You should read the following discussion and analysis in conjunction with our consolidated financial information included in "Appendix I—Accountants' Report" to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are an innovation- and R&D-driven biotech company established in 2012, dedicated to the development, manufacturing and commercialization of novel drugs for the treatment of viral infections, oncological and cardio-cerebrovascular diseases. We have built a comprehensive drug portfolio, primarily consisting of seven drug candidates, being (i) azvudine (brand name: 捷倍安®), our Core Product, a conditionally approved drug for the treatment of HIV infection and COVID-19 in China, centered on which we are developing a monotherapy for the treatment of multiple myeloma, lymphoma and acute leukemia, a monotherapy for the treatment of immunological non-responders (INRs) in HIV-infected patients, as well as four combination therapies including azvudine + anti-PD-1 for the treatment of liver cancer and colorectal cancer, azvudine + dosimertinib for the treatment of non-small cell lung cancer (NSCLC), azvudine/CL-197 for the treatment of HIV and azvudine + CTX for the treatment of lymphoma; (ii) CL-197, our Core Product, for the long-acting treatment of HIV infection; (iii) dosimertinib, our Core Product, for the treatment of NSCLC; (iv) ZSSW-136 for the treatment of malignant tumor, (v) MTB-1806 for the treatment of acute ischemic stroke (AIS); (vi) ZS-2004 for the treatment of solid tumors; and (vii) ZS-1004 for the treatment of solid tumors.

During the Track Record Period, we recorded revenue of RMB237.9 million and RMB24.8 million in 2024 and 2025, respectively, arising from our Core Product, azvudine (brand name: 捷倍安®). In 2024 and 2025, we recorded net loss of RMB40.0 million and RMB309.6 million, respectively, mainly due to a decrease in revenue as a result of the subsiding of COVID-19, evolving consumer behavior and clinical practice pattern in the post-pandemic environment, as well as the termination of collaboration with Fosun Pharmaceutical Industrial.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands in September 2019. Our Company, as the holding company of our business, indirectly owns our operating subsidiaries in China. Our consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair value. All intragroup transactions and balances are eliminated on consolidation.

Our consolidated financial information has been prepared in accordance with IFRSs. All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information throughout the Track Record Period.

Notwithstanding that we incurred losses and recorded net liabilities during the Track Record Period, the financial information has been prepared on a going concern basis.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our business and results of operations depend on our ability to successfully advance the development of our drug candidates. We have historically dedicated significant resources towards R&D. In 2024 and 2025, our research and development expenses amounted to RMB150.7 million and RMB135.9 million, respectively. As of December 31, 2025, our in-house R&D team consisted of 77 members with experience in the biotech and pharmaceutical industries, led by our senior scientists including Dr. Du and Dr. Dang Qun. As we believe our success and financial performance will significantly depend on our ability to leverage our experience and resources in drug development, we will continue to invest in R&D to grow our competitive strengths against our peers.

Our business and results of operations also depend on our ability to successfully commercialize our drug and future approved drug candidates. We obtained conditional approvals of azvudine from the NMPA for treating HIV infection and COVID-19 in China in July 2021 and July 2022, respectively. It was the first NMPA-approved oral antiviral treatment for COVID-19 developed by a Chinese company. In respect of azvudine for treating HIV infection, we completed the last visit of the last patient for the Phase III clinical trial in June 2025, and completed the CSR in April 2026. Subsequent to the termination of Fosun's exclusive commercialization rights for azvudine in Chinese Mainland, we have taken proactive steps to establish our own commercialization team. At the same time, we have taken proactive steps to drive our own commercialization efforts and prepare for future launches, including but not limited to the establishment and expansion of our in-house commercialization team, exploration of on-line and off-line sales channels and engagement of CSOs. As of December 31, 2025, we had successfully entered into agreements with 81 offline distributors and ten online distributors in China to jointly establish an online sales channel for azvudine and have successfully achieved sales.

Our Ability to Compete Effectively

Our business and results of operations are also affected by our ability to compete against other players in the pharmaceutical and biotech industry. We face potential competition from global and China-based pharmaceutical and biotech companies that market or will market products in competition with our drug and drug candidates. These entities are or may be seeking to develop drugs, therapies and approaches to treat our targeted diseases or their underlying causes. Our commercial opportunity could be reduced or eliminated if our competitors develop drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than the drugs that we may develop. See "Risk Factors—Risks Relating to Our Industry and Business Operations—We face intense competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do" in this document.

Cost Structure

During the Track Record Period, our business and results of operations were significantly impacted by our cost structure and operating efficiency. We incurred selling and distribution expenses and administrative expenses in aggregate of RMB103.2 million and RMB104.9 million in 2024 and 2025, respectively. We strive to continuously improve operational efficiency by streamlining operational workforce and implementing rigorous cost management practices.

We expect our cost structure to evolve as we continue to develop and expand our business. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. Nevertheless, we are committed to further enhancing our operational efficiency through economies of scale and continue to optimize resource allocation.

Funding for Our Operations

Historically, we funded our operations primarily through equity financing, cash from operations and loans and other borrowings. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations.

Growth of the Biotech and Pharmaceutical Markets

Our financial performance and future growth depend on the growth of the biotech and pharmaceutical markets, especially with respect to the therapeutic areas in China on which we initially place strategic emphasis: the antiviral and anti-tumor field. China's antiviral drug market grew from US$3.6 billion in 2020 to US$10.2 billion in 2025 at a CAGR of 23.2%. The market is expected to further grow to US$15.0 billion in 2030 at a CAGR of 8.0% from 2025 to 2030. China's oncology drug market reached US$35.9 billion in 2024 from US$26.4 billion in 2019 at a CAGR of 6.3%, and is expected to reach US$73.4 billion in 2030, representing a CAGR of 12.6% from 2024 to 2030.

In addition, we expect to be supported by a series of favorable government policies in the near future. For example, the PRC government has promulgated a series of favorable policies in relation to the treatment of viral infections, the prevention and treatment of HIV, as well as shortening the review and approval period of time for innovative drugs IND and NDA, which will accelerate marketing authorization process for drugs with potentials to address urgent clinical needs. The enhanced patent protection also contributes to the continued innovation in the antiviral field. Additionally, domestic pharmaceutical companies generally tend to benefit from tax reduction policies, talent incentive program and special public R&D funds to support their R&D activities.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. When reviewing our financial information, you should consider: (i) our selection of accounting policies as disclosed in Notes 2.4 and 3 to the Accountants' Report set out in Appendix I to this document; and (ii) the results of changes in conditions and assumptions.

We believe that the material accounting information in relation to the recognition of revenue from contracts with customers, inventories, research and development expenses, convertible redeemable preferred shares, property, plant and equipment and fair value measurement, among others, as set forth in details in Notes 2.4 and 3 to the Accountants' Report in Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

DISCUSSION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Revenue	**237,868**	**24,802**
Cost of sales	(73,013)	(75,646)
Gross profit/(loss)	164,855	(50,844)
Other income and gains	146,671	6,244
Administrative expenses	(86,399)	(82,699)
Research and development expenses	(150,687)	(135,894)
Selling and distribution expenses	(16,766)	(22,215)
Impairment losses on financial assets, net	(4,608)	(2,216)
Other expenses	(7,362)	(6,086)
Finance costs	(6,223)	(6,272)
Fair value losses on convertible redeemable preferred shares	(79,523)	(9,657)
Loss before tax	**(40,042)**	**(309,639)**
Income tax expense	–	–
Loss and total comprehensive loss for the year	**(40,042)**	**(309,639)**
Attributable to:		
Owners of the parent	(40,042)	(309,639)
Non-controlling interests	–	–
	(40,042)	(309,639)

Revenue

During the Track Record Period, we generated revenue primarily from the sales of our first commercialized product, azvudine (brand name: 捷倍安®). In 2024, the majority of our revenue was derived from the Fosun Pharma Agreements, including sales-based royalties and manufacturing and related services provided under such arrangements. Following the termination of our license and collaboration arrangement with Fosun Pharmaceutical Industrial in September 2024, we commenced direct sales of azvudine (brand name: 捷倍安®) to distributors, and in 2025 the majority of our revenue was derived from such direct sales under new distribution agreements as we transitioned to a self-operated commercialization model. See "Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements" for details. The following table sets forth a breakdown of revenue for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
License and collaboration revenue		
Sales-based royalties	224,533	7,528
Research and development services	9,803	–
Manufacturing of products	1,586	–

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
	235,922	7,528
Sales of goods	1,946	17,274
Total	**237,868**	**24,802**

Our revenue decreased significantly from RMB237.9 million in 2024 to RMB24.8 million in 2025, which was primarily attributable to (i) subsiding of COVID-19 with incidence in 2025 showing a marked decline compared to 2024; (ii) the evolving consumer behavior and clinical practice pattern in the post-pandemic environment, as public concern surrounding COVID-19 diminished and demand for specialized antiviral treatments declined and (iii) the termination of our license and collaboration arrangement with Fosun Pharmaceutical Industrial in September 2024. In 2024, our revenue was largely derived from license and collaboration revenue, including sales-based royalties of RMB224.5 million, revenue from research and development services of RMB9.8 million and manufacturing services of RMB1.6 million. We also recorded revenue from sales of goods of RMB1.9 million, representing direct sales of azvudine (brand name: 捷倍安®) to distributors. Following the termination, we only recognized a small amount of sales-based royalties of RMB7.5 million in 2025 arising from azvudine we delivered to Fosun Pharmaceutical Industrial prior to the Amendment and subsequently sold by Fosun Pharmaceutical Industrial and no longer recognized income from research and development services and manufacturing services in 2025. In 2025, we recorded revenue from sales of goods of RMB17.3 million from direct sales of azvudine (brand name: 捷倍安®) to distributors under new distribution agreements.

License and Collaboration Revenue

Pursuant to the Fosun Pharma Agreements, we shall (i) provide research and development services for clinical studies on azvudine for treatment of HIV, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement; (ii) manufacture azvudine for treatment of HIV; and (iii) manufacture azvudine for treatment of COVID-19.

Accordingly, during the Track Record Period, we recorded revenue from the following sources:

(i) *manufacturing of azvudine.* In 2024, we recognized revenue from manufacturing of azvudine of RMB1.6 million. No such revenue was recognized in 2025 following the termination of our collaboration with Fosun Pharmaceutical Industrial in September 2024.

(ii) *providing research and development services for treatment of HIV.* In 2024, we recognized revenue from providing research and development services for treatment of HIV of RMB9.8 million. No such revenue was recognized in 2025 following the termination of our collaboration with Fosun Pharmaceutical Industrial in September 2024.

(iii) *sales-based royalties.* In 2024 and 2025, we recognized sales-based royalties of RMB224.5 million and RMB7.5 million, respectively. The sales-based royalties recorded in 2025 represented the final settlement agreed between us and Fosun Pharmaceutical Industrial in 2025, arising from azvudine we delivered to Fosun Pharmaceutical Industrial prior to the Amendment agreement and subsequently sold by Fosun Pharmaceutical Industrial. We do not expect further revenue to be recognized from the Fosun Pharma Agreements in the future.

Following the termination of the prior grant of commercialization rights to Fosun Pharmaceutical Industrial since the effective date of the Amendment Agreement, we resumed sole responsibility for the commercialization of azvudine in Chinese Mainland, and were no longer required to perform manufacturing obligations under the Fosun Pharma Agreements. In addition, the provision of research and development services for clinical studies on azvudine for the treatment of HIV infection under the Fosun Pharma Agreement was terminated.

In respect of sales-based royalties arising from the profit-sharing arrangements for the sales of azvudine on the treatment and prevention of COVID-19 and HIV infection, we are required to reach final confirmation and settlement with Fosun Pharmaceutical Industrial in relation to the azvudine products delivered prior to the Amendment Agreement. Such sales-based royalties constitute variable consideration and are recognized when the amounts are determinable and confirmed by Fosun Pharmaceutical Industrial.

Azvudine products had been delivered to Fosun Pharmaceutical Industrial prior to the Amendment Agreement, and Fosun Pharmaceutical Industrial continued to sell such products thereafter. The related sales-based royalties became determinable and were confirmed by Fosun Pharmaceutical Industrial in 2025. Accordingly, in accordance with IFRS 15 and our accounting policy on sales-based royalties as set out in note 2.4 in the Accountants' Report in Appendix I to this document, we recognized RMB7.5 million of sales-based royalties in 2025. No further revenue relating to research and development services or manufacturing services was recognized in 2025 following the termination, as we no longer had any ongoing performance obligations under those components of the arrangement.

Accounting Treatment of License and Collaboration Revenue

We entered into a strategic cooperation agreement with Fosun Pharmaceutical Industrial in 2022 (the "**Fosun Pharma Agreement**"). See "Business—Our Technology Transfer Arrangements and Collaborations—Fosun Pharma Strategic Cooperation Agreements" for details. Pursuant to the Fosun Pharma Agreement, we are entitled to a non-refundable upfront fee of RMB100 million payable within five business days after the execution of the Fosun Pharma Agreement, a non-refundable cooperation fee of RMB399.5 million within seven business days after completion and satisfaction of prerequisite due diligence and evaluation by Fosun Pharmaceutical Industrial as set forth in the Fosun Pharma Agreement and sales-based royalties based on the profit sharing from sales of azvudine for the treatment and prevention of COVID-19 and HIV infection (the "**Cooperation Products**").

At contract inception, we assess the goods or services promised within each contract and determine whether those are performance obligations, and assess whether each promised good or service is distinct. In assessing whether a license is distinct from the other promises, we consider factors such as the research, development, manufacturing and commercialization capabilities of the collaboration partner and the availability of the associated expertise in the general marketplace. In addition, we consider whether the counter-party can benefit from a license for its intended purpose without the receipt of the remaining promises by considering whether the value of the license is dependent on the unsatisfied promises, whether there are other vendors that could provide the remaining promises, and whether it is separately identifiable from the remaining promises. We determined that the license granted to our customer and the manufacturing services are not distinct and instead combined as a single performance obligation because our customer cannot benefit from the license without the manufacturing services given that we are the marketing authorization holder of azvudine in Chinese Mainland and should be responsible for manufacturing the Cooperation Products as stipulated in the Fosun Pharma Agreement. We determine that the promises in the Fosun Pharma Agreement represent three performance obligations, including: (i) the research and development service for clinical studies on azvudine for the treatment of HIV infection, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement; (ii) the manufacturing services of Cooperation Products for the treatment of HIV infection; and (iii) the manufacturing services of Cooperation Products for the treatment of COVID-19.

We use judgment to determine whether milestones or other variable consideration should be included in the transaction price. At the inception of the licensing contract, we estimated that the total transaction price is constrained to RMB499.5 million which included upfront fee of RMB100 million and cooperation fee of RMB399.5 million. We allocated the transaction price to each performance obligation on a relative stand-alone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. As sales-based royalties relate specifically to our efforts to satisfy the performance obligation of the manufacturing services of the Cooperation Products, they are allocated entirely to that performance obligation once it is probable that a significant revenue reversal would not occur.

Research and Development Services

We recognize revenue from research and development service over time, using an input method to measure progress towards complete satisfaction of the service, because our customer simultaneously receives and consumes the benefits provided by us. Under the input method, we recognize revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Manufacturing Services of the Cooperation Products

We recognize revenue from the manufacturing services of the Cooperation Products (i.e. azvudine for the treatment of HIV infection or azvudine for the treatment of COVID-19) over time, using an output method to measure progress towards complete satisfaction of the service, because our customer simultaneously receives and consumes the benefits from the manufacturing services provided by us. Under the output method, we recognize revenue based on the proportion of the actual quantity of goods manufactured for customer in each reporting period to the forecasted total quantity that would be manufactured during the entire life of the Cooperation Products.

Sales-based Royalties

We recognize sales-based royalties as revenue when the subsequent sale occurs, and the amount is determinable and agreed by our customer.

Amendment to the Agreement

On September 26, 2024, we entered into an amendment agreement with Fosun Pharmaceutical Industrial pursuant to which we regained the exclusive commercialization rights of the Cooperation Products in Chinese Mainland granted to Fosun Pharmaceutical Industrial (the "**Amendment Agreement**"). Since the effective date of the Amendment Agreement, we became the sole owner of the commercialization right over azvudine in Chinese Mainland and no longer had to fulfill obligations under the Fosun Pharma Agreements to manufacture the Cooperation Products to Fosun Pharmaceutical Industrial. Research and development services for clinical studies on azvudine for the treatment of HIV infection under the Fosun Pharma Agreement was also terminated. In relation to the termination, we agreed to pay to Fosun Pharmaceutical Industrial (i) an upfront fixed payment of RMB60.0 million; and (ii) a variable payment, calculated as 10% of our net sales generated from sales of the Cooperation Products in Chinese Mainland within a period of five years subsequent to the effective date of the Amendment Agreement.

The Amendment Agreement represented a contract modification under IFRS15. Considering that we no longer need to fulfill the performance obligations as identified in the Fosun Pharma Agreements and the amendment represents a termination to the previous collaboration arrangement pursuant to the Fosun Pharma Agreements, on the date of termination, the contract liabilities was derecognized and the estimated consideration payable to Fosun Pharmaceutical Industrial as agreed in the Amendment Agreement was recognized, with the differences being recognized as an adjustment to revenue.

Paragraph 15 of IFRS 15 requires an entity to recognize the consideration received as revenue only when the consideration received from the customer is non-refundable. Therefore, any additional revenue arising from the variable consideration payable to the customer is only recognized when the amount is certain and not refundable. On this basis, on the termination date

and subsequently at each reporting period ending within the five years subsequent to the effective date of the Amendment Agreement, we estimate the consideration payable to the customer and compare that with the amount of contract liabilities on the termination date. In the case that the difference represents a deduction of revenue, it is recognized immediately. On the contrary, if such difference represents an addition of revenue, it is only recognized at the end of the aforementioned five years when the amount is not refundable.

Sales of goods

In 2024 and 2025, we recorded revenue of RMB1.9 million and RMB17.3 million, respectively, from sales of approximately 13,700 bottles and approximately 122,400 bottles of azvudine tablets to certain distributors under new distribution agreements subsequent to the termination of Fosun Pharma Agreements. The increase in revenue from sales of goods was mainly attributable to the expansion of sales channels in 2025.

Cost of Sales

The following table sets forth the components of our cost of sales for the years indicated.

	Year ended December 31,			
	2024		2025	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentage)			
Write-down on inventories	34,859	47.7	54,007	71.4
Manufacturing costs	28,546	39.1	19,697	26.0
Raw materials costs	117	0.2	1,688	2.2
Labor costs	310	0.4	204	0.3
Freight costs	73	0.1	50	0.1
Post-approval R&D costs	9,108	12.5	–	–
Total	73,013	100.0	75,646	100.0

The following table sets forth the cost of sales arising from license and collaboration arrangement and from sales of goods to distributors for the years indicated.

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
License and collaboration arrangement		
Cost of manufacturing service of azvudine for COVID-19	26,041	–
Cost of research and development services provided	9,108	–
Sales of goods		
Cost of goods sold	3,005	21,639
	36,154	21,639
Write-down on inventories	34,859	54,007
Total	73,013	75,646

Our cost of sales increased slightly by 3.6% from RMB73.0 million in 2024 to RMB75.6 million in 2025, primarily due to an increase in write-down of inventories, mainly in relation to write-down of our raw materials considering our future consumption. Such increase was partially

offset by (i) the decrease in manufacturing costs; and (ii) the decrease in post-approval R&D costs following the termination of license and collaboration arrangement with Fosun Pharmaceutical Industrial. In 2024, we recorded post-approval R&D costs under cost of sales of RMB9.1 million in relation to the research and development services to Fosun Pharmaceutical Industrial. These R&D costs were accounted for as cost of sales as the relevant R&D activities were related to clinical studies on azvudine necessary for obtaining regular approval for the treatment of HIV infection, which represents our own obligation to conduct clinical studies on azvudine for the treatment of HIV infection pursuant to the Fosun Pharma Agreement.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

As a result of the revenue and cost of sales above, we recognized gross profit of RMB164.9 million and gross loss of RMB50.8 million in 2024 and 2025, respectively. In 2024 and 2025, we recorded gross profit margin of 69.3% and gross loss margin of 205.0%, respectively.

Other Income and Gains

Our other income and gains primarily consisted of (i) government grants, primarily represented subsidies from governments in relation to research and clinical trials; (ii) additional deduction for input VAT; (iii) bank interest income; and (iv) subsidy for production costs. The following table sets forth the components of our other income and gains for the years indicated:

	Year ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Government grants	21,671	5,841
Additional deduction for input VAT	2,478	86
Bank interest income	950	86
Investment income on financial assets at fair value through profit or loss	47	8
Fair value gains on financial assets at fair value through profit or loss	–	5
Foreign exchange gains, net	136	–
Subsidy for production costs	121,067	–
Others[(1)]	322	218
Total	**146,671**	**6,244**

Note:

(1) Represent primarily the refunds of handling charges in relation to the withholding individual tax from local tax authorities.

Our other income and gains decreased significantly from RMB146.7 million in 2024 to RMB6.2 million in 2025, primarily attributable to (i) a decrease in subsidy for production costs. We recorded one-off subsidy for production costs of RMB121.1 million in 2024, representing the compensation of production costs from Fosun Pharmaceutical Industrial in respect of a significant amount of azvudine produced in early 2023 in light of the then COVID situation and expected demands of our products. In view of our positive business relationship with Fosun Pharmaceutical Industrial, we negotiated such one-off compensation in connection with the azvudine produced in light of the then COVID-19 situation. The compensation was not based on orders from Fosun Pharmaceutical Industrial and not arising from any service contracts with Fosun Pharmaceutical Industrial. Accordingly, such compensation was recognized as other income in 2024 when the amount of compensation was agreed. No such amount was recorded in 2025; and (ii) the decrease in government grants from RMB21.7 million in 2024 to RMB5.8 million in 2025. Our government grants primarily represented certain non-recurring subsidies received from local governments for encouragement of investments and subsidies received for encouragement of R&D activities. We recorded such amount in profit or loss when certain conditions or qualifications are fulfilled including achieving investment targets and talent recruitment targets, among others.

Administrative Expenses

Our administrative expenses consisted of (i) staff costs, including salaries and welfare for administrative personnel; (ii) [**REDACTED**] expenses; (iii) travel and entertainment expenses; (iv) amortization and depreciation in relation to our office equipment and furniture, leasehold improvements and right-of-use assets; (v) general operating expenses; (vi) professional service fees incurred primarily for legal, audit, recruitment and consulting services in relation to our business operations; (vii) equity-settled share-based payment for administrative personnel; (viii) levy and other taxes, representing other taxes imposed at a percentage of VAT charged; and (ix) others. The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,			
	2024		2025	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)			
Staff costs	32,470	37.6	31,093	37.6
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Travel and entertainment expenses	20,719	24.0	11,754	14.2
Amortization and depreciation	10,736	12.4	10,819	13.1
General operating expenses	5,259	6.1	3,769	4.6
Professional service fees	3,272	3.8	3,068	3.7
Equity-settled share-based payment	1,026	1.1	2,965	3.6
Levy and other taxes	149	0.2	69	0.1
Others	2,469	2.9	4,654	5.6
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Our administrative expenses decreased slightly by 4.3% from RMB86.4 million in 2024 to RMB82.7 million in 2025, primarily attributable to the significant decrease in travel and entertainment expenses as a result of stricter controls over travel expenses during the year. Such decrease was partially offset by the increase in [**REDACTED**] expense incurred in relation to the [**REDACTED**].

Research and Development Expenses

Our research and development expenses consist of (i) third-party contracting costs, primarily including payments to CROs, hospitals and other medical institutions, and testing fees incurred for preclinical studies and clinical trials; (ii) staff costs, including salaries and welfare for research and development personnel; (iii) depreciation and amortization in relation to our research and development equipment and facilities and intangible assets; (iv) costs of raw materials and consumables used for research and development of our drug candidates; (v) equity-settled share-based payment for research and development personnel; and (vi) others. The following table sets forth the components of our research and development expenses for the years indicated:

	Year ended December 31,			
	2024		2025	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)			
Third-party contracting costs	77,131	51.2	54,632	40.2
Staff costs	50,527	33.5	52,144	38.4
Depreciation and amortization	12,961	8.6	16,611	12.2
Cost of raw materials and consumables used	6,351	4.2	6,748	5.0
Equity-settled share-based payment	114	0.1	252	0.2
Others[(1)]	3,603	2.4	5,507	4.0
Total	150,687	100.0	135,894	100.0

Note:

(1) Represent travel expenses, utilities and other miscellaneous expenses in relation to our research and development activities.

Our research and development expenses decreased by 9.8% from RMB150.7 million in 2024 to RMB135.9 million in 2025, primarily attributable to a decrease in third-party contracting costs incurred in connection with the post-approval clinical trials for the continued collection of efficacy and safety data for azvudine COVID-19 indications and the construction of R&D platform.

In 2025, we incurred third-party contracting costs of RMB54.6 million, primarily in relation to phase III clinical trial of azvudine for HIV indications as well as studies for mechanism exploration and other expanded indications of azvudine; phase I and phase II clinical trials for CL-197; and follow-up clinical trials in tumors for dosimertinib. We expect our R&D expenses (especially those relating to azvudine) to rise in the foreseeable future as we continue to develop our Core Products and obtained relevant approvals for clinical trials. For azvudine, we received the IND approval in relation to Phase II clinical trial of azvudine monotherapy for the treatment of blood cancers in December 2025, the IND approval in relation to azvudine + dosimertinib for the treatment of NSCLC in September 2025, and the IND approval of azvudine + anti-PD-1 for the treatment of liver cancer and colorectal cancer in February 2026. For CL-197, we initiated patient enrollment in November 2025, following the approval for Phase II clinical trial. For details of our drug development, see "Business — Our Product Portfolio."

The following table sets forth our research and development expenses by clinical program for the years indicated.

	Year ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Core Products		
Azvudine		
– *HIV indication*	11,989	16,097
– *COVID-19 indication*	39,176	13,415
– *Tumor indication*	862	5,852
– *Combination therapies*	4,478	6,771
– *Multiple myeloma, lymphoma and leukemia*	122	377
– *INRs in HIV-infected patients*	–	44
– *Mechanism exploration and expansion of indications*	10,451	16,984
CL-197 for HIV indication	5,443	10,942
Dosimertinib for tumor indication	10,618	12,588
Subtotal – R&D for Core Products	83,139	83,070
Other products		
ZS-2004	6,304	14,048
ZSSW-136	9,848	11,447
ZS-1004	7,507	7,003
MTB-1806	3,875	2,499
Construction of our R&D platform	40,014	17,827
Total	150,687	135,894

Our research and development expenses attributable to the Core Products, namely azvudine, CL-197 and dosimertinib, amounted to RMB83.1 million in both 2024 and 2025, representing 55.2% and 61.1% of our total research and development expenses in 2024 and 2025, respectively. The relatively stable overall level of such expenses was the combined effect of movements across individual clinical programs. These movements primarily reflected:

(i) a decrease in expenses of RMB25.8 million for the COVID-19 indication of azvudine, primarily because post-marketing studies were completed in July 2025 and only related research and filing costs for the period from January to July 2025 were incurred thereafter;

(ii) an increase in expenses of RMB6.5 million for mechanism exploration and indication expansion, primarily due to increased investment in the development of new oncology and antiviral indications of azvudine;

(iii) an increase in expenses of RMB5.5 million for the HIV indication of CL-197, primarily attributable to the commencement of a Phase IIa clinical trial involving single-dose administration in HIV-infected patients, which led to higher clinical research and API-related costs;

(iv) an increase in expenses of RMB5.0 million for tumor indication of azvudine, primarily as we advanced through Phase I clinical trial; and

(v) an increase in expenses of RMB4.1 million for the HIV indication of azvudine, primarily due to additional clinical studies conducted to meet regulatory requirements, including the generation of supplementary clinical data for specific patient populations.

In 2024, prior to the Amendment Agreement, we recorded part of the costs incurred for the HIV indication of Azvudine under cost of sales and part under research and development expenses, depending on whether such costs were related to studies or data required by the NMPA for obtaining regular approval of azvudine for the treatment of HIV pursuant to the Fosun Pharma Agreements. In 2025, following the termination of the Fosun Pharma Agreements, all research and development costs incurred in relation to clinical trials of Azvudine for the treatment of HIV were recorded under research and development expenses.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) staff costs incurred for sales personnel; (ii) professional fees, which mainly include marketing service fees; (iii) travel and entertainment expenses in relation to our selling and distribution activities; and (iv) equity-settled share-based payment for selling personnel. The following table sets forth the components of our selling and distribution expenses for the years indicated.

	Year ended December 31,			
	2024		2025	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)			
Staff costs	10,633	63.4	12,930	58.2
Professional fees	3,004	17.9	5,698	25.6
Travel and entertainment expenses	1,369	8.2	2,288	10.3
Equity-settled share-based payment	1,317	7.9	84	0.4
Others[(1)]	443	2.6	1,215	5.5
Total	16,766	100.0	22,215	100.0

Note:

(1) Represent depreciation and amortization expenses, office supplies and other miscellaneous expenses in relation to our selling and distribution activities.

Our selling and distribution expenses increased by 32.5% from RMB16.8 million in 2024 to RMB22.2 million in 2025, which was primarily attributable to (i) an increase in staff costs as a result of increase in headcount; and (ii) an increase in professional fees for marketing services after the Amendment Agreement pursuant to which we regained the exclusive commercialization right of azvudine.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets primarily arose from our trade and other receivables. We recorded net impairment losses on financial assets of RMB4.6 million and RMB2.2 million in 2024 and 2025, respectively. In 2024, our net impairment losses on financial assets mainly arose from the write-off the prepayment related to previously planned office and laboratory refurbishment project, following the management's decision to suspend such project and prioritize cash for other needs. In 2025, we recorded net impairment loss of RMB2.2 million, which was the combined effect of (i) the impairment loss made in respect of prepayments for certain research and development services. Such impairment primarily arose as a result of the changes in the scopes of certain R&D services and prioritizing certain R&D projects; and (ii) the reversal of impairment loss in respect of the aforementioned refurbishment project, as we recovered part of such prepayment during the year.

Other Expenses

Our other expenses primarily consisted of penalty on late payments, loss on disposal of our property, plant and equipment, impairment of prepayments and charitable contributions. We recorded other expenses of RMB7.4 million and RMB6.1 million in 2024 and 2025, respectively, which was the combined effect of the reversal of a provision on late payments to a raw material supplier, following an agreement under which the supplier agreed not to impose any penalties on our late payments and the impairment on prepayments of inventories. See "—Discussion of Certain Key Balance Sheet Items—Other Non-Current Assets" in this section for details.

Finance Costs

The following table sets forth the components of our finance costs for the years indicated:

	Year ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Interest on bank loans	5,499	5,098
Interest on lease liabilities	435	438
Accrued interest on long-term payable for inventories	289	298
Interest on loans from third parties	–	438
Total	**6,223**	**6,272**

Our finance costs remained relatively stable at RMB6.2 million and RMB6.3 million in 2024 and 2025, respectively.

Fair Value Losses on Convertible Redeemable Preferred Shares

We recorded fair value losses on convertible redeemable preferred shares of RMB79.5 million and RMB9.7 million in 2024 and 2025, respectively, arising from the changes in our financial liabilities in relation to our convertible redeemable preferred shares reflecting the changes in the valuation of our Company. See Note 28 to the Accountants' Report in Appendix I to this document for details.

The fair value losses on our convertible redeemable preferred shares is mainly associated with changes in our Company's valuation. The convertible redeemable preferred shares will be re-designated from financial liabilities to equity upon the conversion of the preferred shares to ordinary shares upon the [**REDACTED**], which will significantly improve our financial position, and we will recognize no further loss or gain on fair value changes from convertible redeemable preferred shares subsequent to the [**REDACTED**].

Income Tax

We did not record income tax expenses during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes in accordance with applicable tax laws and regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities in all material respects.

Our Company was incorporated in Cayman Islands and we had subsidiaries domiciled or operate in the BVI, Hong Kong and the PRC. For details of applicable income tax rate on our group entities of different jurisdictions, please refer to Note 10 to the Accountants' Report set out in Appendix I to this document.

Loss for the Year

As a result of the foregoing, we recorded loss for the year of RMB40.0 million in 2024 and RMB309.6 million in 2025.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Property, Plant and Equipment

Our property, plant and equipment consist of plant and machinery, leasehold improvements, office equipment and furniture and motor vehicles. Our property, plant and equipment decreased by 8.3% from RMB56.0 million as of December 31, 2024 to RMB51.3 million as of December 31, 2025, mainly due to depreciation charged during the year.

Right-of-Use Assets

Our right-of-use assets arise from the lease contracts we entered into for the manufacturing facilities and buildings and vehicles. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and their estimated useful lives. Our right-of-use assets decreased by 9.8% from RMB56.8 million as of December 31, 2024 to RMB51.2 million as of December 31, 2025, primarily due to the amortization and early termination of certain leases during the year.

Intangible Assets

Our intangible assets include intellectual property we acquired, trademark and software. Our intangible assets decreased by 13.7% from RMB137.5 million as of December 31, 2024 to RMB118.7 million as of December 31, 2025, primarily due to the amortization charged during the year.

Other Non-Current Assets

Our other non-current assets primarily represent our prepayments for raw materials, deposits receivables from landlords for rentals of office premises and value-added tax recoverable. Our other non-current assets increased significantly from RMB1.0 million as of December 31, 2024 to RMB35.6 million as of December 31, 2025, primarily due to the recognition of prepayments for raw materials arising from the exchange arrangement of raw materials with a supplier. We had assessed the recoverability of the prepayment as of December 31, 2025 based on the progress of deliveries and market demand for azvudine raw materials and we had made impairment loss of RMB8.6 million in 2025 in respect of such prepayment of inventories. See "—Discussion of Certain Key Balance Sheet Items—Inventories" and Note 19 to the Accountants' Report in Appendix I to this document for details of the arrangement.

Inventories

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

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Raw materials	95,772	6,453
Finished goods	9,512	7,904
Low-value consumables	275	340
Total	**105,559**	**14,697**

Our inventories decreased by 86.1% from RMB105.6 million as of December 31, 2024 to RMB14.7 million as of December 31, 2025, primarily due to (i) the write-down of our raw materials considering our future consumption; and (ii) the return of certain aged raw materials to a supplier pursuant to an exchange arrangement of raw materials. In June 2025, we have entered into an arrangement with a raw material supplier, pursuant to which the supplier agreed to supply new azvudine raw materials with equivalent weight and quantity to a batch of raw materials previously stored in the supplier's warehouse over a period of five years from the effective date, to be delivered in batches based on our orders, with no additional consideration payable by us. The said raw materials previously stored at the supplier's warehouse were held by the supplier at the direction of us due to the strict storage conditions required for such raw materials. As of the effective date of the arrangement, the carrying amount of the said inventories was RMB61.2 million and was destroyed, leading to the decrease of raw materials as of December 31, 2025.

As of April 30, 2026, RMB1.5 million, or 10.5%, of our inventories as of December 31, 2025 had been subsequently consumed.

Trade Receivables

Our trade receivables as of December 31, 2024 primarily represented outstanding sales-based royalties due from Fosun Pharmaceutical Industrial; and that as of December 31, 2025 represented our trade receivables from distributors. The following table sets forth the details of our trade receivables as of the dates indicated and trade receivables turnover days for the years indicated:

	As of/for the year ended December 31,	
	2024	2025
	(RMB in thousands)	
Trade receivables	26,420	12,323
Less: Impairment	(8)	(192)
Net trade receivables	**26,412**	**12,131**
Trade receivable turnover days *(days)*[(1)]	20	285

Note:

(1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days for a full year period.

Our trade receivable decreased from RMB26.4 million as of December 31, 2024 to RMB12.1 million as of December 31, 2025, primarily attributable to settlement from Fosun Pharmaceutical Industrial. The aging of the trade receivables as at the end of each year, based on the invoice date, was less than six months.

Our trade receivable turnover days increased significantly from 20 days in 2024 to 285 days in 2025, which was affected by the smaller revenue recorded in 2025 and the trade receivables due from Fosun Pharmaceutical Industrial.

Our senior management regularly review the balances of our trade receivable and overdue amount, and we follow up with customers with overdue trade receivables. We perform an impairment analysis as of the end of each financial year using a provision matrix to measure expected credit losses, the calculation of which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at of the end of each year about past events, current conditions and forecasts of future economic conditions.

As of April 30, 2026, approximately RMB1.2 million, or 9.8% of trade receivables as of December 31, 2025 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of (i) prepayments, representing the fees prepaid for research and development services and raw materials; (ii) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; (iii) other receivables, representing mainly (a) the amount for prepayment for the office and laboratory refurbishment project, which had been impaired as of December 31, 2024 and partially recovered as of December 31, 2025, (b) petty cash held by our employees for business development purposes and (c) other miscellaneous deposits; (iv) deferred [**REDACTED**] expenses, representing capitalized [**REDACTED**] costs; and (v) receivables due from shareholders, representing the amount we prepaid for registered capital. The following table sets forth the components of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,	
	2024	**2025**
	(RMB in thousands)	
Prepayments	23,327	9,659
Value-added tax recoverable	20,871	–
Other receivables	9,682	12,633
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Receivables due from shareholders	130	130
Subtotal	[**REDACTED**]	[**REDACTED**]
Impairment	(4,983)	(6,710)
Total	[**REDACTED**]	[**REDACTED**]

Our prepayments, other receivable and other assets decreased by 63.7% from RMB51.0 million as of December 31, 2024 to RMB18.5 million as of December 31, 2025, primarily due to (i) a decrease in VAT recoverable mainly due to VAT tax refunds received during the year; (ii) a decrease in prepayments for certain R&D services as our R&D progressed.

As of April 30, 2026, approximately RMB11.7 million, or 46.3% of prepayments, other receivables and other assets as of December 31, 2025 had been subsequently settled.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss represent our investments in certain financial products, namely, structured deposits, issued by commercial banks in Chinese Mainland as a means of cash management. Such financial products provide us with a full guarantee of the principal at the stated maturity date. As of December 31, 2025, we recorded financial assets at fair value through profit or loss of RMB0.4 million. We did not have any financial assets at fair value through profit or loss as of December 31, 2024.

We closely monitor and control the potential risks in relation to our investments in financial products. An investment in financial products will be initiated and reviewed by our finance department and subject to the final approval from our chief executive officer.

Cash and Cash Equivalents

Our cash and cash equivalents decreased by 82.6% from RMB138.5 million as of December 31, 2024 to RMB24.2 million as of December 31, 2025, as we spent cash to support our daily operations and research and development activities.

Trade Payables

Our trade payables primarily arise from our engagement of clinical trial services and our purchase of raw materials and consumables. Our trade payables are normally settled in installments according to the timing of milestones. The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Within 6 months	60,755	58,833
6 months to 1 year	5,336	2,530
Over 1 year	69,007	70,743
	135,098	132,106

Our trade payable remained relatively stable at RMB135.1 million and RMB132.1 million as of December 31, 2024 and 2025, respectively. As of December 31, 2024 and 2025, we had trade payable balance over 1 year of RMB69.0 million and RMB70.7 million, respectively, primarily in relation to R&D services and purchases of raw materials. We had developed and maintained positive business relationships with these suppliers and had on-going communications with them in relation to the settlement of outstanding balances.

As of April 30, 2026, approximately RMB32.6 million, or 24.7% of our trade payables as of December 31, 2025, had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) other payables and accruals; (ii) payable for intellectual property; (iii) payroll payables; (iv) accrued [**REDACTED**] expenses; (v) consideration payable under the Amendment Agreement; (vi) deposits received for marketing services; (vii) payables for property, plant and equipment; and (viii) tax payable. The following table sets forth the components of our other payables and accruals as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Other payables and accruals[(1)]	14,195	11,832
Payable for intellectual property	40,777	31,777

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Payroll payable	12,140	11,891
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Consideration payable under the Amendment Agreement[(2)]	39,351	4,806
Deposits received	3,010	3,769
Payables for property, plant and equipment	2,300	2,717
Tax payable	113	138
	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Primarily represent payables in relation to (i) provision for late penalty, which was made in relation to outstanding payments to our raw material supplier as of December 31, 2024, which was determined based on the contractual terms with the supplier under which penalties are calculated based on the number of days of delay in settlement multiplied by the applicable penalty rate. For prudence's sake, we made provision for late penalty in accordance with the clauses stipulated in the purchase agreement in light of the delay in settlement by us assuming the supplier would enforce the relevant penalty clause under the contractual terms. As of December 31, 2025, we had reached an agreement with the supplier and the provision for such penalty was reduced in accordance with clause stipulated in the new agreement; (ii) reimbursements to employees; (iii) third-party service fees; and (iv) miscellaneous procurement of low-value consumables.

(2) Represent the estimated payable to Fosun Pharmaceutical Industrial based on the net sales generated by us from the sales of azvudine in Chinese Mainland over a period of five years subsequent to the effective date of the Amendment Agreement.

Our other payables and accruals decreased by 36.3% from RMB114.9 million as of December 31, 2024 to RMB73.2 million as of December 31, 2025, primarily due to (i) a decrease in consideration payables under the Amendment Agreement to Fosun Pharmaceutical Industrial as a result of decrease in current portion of consideration payable under the Amendment Agreement to Fosun Pharmaceutical Industrial as we estimated that the amount payable within one year decreased. See "—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Revenue—License and Collaboration Revenue—Accounting Treatment of License and Collaboration Revenue—Amendment to the Agreement" for details; and (ii) a decrease in payable for intellectual property in relation to the Azvudine Cancer Patent acquired from Zhengzhou University in 2023.

As of April 30, 2026, approximately RMB20.7 million, or 28.2% of other payables and accruals as of December 31, 2025 had been subsequently settled.

Contract Liabilities

As of December 31, 2024 and 2025, we had contract liabilities of RMB0.6 million and RMB0.5 million, respectively, representing the advances received from distributors.

As of April 30, 2026, approximately RMB47,922, or 9.6% of contract liabilities as of December 31, 2025 had been subsequently settled.

Deferred Income

We had current deferred income of RMB17.3 million and nil as of December 31, 2024 and 2025, respectively; and non-current deferred income of RMB5.3 million and RMB20.6 million as of December 31, 2024 and 2025, respectively, representing amounts we received from the local governments to support our research and development activities with certain conditions that had not been fulfilled as of the relevant date. The unfulfilled conditions primarily related to completion and delivery of certain research and development activities. We expect to recognize such amount as other income and gains upon the fulfillment of such conditions.

Other Non-current Liabilities

Our other non-current liabilities primarily represented (i) the non-current portion of consideration payable under the Amendment Agreement to Fosun Pharmaceutical Industrial; and (ii) payables for inventories, which will be settled by installment. We recorded other non-current liabilities of RMB196.9 million and RMB226.7 million as of December 31, 2024 and 2025, respectively. See "—Discussion of Certain Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income—Revenue—License and Collaboration Revenue—Accounting Treatment of License and Collaboration Revenue—Amendment to the Agreement" for details of the accounting policies.

KEY FINANCIAL RATIO

The following table sets forth the components of our key financial ratio as of the dates indicated:

	As of/for the year ended December 31,	
	2024	2025
Current ratio (times)[(1)]	0.8	0.05
Quick ratio (times)[(2)]	0.5	0.04

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Our current ratio decreased from 0.8 as of December 31, 2024 to 0.05 as of December 31, 2025, and our quick ratio decreased from 0.5 as of December 31, 2024 to 0.04 as of December 31, 2025, primarily due to the classification of convertible redeemable preferred shares to current liabilities as of December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary uses of cash relate to the research and development of our drug candidates, our payment for the construction and purchase of equipment of our manufacturing facilities and general operating costs. During the Track Record Period, we primarily funded our working capital requirement through cash from operations and loans. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances, bank borrowings and [**REDACTED**] from the [**REDACTED**]. As of December 31, 2025, we had cash and cash equivalents of RMB24.2 million.

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds, available financing facilities and the estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses and administrative expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; (ii) capital expenditures; (iii) additions of intangible assets; and (iv) payment for leases. Assuming that our cash burn rate going forward will be two times the cash burn rate level during the Track Record Period and taking into account the available financing facilities and expected repayments, we estimate that we will have sufficient cash to maintain our financial viability for approximately 10 months from December 31, 2025, or, if we take into account the estimated [**REDACTED**] from the [**REDACTED**], at least 30 months from December 31, 2025. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
R&D costs		
R&D Costs for Core Products		
Third-party contracting costs	50,514	35,453

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Staff costs	22,322	31,854
Raw material costs	365	1,285
Subtotal	73,201	68,592
R&D Costs for Other Product Candidates[(1)]		
Third-party contracting costs	11,591	17,401
Staff costs	40,920	23,572
Raw material costs	2,284	3,893
Subtotal	54,795	44,866
Total R&D costs	**127,996**	**113,458**
Workforce employment	31,094	43,371
Non-income taxes, royalties and other governmental charges	256	642
Product marketing[(2)]	2,464	9,659
Direct production cost	122,070	6,043
Capital expenditure	1,108	17,252

Notes:

(1) Other product candidates include ZSSW-136, ZS-1004, ZS-2004 and MTB-1806.

(2) Represents trademark registration expenses, travel and hospitality expenses as well as medical insurance platform expenses.

Current Assets and Liabilities

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

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
			(Unaudited)
Current assets			
Inventories	105,559	14,697	14,105
Trade receivables	26,412	12,131	13,001
Prepayments, other receivables and other assets	50,995	18,522	26,445
Financial assets at fair value through profit or loss	–	405	10,405
Cash and cash equivalents	138,465	24,151	26,916
Total current assets	**321,431**	**69,906**	**90,872**
Current liabilities			
Trade payables	135,098	132,106	113,525
Contract liabilities	568	501	461
Other payables and accruals	114,913	73,189	78,760

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
			(Unaudited)
Interest-bearing loans	134,415	136,653	135,513
Convertible redeemable preferred shares	–	1,069,049	1,069,049
Lease liabilities	4,826	4,123	3,516
Deferred income	17,296	–	3,462
Total current liabilities	**407,116**	**1,415,621**	**1,404,286**
Net current liabilities	**(85,685)**	**(1,345,715)**	**(1,313,414)**

Our net current liabilities increased from RMB85.7 million as of December 31, 2024 to RMB1,345.7 million as of December 31, 2025, mainly attributable to the convertible redeemable preferred shares recorded of RMB1,069.0 million as of December 31, 2025. Such balance was classified as non-current liabilities as of December 31, 2024 and was transferred to current liabilities as of December 31, 2025. Our net current liabilities remained relatively stable at RMB1,345.7 million as of December 31, 2025 and RMB1,313.4 million as of March 31, 2026.

Our Directors have been undertaking certain measures to improve our liquidity and financial position. For example, we maintained long term and strong business relationship with major banks to get their continuing support. As of December 31, 2025, we had current interest-bearing loans of RMB136.7 million, which were due for repayment within the next twelve months. Our Directors are of the opinion that the Group will be able to either renew or obtain new facilities to supplement liquidity of the Group at adequate level during the next twelve months. Up to the Latest Practicable Date, we had reached agreements with the relevant banks to roll over certain loans that were reaching maturity.

Cash Flows

The following table sets forth the components of our consolidated statement of cash flows for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Cash flows (used in)/generated from operating activities before movement in working capital	125,593	(181,872)
Changes in working capital	(137,153)	30,074
Interest received	950	86
Net cash flows used in operating activities	(10,610)	(151,712)
Net cash flows generated from/(used in) investing activities	20,228	(17,645)
Net cash flows (used in)/generated from financing activities	(110,684)	55,048
Net decrease in cash and cash equivalents	(101,066)	(114,309)

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Cash and cash equivalents at beginning of the year	239,395	138,465
Effects of foreign exchange rate changes, net	136	(5)
Cash and cash equivalents at the end of the year	**138,465**	**24,151**

Operating Activities

In 2024, our net cash flows used in operating activities was RMB10.6 million, primarily reflecting our loss before tax of RMB40.0 million, as adjusted for non-cash and non-operating items, which primarily include fair value losses on convertible redeemable preferred shares of RMB79.5 million and a write-down of inventories of RMB34.9 million. The amount was further adjusted by negative changes in working capital and interest received of RMB1.0 million. The negative changes in working capital were mainly attributable to (i) a decrease in trade payables of RMB104.8 million as we settled part of the trade payables; (ii) a decrease of RMB86.8 million in contract liabilities in relation to recognition of revenue from the upfront fee received in respect of the Fosun Pharma Agreements upon achievement of certain milestones under the contracts; and (iii) a decrease in other payables and accruals of RMB43.7 million due to the settlements of relevant payables, partially offset by a decrease in prepayments, other receivables and other assets of RMB138.2 million, primarily due to a decrease in value-added tax recoverable upon settlement and refunds of certain value-added tax and prepayments for R&D services as the R&D activities progressed during the year.

In 2025, our net cash flows used in operating activities was RMB151.7 million, primarily reflecting our loss before tax of RMB309.6 million, as adjusted for non-cash and non-operating items, which primarily include fair value losses on convertible redeemable preferred shares of RMB9.7 million, depreciation of property, plant and equipment of RMB13.5 million, amortization of intangible assets of RMB18.8 million, depreciation of right-of-use assets of RMB11.0 million and a write-down of inventories to net realizable value of RMB54.0 million.

In view of our net operating cash outflows during the Track Record Period and our net current liabilities position as of the end of each period during the Track Record Period, we have taken and will continue to take the following measures to improve our cash flow position:

(i) ***monitoring our research and development expenditure.*** Each year, our management reviews and approves our annual budget planning taking into account among other things, the financial position of our Group, market conditions, availability of financing and status of our research and development. Our finance department also holds internal meetings monthly to discuss necessary steps to improve our Group's cashflow and liquidity position. We will continue to closely monitor our liquidity position to ensure sufficient working capital is maintained;

(ii) ***maintaining strict procurement and inventory management processes.*** We implement a strict inventory management system to monitor the procurement and storage of inventories. We will continue to prudently evaluate demands for the key raw materials to form reasonable procurement plans and negotiate with better payment terms with our suppliers; and

(iii) ***explore diversified financing channels and maintaining stable relationships with banks.*** We will maintain stable relationships with banks so as to timely obtain bank borrowings on acceptable terms once necessary. In addition, we are actively discussing with banks to increase the proportion of long-term loans in our financing structure to better match the life cycle of our capital expenditures and continuing to explore diversified financing channels to enhance financial flexibility and stability.

Investing Activities

In 2024, our net cash flows generated from investing activities was RMB20.2 million, which was primarily attributable to proceeds upon maturity of financial assets at fair value through profit or loss of RMB50.2 million, partially offset by purchases of financial assets at fair value through profit or loss, which primarily represented our investments in structured deposits, of RMB30.1 million.

In 2025, our net cash flows used in investing activities was RMB17.6 million, which was primarily attributable to payments for purchases of intangible assets of RMB9.0 million in relation to the Azvudine Cancer Patent acquired from Zhengzhou University in 2023, payments for purchases of property, plant and equipment of RMB8.3 million, and payment for purchases of financial assets at fair value through profit or loss of RMB1.7 million.

Financing Activities

In 2024, our net cash flows used in financing activities was RMB110.7 million, which was primarily attributable to repayment of bank loans of RMB240.0 million, partially offset by proceeds from new bank loans of RMB152.6 million.

In 2025, our net cash flow generated from financing activities was RMB55.0 million, which was primarily attributable to repayment of bank loans of RMB141.8 million, partially offset by proceeds from new bank loans of RMB140.6 million and loans from a third party of RMB68.0 million.

INDEBTEDNESS

As of December 31, 2024 and 2025 and March 31, 2026, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. Since March 31, 2026, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document, there has been no adverse change to our indebtedness.

	As of December 31		As of March 31,
	2024	**2025**	**2026**
	(RMB in thousands)		
			(Unaudited)
Current			
Interest-bearing loans	134,415	136,653	135,513
Convertible redeemable preferred shares	–	1,069,049	1,069,049
Lease liabilities	4,826	4,123	3,516
	139,241	1,209,825	1,208,078
Non-current			
Interest-bearing loans	–	65,000	125,000
Convertible redeemable preferred shares	1,059,392	–	–
Lease liabilities	2,471	3,696	2,942
	1,061,863	68,696	127,942
	1,201,104	**1,278,521**	**1,336,020**

Convertible Redeemable Preferred Shares

In 2021 and 2022, we issued two series of redeemable preferred shares to certain investors, which will be converted to ordinary shares upon the [**REDACTED**]. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See Note 28 to the Accountants' Report in Appendix I to this document for details.

Our convertible redeemable preferred shares was RMB1,059.4 million, RMB1,069.0 million and RMB1,069.0 million as of December 31, 2024, and 2025 and March 31, 2026, respectively. The increases were primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. As of December 31, 2024, we classified the convertible redeemable preferred shares as non-current liabilities as the holders could not require redemption within 12 months from that date. This was due to a special resolution passed at the shareholders' meeting on November 19, 2024 to amend the memorandum of association of our Company, which extended the redemption trigger event relating to the failure to achieve a [**REDACTED**] of the ordinary shares to January 5, 2026. Accordingly, the related redemption obligation was not expected to crystallize within the next 12 months. Subsequent to the Track Record Period, in the shareholders' meeting held on April 2, 2026, our Company passed a special resolution to revise our memorandum of association, which further extended the redemption trigger event relating to the failure to achieve a [**REDACTED**] of the ordinary shares to April 5, 2027.

Interest-Bearing Loans

Our interest-bearing loans represent (i) bank borrowings from commercial banks in China, with interest rates ranging from 2.80% to 4.50% per annum during the Track Record Period and (ii) other loans provided by certain third parties including a local state-owned urban construction and development company, a PRC-established limited liability company engaging in business services and a state-owned micro-loan company providing small-scale financing services to support our on-going research and development activities and provide working capital, with interest rates ranging from 3.90% to 5.00% per annum during the Track Record Period. Our interest-bearing loans amounted to RMB134.4 million, RMB201.7 million and RMB260.5 million as of December 31, 2024 and 2025 and March 31, 2026, respectively.

The following table sets forth a breakdown of our interest-bearing loans as of the dates indicated:

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
			(Unaudited)
Current			
Bank loans – unsecured	109,896	111,829	114,780
Bank loans – secured	24,519	21,434	16,430
Other loans – secured	–	3,007	3,016
Interest accrued on other loans	–	383	1,287
Subtotal	**134,415**	**136,653**	**135,513**
Non-current			
Other loans – unsecured	–	65,000	125,000
Subtotal	**–**	**65,000**	**125,000**
Total	**134,415**	**201,653**	**260,513**

We are subject to certain customary restrictive covenants under certain of our bank borrowings. For example, we are prohibited from merger, spin-off, or pledge, mortgage or transfer of material assets without the prior written consent of the bank, or declaration of dividends. Our Directors confirm that we had not experienced any difficulties in obtaining bank loans and other

borrowings and had not defaulted in the repayment of our bank loans or breached any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors have confirmed that there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date.

As of March 31, 2026, we had total facilities of RMB423.4 million for our general working capital purposes.

Lease Liabilities

We recorded lease liabilities of RMB7.3 million, RMB7.8 million and RMB6.5 million as of December 31, 2024 and 2025 and March 31, 2026, respectively. Our lease liabilities are primarily in relation to office premises and laboratory.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period represented purchase of items of property, plant and equipment and intangible assets. In 2024 and 2025, our capital expenditure totaled RMB1.1 million and RMB17.3 million, respectively. We plan to fund our planned capital expenditures using our cash at bank and the [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and [**REDACTED**]" in this document. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTRACTUAL COMMITMENTS

As of December 31, 2024 and 2025, we had contractual commitments for purchase of certain intellectual properties or knowledge and the total future payments amounted to RMB80.0 million and RMB80.0 million as of December 31, 2024 and 2025, the payment of which is subject to the achievement of milestones. We also had lease commitments in relation to short-term leases and leases of low-value assets of RMB0.8 million and RMB0.1 million as of December 31, 2024 and 2025, respectively.

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the Track Record Period, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, including interest rate risk, liquidity risk and foreign currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider it necessary to hedge any of these risks. The discussion below provides a summary of our market and other financial risks. See Note 38 to the Accountants' Report set out in Appendix I to this document for more information.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had certain transactions with related parties. See Note 35 to the Accountants' Report set forth in Appendix I to this document for the details.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. We had not declared or paid any dividends during the Track Record Period. We do not currently have a formal dividend policy nor pre-determined dividend payout ratio. We currently expect to retain all future earnings for use

in the operation and expansion of our business and do not anticipate to pay cash dividends in the foreseeable future. The Company in general meeting may declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board of Directors. In addition, our Board of Directors has the discretion to pay interim dividends as our Board of Directors considers to be justified by our profits. The declaration and payment of any dividends in the future will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position. In the future, we may rely to some extent on dividends and other distributions on equity from our PRC subsidiaries to fund offshore cash and financing requirements.

DISTRIBUTABLE RESERVES

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

[**REDACTED**] EXPENSES

Based on the [**REDACTED**] of [**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are [**REDACTED**] ([**REDACTED**]), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**] of the [**REDACTED**]. Our total [**REDACTED**] expenses consist of (i) [**REDACTED**] and fees (including [**REDACTED**], Stock Exchange trading fee, SFC and AFRC transaction levy) of [**REDACTED**] ([**REDACTED**]); and (ii) [**REDACTED**] expenses of [**REDACTED**] ([**REDACTED**]), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of [**REDACTED**] ([**REDACTED**]) and (b) other fees and expenses of [**REDACTED**] ([**REDACTED**]). In 2024 and 2025, [**REDACTED**] expenses charged to profit or loss were [**REDACTED**] and [**REDACTED**], respectively; and [**REDACTED**] expenses capitalized as deferred [**REDACTED**] expenses were [**REDACTED**] and [**REDACTED**] in the corresponding years and will be deducted from equity upon [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [**REDACTED**] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details, see "Appendix II—Unaudited [**REDACTED**] Financial Information."

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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