¹⁾	—	14,389	101,808
Payables related to factoring	—	—	12,456
Subtotal	—	14,389	114,264
Total	166,370	182,802	347,309

Note:

- (1) To better manage our capital structure and financing needs, we entered into sale and leaseback arrangements in relation to certain machineries used in our manufacturing operations, pursuant to which we sold such machineries to leasing companies and leased them back for terms of three years at fixed rental payments.

Our other payables and accruals increased from RMB166.4 million as of December 31, 2023 to RMB182.8 million as of December 31, 2024, mainly due to increases in payroll payable and other tax payables and payables related to sale and leaseback arrangements, partially offset by a further decline in payables related to property, plant and equipment purchases as ongoing projects approached completion. Our other payables and accruals further increased to RMB347.3 million as of December 31, 2025, primarily attributable to higher balances of payables related to sale and leaseback arrangements.

As of March 31, 2026, 55.1%, or RMB128.3 million of the current portion of our other payables and accruals as of December 31, 2025 had been subsequently settled.

BUSINESS SUSTAINABILITY

During the Track Record Period, our revenue was primarily derived from sales of generic drug products and APIs/intermediates, covering a wide range of therapeutic areas including infectious diseases, immunology and oncology. For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB1,163.6 million, RMB1,254.9 million and RMB1,198.2 million, respectively. Our profit amounted to RMB173.4 million, RMB141.3 million and RMB37.0 million for the years ended December 31, 2023, 2024 and 2025, respectively.

As further elaborated below, our historical financial performance was principally attributable to (i) the varying revenue contributions and sales performance of individual products in our portfolio; (ii) price movements of marketed products across generic drug life cycles, particularly following inclusion in VBP schemes in China; and (iii) our continued investment in research and development and its impact on our overall cost structure.

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Reasons Underlying Fluctuations in Historical Financial Performance

- *Revenue Performance Across a Diversified Product Portfolio*

During the Track Record Period, the majority of our revenue was derived from eight major marketed products. For details, see “Business — Our Product Portfolio — Our Marketed Products.” As our product portfolio spans multiple therapeutic areas, the performance of individual products may fluctuate in response to market-specific factors such as disease incidence, competitive landscape, pricing trends, and product life-cycle dynamics, which in turn affect our overall revenue profile. Our historical revenue accordingly reflects the aggregate contribution of our marketed products.

Notably, our sales from oseltamivir phosphate continuously declined during the Track Record Period, which negatively affected our overall revenue. We generated RMB331.6 million, RMB202.1 million and RMB112.9 million from sales of oseltamivir phosphate for the years ended December 31, 2023, 2024 and 2025, respectively, representing 28.5%, 16.1%, and 9.5% of our total revenue for the respective years. As an antiviral drug indicated for the treatment and prophylaxis of influenza A and B infections, market demand for oseltamivir phosphate is closely correlated with flu incidence, and the decline in our sales from oseltamivir phosphate was compounded by growing market competition and pricing pressure, as further discussed below. This pattern is consistent with that experienced by other generic oseltamivir phosphate manufacturers, according to CIC.

By comparison, our revenue from other major marketed products, such as micafungin sodium, caspofungin acetate, and anidulafungin — all antifungal agents — and eribulin mesylate — an oncology therapy — was underpinned by more stable underlying disease incidence patterns, among other factors, and exhibited steadier sales performance during the Track Record Period compared to oseltamivir phosphate.

- *Generic Drug Life Cycle, VBP-Driven Price Adjustments, and Margin Impact*

Substantially all of our revenue during the Track Record Period was generated from generic drug products. According to CIC, the life cycle of generic drugs typically follows a trajectory of gradual price decline over time, particularly following inclusion in VBP schemes. In addition to immediately affecting pricing strategy, VBP inclusion can also exert sustained downward pressure on average selling prices in subsequent years. This structural dynamic affects all generic drug manufacturers and informs our strategic emphasis on innovative drugs and geographically diversified marketing efforts, both of which are less susceptible to VBP-driven pricing pressures. See “Industry Overview — Life Cycle of Generic Drug Products” for details.

Our gross profit margin during the Track Record Period — 56.1%, 58.6% and 51.5% for 2023, 2024 and 2025, respectively — was primarily shaped by shifts in product mix and the declining average selling prices of certain marketed products, most notably oseltamivir phosphate following the implementation of China’s national VBP schemes applicable to oseltamivir phosphate products in the PRC market, which commenced in November 2022 for capsules and in July 2023 for powder for oral suspension. The average selling prices of our oseltamivir phosphate products declined continuously during the Track Record Period, a trend intensified by competition from a growing number of generic entrants, which ultimately affected our overall gross profit margin. As of December 31, 2023, 2024 and 2025, there were over 20, 30 and 40 generic versions of oseltamivir phosphate approved in China, respectively, according to CIC. The gross profit margin of our APIs and intermediates decreased from 58.0% in 2024 to 53.9% in 2025, primarily reflecting margin compression and changes in revenue mix across multiple API/intermediate products, including (i) the significant decline in the gross profit margin of oseltamivir phosphate APIs/intermediates from 40.6% in 2024 to 11.3% in 2025, and (ii) a decrease in revenue contribution from certain higher-margin APIs/intermediates, such as micafungin sodium, eribulin mesylate and anidulafungin.

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- ***Cost Structure and Commitment to R&D Investment***

Our profitability depends in part on our ability to manage costs and enhance operating efficiency. Our operating expenses include research and development expenses, administrative expenses, as well as selling and distribution expenses. For the years ended December 31, 2023, 2024 and 2025, our operating expenses amounted to RMB434.5 million, RMB516.6 million and RMB549.2 million, respectively.

Research and development expenses constituted the largest component of our operating expenses throughout the Track Record Period, reflecting our commitment to advancing our pipeline of drug candidates through various stages of clinical and regulatory development. As of the Latest Practicable Date, we had six major innovative drug candidates, spearheaded by BGM0504. See “Business — Our Product Portfolio” for details. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to RMB248.6 million, RMB297.5 million and RMB304.9 million, respectively, accounting for 21.4%, 23.7% and 25.5% of our total revenue for the same periods.

We believe the fluctuations in our financial performance during the Track Record Period principally reflect the transitional nature of our business as we shift from a generics-focused model toward one increasingly anchored in innovative drug development — a transition that entails near-term margin pressure from VBP-driven price adjustments and rising R&D investment, but positions us for more sustainable and diversified future growth. See also “Summary — Our Business Model and Strategic Transition to Innovative Drug Development.” To that end, we have adopted the following strategies to drive revenue growth and enhance our business sustainability and profitability.

Multi-pronged Strategies to Drive Business Sustainability and Profitability

- ***Expand Product Portfolio and Reduce Reliance on Mature-Stage Products***

Building on our established portfolio of marketed generic drug products and APIs/intermediates, we have been developing innovative therapies since 2015. We currently focus our R&D efforts on developing novel therapeutics for metabolic diseases, while building a competitive portfolio of inhalation-based drug-device combination products for respiratory diseases. According to CIC, the global metabolic disease drug market was US\$222.9 billion in 2025 and is expected to increase to US\$584.7 billion by 2035 at a CAGR of 10.0%, while the global respiratory drug market was valued at US\$150.7 billion in 2025 and is expected to increase to US\$219.3 billion by 2035 at a CAGR of 3.7%.

We intend to focus on expanding and diversifying our revenue base by advancing near-commercial product candidates toward commercialization. At the same time, the steadily declining revenue contribution of oseltamivir phosphate reflects our reduced reliance on this mature-stage product and its diminishing impact on our overall financial performance going forward.

Our late-stage pipeline candidates that are expected to receive marketing approval and become key revenue drivers in the next two to three years include: (i) BGM0504, our flagship metabolic disease candidate, for which we anticipate filing NDAs as early as 2026 for T2DM and obesity/overweight; (ii) salmeterol/fluticasone dry powder for inhalation, a fixed-dose combination product candidate targeting asthma/COPD for which we expect to receive marketing approval in the third quarter of 2027, and (iii) tiotropium bromide-based products, a differentiated matrix of precision therapies for COPD management with well-established clinical efficacy, for which we expect to receive marketing approvals between 2026 and 2028. Upon commercialization, these candidates are expected to expand our marketed product portfolio, address the substantial medical needs, and capture growth opportunities in metabolic and respiratory diseases, while contributing an increasingly significant portion of our revenue.

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- ***Strengthen Long-Term Margins Amid Pricing Pressures***

The VBP schemes, while generally associated with larger sales volumes, exert downward pressure on product pricing as manufacturers compete to win bids, thus potentially affecting revenue and profitability. The inclusion of our customers’ finished drug products under the VBP schemes may also transmit pricing pressure upstream to us, adversely affecting the sales performance of our APIs and intermediates as customers seek to lower their procurement costs. We believe the impact of the VBP schemes on our business to be manageable over the next three years, primarily for the following reasons:

- (i) None of our near-commercial product candidates, particularly innovative drug candidates such as BGM0504, is expected to be included under the VBP schemes in the near term, primarily due to the lack of sufficient competition, which is in turn attributable to our competitive strengths and technical barriers. The VBP schemes generally require a threshold number of approved generic suppliers before triggering a bidding round, while preserving pricing flexibility for innovative therapies;
- (ii) For our major marketed finished drug products, apart from micafungin sodium and oseltamivir phosphate which are already included under the VBP schemes and whose pricing impact has been substantially reflected in our historical financial performance, the remaining products are not expected to enter the VBP schemes until at least the next anticipated national cycle in 2029; and
- (iii) For our major marketed API/intermediate products, our portfolio is strategically diversified by both geographic region and product type. During the Track Record Period, more than 45% of our revenue from API/intermediate products was derived from markets outside Chinese Mainland and was therefore not affected by the VBP schemes. Among our eight major marketed products, only micafungin sodium, oseltamivir phosphate, and caspofungin acetate APIs/intermediates are subject to VBP impact because their corresponding finished drug products have been included under the VBP schemes. For the remaining five major API/intermediate products, namely anidulafungin, eribulin mesylate, fidaxomicin, pimecrolimus and dalbavancin, revenue generated outside Chinese Mainland accounted for more than 70% of their combine revenue in 2025, making them resilient to potential future VBP impact, if any.

- ***Improve Operating Efficiency and Cost Discipline Alongside Robust R&D Investment***

We aim to improve profitability by pursuing effective cost control, even as we maintain robust investment in our innovation-focused pipeline and R&D activities. We expect a significant increase in R&D expenses in the next two to three years, primarily to advance the clinical development of BGM0504 and other drug candidates, which we expect will drive long-term revenue growth.

Excluding R&D expenses, we will strive to maintain our other operating expenses at a stable level relative to our revenue, by (i) employing targeted marketing initiatives to enhance selling and marketing efficiency. This includes leveraging targeted digital channels and prioritizing engagement with key accounts and established distribution partners, and concentrating our commercial resources on high-potential therapeutic areas and geographies where we have demonstrated competitive advantages, (ii) exercising administrative cost discipline through streamlining internal processes and optimizing resource allocation. We intend to continually review and refine our internal workflows to improve operational efficiency. This includes investing in process automation and information systems, centralizing shared support functions where practicable, and aligning headcount growth with business needs; and (iii) leveraging economies of scale in production and procurement to contain cost of operations. As our revenue base expands, we expect to benefit from greater economies of scale in raw material procurement, manufacturing utilization, and logistics.

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Taken together, these strategies are designed to transition our business from one historically concentrated on a portfolio of generic products toward a more diversified and innovation-driven model. As our late-stage pipeline candidates progress toward commercialization and begin contributing to revenue, we expect our financial profile to reflect a broader revenue base, reduced sensitivity to VBP-driven pricing pressures, and improving operating efficiency, as we continue to invest in our innovation capabilities and long-term growth.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our R&D activities and business operations, construction of our manufacturing facilities, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations, debt financing and equity financing.

We expect to fund our future working capital and other cash requirements with cash generated from our operations, the [REDACTED] from the [REDACTED], and bank borrowings and other financing activities. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. As of March 31, 2026, the latest practicable date for determining our indebtedness, our cash and cash equivalents were RMB1,357.4 million. As of the same date, we had unutilized banking facilities of RMB3,325.6 million.

Based on our internal resources, the anticipated cash flow from operations, available banking facilities and the anticipated [REDACTED] from the [REDACTED], our Directors are of the opinion that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Net Current Assets

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			(unaudited)
CURRENT ASSETS				
Inventories	344,628	364,615	364,253	358,510
Trade and bills receivables	308,875	339,504	330,001	388,734
Prepayments, other receivables and other assets	116,326	170,459	128,170	159,047
Amounts due from related parties	21,246	347	5,014	5,000
Financial assets at FVTPL	50,617	—	—	—
Pledged deposits	27,005	11,251	6,001	37,951
Cash and cash equivalents	971,041	754,102	955,063	1,357,400
Total current assets	1,839,738	1,640,278	1,788,502	2,306,642
CURRENT LIABILITIES				
Trade and bills payables	142,161	189,625	125,696	107,806
Other payables and accruals	166,370	168,413	233,045	196,055
Derivative financial instruments	2,234	3,735	7,070	4,386
Interest-bearing bank borrowings	554,803	632,220	869,369	632,873
Lease liabilities	16,101	13,692	8,831	15,644
Contract liabilities	24,003	28,019	25,560	31,728
Amounts due to related parties	2,532	—	128	—
Income tax payable	14,043	16,683	10,606	2,776
Total current liabilities	922,247	1,052,387	1,280,305	991,268
NET CURRENT ASSETS	917,491	587,891	508,197	1,315,374

Our net current assets decreased from RMB917.5 million as of December 31, 2023 to RMB587.9 million as of December 31, 2024, primarily due to (i) a decrease of RMB216.9 million in cash and cash equivalents, and (ii) an increase of RMB77.4 million in our interest-bearing bank borrowings.

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Our net current assets decreased from RMB587.9 million as of December 31, 2024 to RMB508.2 million as of December 31, 2025, primarily due to (i) an increase of RMB237.1 million in our interest-bearing bank borrowings, and (ii) a decrease of RMB9.5 million in trade and bills receivables, partially offset by an increase of RMB201.0 million in cash and cash equivalents.

Our net current assets increased from RMB508.2 million as of December 31, 2025 to RMB1,315.4 million as of March 31, 2026, primarily due to (i) an increase of RMB402.3 million in cash and cash equivalents, and (ii) a decrease of RMB236.5 million in our interest-bearing bank borrowings.

Cash Flows

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

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Net cash flows from operating activities	194,765	245,559	325,191
Net cash flows used in investing activities.. . . .	(439,853)	(224,031)	(622,544)
Net cash flows from/(used in) financing activities.	61,611	(240,585)	497,652
Net decrease/(increase) in cash and cash equivalents	(183,477)	(219,057)	200,299
Cash and cash equivalents at beginning of the year	1,151,735	971,041	754,102
Effect of foreign exchange rate changes, net	2,783	2,118	662
Cash and cash equivalents at the end of the year	<u>971,041</u>	<u>754,102</u>	<u>955,063</u>

Net cash flows from operating activities

In 2023, we recorded net cash flows generated from operating activities of RMB194.8 million, primarily attributable to our profit before tax of RMB188.8 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB71.3 million, and (ii) finance costs of RMB44.4 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB27.2 million in other payables and accruals, and (ii) a decrease of RMB18.9 million in trade receivables, partially offset by an increase of RMB86.3 million in inventories.

In 2024, we recorded net cash flows generated from operating activities of RMB245.6 million, primarily attributable to our profit before tax of RMB157.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB97.7 million, and (ii) finance costs of RMB52.4 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB45.7 million in trade and bills payables, and (ii) an increase of RMB35.6 million in other payables and accruals, partially offset by an increase of RMB73.6 million in prepayments, other receivables and other assets.

In 2025, we recorded net cash flows generated from operating activities of RMB325.2 million, primarily attributable to our profit before tax of RMB13.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB147.4 million, and (ii) finance costs of RMB63.0 million. The amount was further adjusted by changes in certain working capital accounts, primarily including (i) an increase of RMB8.3 million in trade receivables, and (ii) a decrease of RMB76.2 million in prepayments, other receivables and other assets, partially offset by a decrease of RMB63.9 million in trade and bills payables.

Net cash flows used in investing activities

In 2023, our net cash flows used in investing activities was RMB439.9 million, primarily attributable to (i) purchases of items of property, plant and equipment of RMB387.4 million and (ii) purchase of wealth management products of RMB100.0 million.

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In 2024, our net cash flows used in investing activities was RMB224.0 million, primarily attributable to (i) purchases of items of property, plant and equipment of RMB255.5 million, (ii) repurchase of unlisted fund investments of RMB55.7 million, and (iii) purchase of wealth management products of RMB50.0 million.

In 2025, our net cash flows used in investing activities was RMB622.5 million, primarily attributable to (i) additions to other intangible assets of RMB316.9 million; (ii) purchases of items of property, plant and equipment of RMB133.7 million, and (iii) purchase of unlisted fund investments of RMB94.6 million.

Net cash flows from/(used in) financing activities

In 2023, our net cash flows from financing activities was RMB61.6 million, primarily attributable to proceeds from interest-bearing loans of RMB678.2 million, partially offset by repayments of bank loans of RMB560.1 million.

In 2024, our net cash flows used in financing activities was RMB240.6 million, primarily attributable to (i) repayments of bank loans of RMB786.7 million, and (ii) purchase of non-controlling interest of subsidiaries of RMB216.1 million, partially offset by proceeds from interest-bearing loans of RMB802.1 million.

In 2025, our net cash flows from financing activities was RMB497.7 million, primarily attributable to (i) capital injection into a subsidiary by non-controlling interests of RMB399.8 million, and (ii) proceeds from interest-bearing loans of RMB662.0 million, and (iii) proceeds from issue of bonds of RMB200.0 million, partially offset by repayments of bank loans of RMB816.2 million and interests paid for interest-bearing loans of RMB72.4 million.

INDEBTEDNESS

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

	As of December 31,			As of
	2023	2024	2025	March 31, 2026
	<i>(RMB in thousands)</i>			(unaudited)
Current				
Interest-bearing bank borrowings	554,803	632,220	869,369	632,873
Lease liabilities	16,101	13,692	8,831	15,644
Current portion of long term payable included in other payables and accruals	—	6,719	77,114	79,698
Subtotal	<u>570,904</u>	<u>652,631</u>	<u>955,314</u>	<u>728,215</u>
Non-current				
Convertible bonds	430,261	455,344	462,801	463,644
Bonds payables	—	—	195,177	296,901
Interest-bearing bank borrowings	1,184,658	1,109,933	718,033	1,564,524
Lease liabilities	21,011	10,207	10,208	26,004
Other long-term payables	—	14,389	114,264	95,558
Amounts due to related parties	2,532	—	128	—
Subtotal	<u>1,638,462</u>	<u>1,589,873</u>	<u>1,500,611</u>	<u>2,446,631</u>
Total	<u><u>2,209,366</u></u>	<u><u>2,242,504</u></u>	<u><u>2,455,925</u></u>	<u><u>3,174,846</u></u>

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to leases of plant and office premises. Under IFRS 16, we recognize lease liabilities with respect to all leases, except for short term leases and leases of low value assets. As of December 31, 2023, 2024 and 2025, our current lease liabilities amounted to RMB16.1 million, RMB13.7 million and RMB8.8 million, and our non-current lease liabilities amounted to RMB21.0 million, RMB10.2 million and RMB10.2 million.

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Interest-bearing bank borrowings

Our interest-bearing bank borrowings comprised both secured and unsecured bank loans, with effective interest rates ranging from 0.70% to 4.60% per annum. As of December 31, 2023, 2024 and 2025, we had current interest-bearing bank borrowings of RMB554.8 million, RMB632.2 million and RMB869.4 million, respectively, and non-current interest-bearing bank borrowings of RMB1,184.7 million, RMB1,109.9 million and RMB718.0 million, respectively. The increase in current interest-bearing bank borrowings during the Track Record Period was primarily driven by our funding requirements for R&D expenditure and general working capital needs to support business growth. For details, see Note 27 to the Accountants’ Report in Appendix I to this document.

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

Contingent Liabilities

As of March 31, 2026, we did not have any material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, we did not have any bank and other loans, or any issued and outstanding or agreed to be issued loan capital, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptances (other than ordinary trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or finance lease commitments, guarantees or other material contingent liabilities. Our Directors confirm that there had been no material change in our indebtedness since March 31, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily related to purchases of items of property, plant and equipment, and additions to other intangible assets. The following table sets forth a breakdown of our capital expenditures for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Property, plant and equipment	525,655	342,297	193,086
Other intangible assets	16,400	16,031	289,017
Total	542,055	358,328	482,103

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracted but not provided commitments for property, plant and equipment. As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB214.0 million, RMB147.2 million and RMB204.9 million, respectively.

MATERIAL RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See Note 38 in the Accountants’ Report set out in Appendix I to this document for details on our transactions with related parties during the Track Record Period, which were conducted in the ordinary course of business on an arm’s length basis and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

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FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin ⁽¹⁾	56.1%	58.6%	51.5%
Current ratio ⁽²⁾	2.0	1.6	1.4
Quick ratio ⁽³⁾	1.6	1.2	1.1
Gearing ratio ⁽⁴⁾	52.1%	52.9%	51.1%

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100.0%.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities.
- (3) Quick ratio is calculated as current assets less inventories divided by current liabilities.
- (4) Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100.0%.

Gross Profit Margin

See “— Year to Year Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Current Ratio and Quick Ratio

Our current ratio decreased from 2.0 as of December 31, 2023 to 1.6 as of December 31, 2024, and our quick ratio decreased from 1.6 as of December 31, 2023 to 1.2 as of December 31, 2024, primarily due to (i) the decrease in cash and cash equivalents, and (ii) the increase in interest-bearing bank borrowings.

Our current ratio decreased from 1.6 as of December 31, 2024 to 1.4 as of December 31, 2025, and our quick ratio also decreased from 1.2 as of December 31, 2024 to 1.1 as of December 31, 2025, primarily due to (i) the decrease in trade and bills receivables, and (ii) the increase in interest-bearing bank borrowings.

Gearing Ratio

Our gearing ratio remained relatively stable at 52.1%, 52.9% and 51.1% as of December 31, 2023, 2024 and 2025.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 41 in the Accountants’ Report set out in Appendix I to this document.

Interest Rate Risk

Our exposure to interest rate risk for changes in interest rates related primarily to our bank borrowings with floating interest rates. We do not use derivative financial instruments to hedge our interest rate risk.

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FINANCIAL INFORMATION

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from currencies other than the units’ functional currencies.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from operations.

Our objective is to maintain sufficient cash and cash equivalents and have available funding through operations and financial support from bank borrowings.

DIVIDENDS

During the Track Record Period, we declared cash dividends to our Shareholders as follows.

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Final dividends in respect of the previous year, declared or paid during the year (tax inclusive)	48,161	40,522	40,551

As of the date of this document, we have paid these dividends in full.

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. In principle, we prioritize cash dividends as the profit distribution method if the conditions for cash dividends are met. When we have major investment plans or significant cash expenditures, we may distribute dividends in the form of share equity. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board 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 and 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 the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by Shareholders’ general meeting. If there are no major investment plans or significant cash expenditures, the profits distributed in cash shall be no less than 10% of the distributable profits achieved in the year. At the same time, our cumulative profits distributed in cash over the past three years shall be no less than 30% of the average annual distributable profits achieved in the past three years.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained profits of RMB967.7 million, which were available for distribution to Shareholders.

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FINANCIAL INFORMATION

PROPERTIES AND VALUATION

In accordance with the requirement of Rule 5.07 of the Listing Rules, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our selected property interest as of March 31, 2026. Particulars of our selected property interest are set out in “Appendix III — Property Valuation Report” to this document.

The table below sets out the reconciliation between the net book value of our selected property interest as of December 31, 2025 in the Accountants’ Report set out in Appendix I to this document and the market value of our selected property interest as of March 31, 2026, in the Property Valuation Report set out in Appendix III to this document.

(RMB in thousands)

Net book value of our selected property interest as of December 31, 2025	66,387
Capital expenditures	—
Depreciation adjustments.	(783)
Net book value as of March 31, 2026	65,604
Valuation surplus as of March 31, 2026	6,386
Valuation as of March 31, 2026 set out in “Appendix III — Property Valuation Report” to this document.	71,990

[REDACTED]

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the years reported on in the Accountants’ Report as set out in Appendix I to this document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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