# SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the* [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* [**REDACTED**]. ***In particular, we are a biotech company seeking to*** [**REDACTED**] ***on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. Our Core Products are the products for the purpose of satisfying the eligibility requirements under Chapter 18A of the Listing Rules and Chapter 2.3 of the Guide for New Listing Applicants. We may continue to incur substantial costs and expenses in relation to R&D activities for the Core Products, and the Core Products may not be successfully developed or marketed. Your*** [**REDACTED**] ***decision should be made in light of these considerations.***

## OVERVIEW

Established in 2002, we are a biopharmaceutical company dedicated to the discovery and development of self-discovered small-molecule drugs for autoimmune diseases and oncology. As of the Latest Practicable Date, our pipeline consists of seven small molecule drug candidates, including two Core Products, Mufemilast and Hemay022. Mufemilast has received NDA approval in China. For Hemay022, we were conducting a Phase III combination therapy clinical trial targeting advanced ER+/HER2+ breast cancer as of the Latest Practicable Date.

- **Mufemilast** is a self-discovered, small-molecule PDE4B expression blocker and PDE4 inhibitor with broad potential in autoimmune diseases. According to Frost & Sullivan, it is a global agent with a dual mechanism of action. Mufemilast has been approved for commercialization in China for the treatment of moderate to severe plaque psoriasis ("**Ps**"). As of the Latest Practicable Date, Mufemilast is also being evaluated in a pivotal Phase III trial for Behçet's Disease ("**BD**"). Phase II trials have been completed for ankylosing spondylitis ("**AS**"), with additional trials ongoing or planned for ulcerative colitis ("**UC**"), atopic dermatitis ("**AD**"), psoriatic arthritis ("**PsA**"), Crohn's disease ("**CD**"), and chronic obstructive pulmonary disease ("**COPD**"). The product has been granted orphan drug designation by the FDA for BD.

- **Hemay022** is a self-discovered, EGFR/HER2 dual-target small molecule inhibitor for advanced breast cancer. It acts by irreversibly inhibiting EGFR and HER2 signaling pathways. We obtained IND approval to commence Phase I clinical trial for Hemay 022 in tablet form in August 2014. We completed three Phase I clinical studies from October 2015 to January 2021. We commenced the Phase III clinical study in China for the use of Hemay022 for advanced ER+/HER2+ breast cancer in combination with endocrine therapy in January 2022. As of the Latest Practicable Date, the Phase III trial is ongoing.

**WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR PIPELINE PRODUCTS, INCLUDING CORE PRODUCTS MUFEMILAST AND HEMAY022.**

The chart below sets out the R&D status of the drug candidates that we are developing internally as of the Latest Practicable Date. We strategically prioritize our resources for clinical development and commercialization of certain drug candidates, including our Core Products and Hemay 181.

| Disease Area | Pipeline Code | Target/ Mechanism of Action | Indication | Competent Authority | Route of administration | Pre-clinical/ IND | Phase I | Phase II | Phase III | NDA | Expected upcoming Milestones/Current Status | Mono/ Combo | Commercial Rights |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Autoimmune Disease/ Inflammatory Disease | Mufemilast** | PDE4B/ PDE4 | Moderate to severe plaque Ps[9] | NMPA | p.o. | | | | | | In September 2025, the NMPA approved the NDA for Mufemilast for the treatment of moderate to severe plaque Ps. | Mono | Global |
| | | | BD | NMPA | | | | | | | Ongoing Phase III clinical trial in China from November 2023<br>Pre-IND submission to FDA made in July 2023 | Mono | Global |
| | | | | FDA | | | | | | | | | |
| | | | Moderate to severe UC | NMPA | | | | | | | We plan to complete the Phase II clinical trial in the third quarter of 2026 | Mono | Global |
| | | | Moderate to severe COPD | NMPA | | | | | | | We plan to complete the Phase II clinical trial in 2027 | Mono | Global |
| | | | Moderate to severe CD | NMPA | | | | | | | We plan to initiate Phase II clinical trial in 2026 | Mono | Global |
| | | | Moderate to severe AD | NMPA | | | | | | | Phase II clinical trial complete, pending issuance of final clinical trial report. | Mono | Global |
| | | | Moderate to severe PsA | NMPA | | | | | | | We plan to initiate Phase II/III adaptive clinical trial in 2026 | Mono | Global |
| | Hemay007*[10][11] | TNF-α | Moderate to severe RA | NMPA | p.o. | | | | | | We plan to complete the Phase II clinical trial in 2026 | Mono | Global |
| | Hemay808*[11] | IgE/PDE4 | Mild to moderate AD | NMPA | t.a. | | | | | | We have completed Phase IIa clinical trial for AD in China. We plan to start Phase IIb clinical trial in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**]. | Mono | Global |
| Tumor | Hemay022**[11] | EGFR/HER2 | advanced ER+/ HER2+ breast cancer | NMPA | p.o. | | | | | | We have completed the Phase Ib clinical trial in combination therapy targeting advanced ER+/HER2+ breast cancer; We plan to submit an NDA application in China in 2027. | combination therapy[6] | Global |
| | Hemay181*[8] | β-GU | Solid tumors | NMPA | injection | | | | | | We are conducting Phase I and Phase Ib clinical trials in China and received FDA approval for a clinical trial in the U.S. in June 2023 | Mono | Global |
| | | | | FDA | | | | | | | | Mono | Global |
| | Hemay5087 | β-GU | Solid tumors | NMPA | injection | | | | | | We plan to initiate a phase I clinical trial in the second quarter of 2026. | Mono | Global |

(1) ** denotes our Core Products

(2) * denotes our key products

(3) We directly commenced or plan to directly commence a Phase II clinical trial of PsA, AS, AD, UC, COPD and CD by leveraging the Phase I clinical trial results of Ps in healthy subjects. Results of Phase I clinical trial of Ps were submitted to and approved by NMPA as basis for applications to commence clinical trials for PsA, AS, AD, UC, COPD and CD. Phase I clinical trials are typically conducted in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of a drug candidate. These objectives are generally consistent across indications and are not disease-specific. Accordingly, the Phase I clinical data generated from healthy subjects in the Ps trial were deemed sufficient to support the initiation of Phase II trials in these additional indications without the need to conduct separate Phase I studies for each. In each case, we have conducted, and will continue to conduct, such clinical development activities in consultation with, and subject to the requisite approvals from, the CDE of NMPA. As advised by our PRC Legal Advisor, there is no mandatory provision under applicable PRC laws and regulations requiring that a separate Phase I clinical trial must be conducted for each new indication, provided that the existing data are sufficient to support the safety and pharmacokinetic profile of the drug candidate. See "Regulatory Overview — PRC Laws and Regulations — Laws and Regulations in Relation to New Drugs — Phases of Clinical Trials" for details.

(4) Hemay022 does not require a Phase II clinical trial because NMPA has approved us to conduct phase III clinical trial based on the results of our Phase Ib clinical trial.

(5) Clinical trials of Hemay022 was approved as a combination therapy, while clinical trials of Mufemilast, Hemay007, Hemay181 and Hemay808 were conducted as monotherapy therapies.

(6) Combination therapy with Exemestane, Letrozole and Fulvestrant. See "Business — Our Clinical-Stage Drug Candidates — Hemay022 — Summary of Clinical Trials — Combination Therapies with Endocrine Therapy (Phase Ib)".

(7) p.o. = oral administration; t.a. = topical application.

(8) Hemay181 was developed in a research cooperation arrangement with Nankai University. The cooperative research arrangement focused on the development of novel immunotoxins and miniaturized antibody-drug conjugate drug candidates. Under the arrangement, Nankai University is responsible for executing the early-stage research plan, including compound identification and optimization while we have full control over patent applications and subsequent development. For further details, see "Business — Cooperation with Third Parties — Cooperation with Nankai University".

(9) Certain early-stage research activities, including regulatory coordination and funding support for Mufemilast, were conducted in cooperation with Zhuang Entities. We maintained sole, independent and effective control over all aspects of R&D and clinical development. Zhuang Entities did not participate in clinical trial implementation or technical development. For further details, see "Business — Cooperation with Third Parties — Our Historical Cooperation with Zhuang Entities".

(10) For Hemay007, both Phase II clinical trials were approved based on results derived from the same Phase I clinical trial, Hemay007AU01.

(11) We solely conducted research on the development of Hemay007, Hemay808 and Hemay022.

## OUR CORE PRODUCTS

### Mufemilast

Mufemilast is a self-discovered small-molecule drug candidate with a dual mechanism of action, functioning both as a blocker of PDE4B protein expression and as a PDE4 inhibitor. By reducing the overexpression and activity of PDE4B, Mufemilast decreases the hydrolysis of cAMP, leading to increased intracellular cAMP levels. This upregulation of cAMP activates protein kinase A (PKA), which inhibits the NF-κB signaling pathway and reduces the production of pro-inflammatory cytokines, including TNF-α, IL-23, IL-2, IL-12, and IFN-γ. Concurrently, Mufemilast stimulates the CREB signaling pathway, elevating anti-inflammatory cytokine IL-10 levels and suppressing immune and inflammatory responses.

Mufemilast is distinguished by its favorable safety profile: it does not readily cross the blood-brain barrier, thereby minimizing central nervous system side effects such as depression and suicidal ideation, and does not cause vasculitis. Its metabolism occurs through non-CYP450 pathways, resulting in a low risk of drug-drug interactions. Mufemilast is also considered safe for patients with latent tuberculosis infection (LTBI) and can be administered directly in this population. According to F&S, Mufemilast is globally among PDE4B-targeted therapies.

In respect of AS, we had conducted a Mufemilast Phase II clinical trial directed to its treatment. The clinical trial did not provide results sufficiently assuring to warrant an immediate follow-up. As a result, further development of this indication has been put on hold as we focus our resources on other indications with more promising outcomes. See "Business — Mufemilast —

Summary of Clinical Trials — AS (Phase II)" for further details. As of the Latest Practicable Date, the suspension or termination of the clinical program for treatment for AS of Mufemilast did not and is not expected to have any impact on other ongoing clinical indications of Mufemilast.

In September 2025, we obtained NDA approval from the NMPA for Mufemilast for the treatment of moderate to severe plaque Ps. We are preparing to launch Mufemilast in China for moderate to severe plaque Ps. See "- Commercialization" for our commercialization plan.

***Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe Plaque Ps and PsA***

Ps treatment in China is tailored to disease type and severity. Moderate to severe cases and pustular or erythrodermic Ps require systemic therapies (traditional, biologics, or targeted small-molecule drugs) and phototherapy. The number of patients with moderate to severe plaque Ps was 3.2 million in 2024. This number is expected to be 3.2 million in 2028 and in 2032 at a CAGR of 0.3% from 2024 to 2028 and a CAGR of 0.2% from 2028 to 2032. For PsA, NSAIDs or DMARDs are first-line, but biologics and targeted small-molecule drugs are used if these are ineffective. Treatment selection is individualized based on patient symptoms and comorbidities.

According to Frost & Sullivan, China's Ps drug market size reached RMB18.2 billion in 2024, with a CAGR of 30.5% from 2019 to 2024. The market size will climb to RMB48.3 billion in 2028 and RMB87.1 billion in 2032, with a CAGR of 27.6% from 2024 to 2028 and 15.9% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in development for the treatment of Ps in China. Approved treatments include AbbVie's Rinvoq® (upadacitinib), a JAK1 inhibitor, and BMS's Sotyktu® (deucravacitinib), a TYK2 inhibitor. In addition, several promising candidates are in clinical development stage, such as Janssen's JNJ-2113 (Icotrokinase), Takeda's TAK-279, and Hansoh Pharmaceutical's HS-10374, which target pathways like IL23R and TYK2. Other notable drugs in the pipeline include vTv Therapeutics' HPP737, and Simcere Pharmaceutical's SIM 0335, representing a range of mechanisms such as PDE4 and IKK, aimed at addressing the underlying inflammatory processes of Ps. As of the Latest Practicable Date, 17 targeted drugs for Ps treatment have been approved in China, comprising 5 small-molecule drugs and 12 biologics. For moderate-to-severe psoriasis, various systemic treatments are available, including retinoids, methotrexate, cyclosporine, and other immunosuppressants. These treatments are often used in combination with topical therapies. Biologics are another option, known for their rapid onset and good long-term efficacy. Apremilast, an oral small molecule targeted drug, has a faster onset of action compared to traditional oral medications, with effects seen within 2 weeks. It is notably recommended in the 2023 Chinese Psoriasis Treatment Guidelines, highlighting PDE4 inhibitor's importance in the treatment landscape.

Mufemilast is a differentiated product with broader action than biologics targeting a single cytokine pathway (IL-23, IL-17, TNF). As an oral small-molecule PDE4 inhibitor, Mufemilast offers significant convenience compared to injectable biologics. This oral administration aligns with patient preferences for the long-term management of chronic conditions like Ps by reducing the need for frequent medical visits and self-injections, which is crucial for enhancing treatment adherence.

***Addressable Markets and Competitive Landscape of Mufemilast for BD***

BD is incurable, and treatment focuses on controlling inflammation, preventing organ damage, and slowing disease progression. Management is individualized and includes general measures, local therapies (such as topical corticosteroids), and systemic drugs like NSAIDs, colchicine, immunosuppressants, and biologics. Biologics and combination immunosuppressive therapy are reserved for severe or refractory cases. Surgical intervention may be needed for complications such as gastrointestinal perforation or aneurysm.

According to F&S, the number of patients with BD around the world increased from 842,500 in 2019 to 1.1 million in 2024, with a CAGR of 3.8% from 2019 to 2024. The number of patients is expected to reach 1.2 million in 2028 and increase to 1.3 million in 2032 at a CAGR of 3.7% from 2024 to 2028 and a CAGR of 3.5% from 2028 to 2032. A variety of small-molecule therapies have been approved or are in development for the treatment of BD globally. Approved treatments include AbbVie's Humira® (adalimumab) and Janssen's Remicade® (infliximab), both targeting TNF-α, as well as Amgen's Otezla® (apremilast), a PDE4 inhibitor. In addition, several promising candidates are in clinical development stage, such as Galapagos' GLPG0634 (Filgotinib), and Soligenix's

SGX945 (Dusquetide), which target pathways like PDE4, JAK1, and SQSTM1, respectively. These therapies encompass a range of mechanisms designed to address the inflammatory processes underlying BD. As of the Latest Practicable Date, no targeted drugs for BD treatment have been approved in China. Apremilast is an oral phosphodiesterase-4 (PDE4) inhibitor that can effectively improve oral and external genital ulcers with minimal adverse reactions. Apremilast is recommended in EULAR recommendations for the management of Behçet's syndrome: 2025 update.

***Addressable Markets and Competitive Landscape of Mufemilast for AS***

According to F&S, based on epidemiology studies, the number of AS patients in China reached 4.0 million in 2024, with a CAGR of 0.3% from 2019 to 2024. The number of patients is expected to reach 4.0 million in 2028 and 4.1 million in 2032 at a same CAGR of 0.5% from 2024 to 2028 and from 2028 to 2032. A variety of small molecule therapies have been approved or are in development for the treatment of AS in China. Approved treatments include AbbVie's Rinvoq® (upadacitinib), a JAK1 inhibitor, and Pfizer's Xeljanz® (tofacitinib), which targets JAK1, JAK2, and JAK3. In addition, several drug candidates are in clinical development stage, such as Hengrui Medicine's SHR0302 at Phase III clinical trial, Suzhou Zelgen Biopharmaceuticals' Gecacitinib at Phase II clinical trial, and Simcere Pharmaceutical's LNK01001 at Phase II clinical trial, which target pathways like JAK1 and TYK2, and ALK2. As of the Latest Practicable Date, 12 targeted drugs for AS treatment have been approved in China, including three small-molecule drugs and nine biologics. Non-steroidal anti-inflammatory drugs (NSAID) are recommended as the first-line treatment and TNF inhibitors are the second-line treatment.

***Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe AD***

AD treatment in China begins with fundamental measures, including patient education, daily moisturizers, and allergen avoidance. For mild AD (SCORAD < 25), topical corticosteroids, calcineurin inhibitors, or targeted drugs (PDE4/JAK inhibitors) are recommended, with oral antihistamines as needed. Moderate cases (SCORAD 25–50) may also require phototherapy (NB-UVB/UVA1) or biologic agents. Severe AD (SCORAD > 50) is managed with systemic immunosuppressants, biologics, short-term glucocorticoids for acute flares, and whole-body phototherapy. Treatment intensity and modality are adjusted according to disease severity and patient needs. As of the Latest Practicable Date, six targeted drugs for AD treatment have been approved in China, comprising four small-molecule drugs and two biologics. Different dosage form and strength of topical corticosteroids (TCS) are selected based on the severity of the condition. According to the Chinese guideline for diagnosis and treatment of atopic dermatitis, Local Topical Corticosteroids (TCS)/Topical Calcineurin Inhibitors (TCI) or topical targeted drugs (PDE4/JAK inhibitors) should be used. The number of patients with moderate to severe AD increased from 18.2 million in 2019 to 20.3 million in 2024, with a CAGR of 2.2% from 2019 to 2024, and is projected to reach 22.0 million in 2028 and 23.1 million in 2032.

***Addressable Markets and Competitive Landscape of Mufemilast for Moderate to Severe UC***

UC in China is diagnosed through clinical presentation, colonoscopy, and pathological examination. Mild cases are treated with 5-aminosalicylic acid (5-ASA) and steroids, while moderate UC may require additional immunosuppressants, thalidomide, infliximab, or granulocyte/monocyte apheresis. Severe UC is managed with intravenous glucocorticoids, ciclosporin, tacrolimus, or surgery. Maintenance therapy typically includes 5-ASA, thiopurine drugs, or infliximab. Treatment goals progress from achieving short-term clinical response to long-term mucosal healing confirmed by endoscopy. Approximately 69.7% of UC patients are in moderate to severe stage. The number of patients with moderate to severe UC in China increased from 278,900 in 2019 to 407,000 in 2024, with a CAGR of 7.8%. The number is expected to grow to 548,300 in 2028 and 737,100 in 2032, with a same CAGR of 7.7% between 2024 and 2028 and between 2028 and 2032.

***Addressable Markets and Competitive Landscape of Mufemilast for COPD***

For COPD, the main treatment method is to prevent and control chronic inflammation mainly by drug treatment, reduce the clinical symptoms of patients, and improve their life. At the same time, COPD patients can also be treated by rehabilitation, oxygen therapy and surgery.

See "Industry Overview" for detailed treatment options.

***Hemay022***

Hemay022 is a globally owned, Class 1 small-molecule inhibitor targeting both EGFR and HER2. As of the Latest Practicable Date, Hemay022 is undergoing a Phase III clinical trial in China in combination with aromatase inhibitors (exemestane or letrozole) for the treatment of advanced ER+/HER2+ breast cancer. We plan to submit a NDA application in China in 2027.

Hemay022 acts by irreversibly binding to EGFR and HER2, thereby inhibiting the PI3K/Akt and MAPK signaling pathways, which leads to suppression of tumor cell proliferation and metastasis, and promotes apoptosis. In hormone receptor-positive breast cancer, estrogen stimulates tumor growth. Aromatase inhibitors reduce estrogen production, and when combined with Hemay022, this dual approach targets both hormone- and receptor-mediated pathways, helping to delay the development of acquired resistance in ER+/HER2+ patients.

Key advantages of Hemay022 include:

- Encouraging efficacy and manageable toxicity as an irreversible tyrosine kinase inhibitor.
- Clinical benefit in a precisely defined patient population.

The incidence of BC in China was 372,700 new cases in 2024. The number is set to grow to 390,800 by 2028 and 402,400 by 2032 with a CAGR of 1.2% from 2024 to 2028 and 0.7% from 2028 to 2032. A variety of small molecule therapies have been approved or are in development for the treatment of breast cancer in China, targeting EGFR and HER2 pathways.

HER-2 positive breast cancer treatment in the CSCO guideline is stratified by prior therapy and response. For trastuzumab-sensitive patients, first-line therapy includes taxane-based regimens with dual HER2 blockade (trastuzumab and pertuzumab) or pyrotinib. Upon trastuzumab failure, options such as pyrotinib plus capecitabine, T-Dxd, and T-DM1 are recommended. If TKI therapy fails, further lines include T-Dxd, T-DM1, or alternative HER2-targeted combinations with chemotherapy. Treatment selection is guided by previous drug exposure, aiming to maximize HER2 inhibition and clinical benefit. See "Industry Overview" for detailed treatment options.

As of the Latest Practicable Date, three EGFR/HER2 small-molecule targeted drugs (Lapatinib, Neratinib, Lapatinib) for BC treatment have been approved in China. All three of them were recommended for the treatment of HER2 positive breast cancer in the 2025 CSCO breast cancer treatment guideline.

## OUR CLINICAL STAGE CANDIDATES

***Hemay007***

Hemay007 is screened from a compound library directed by multiple pharmacological functional substructures and is a TNF-α small molecule regulator. In the spontaneous UC monkey model, Hemay007 reduced the number of ulcers in the colons of the testing subjects, and pathological examinations of the intestines after treatment revealed that the colon tissue almost returned to a normal state. As of the Latest Practicable Date, we have completed the Phase II clinical trial for monotherapy for UC. A Phase II clinical trial for rheumatoid arthritis (RA) is ongoing. For phase II clinical trial of Hemay007 for UC at week 12, clinical response rates, as evaluated by both central laboratory and principal investigator (PI) assessments, there was no statistically significant differences across all groups in both the FAS and PPS populations ($P > 0.05$ for all comparisons). Clinical remission rates at Week 12 were also comparable among the treatment and placebo groups, with no statistically significant differences observed. Currently, we do not have a definitive timetable for the next steps in UC. We plan to prioritize the development of clinical trials of Mufemilast due to our limited financial resources. Thus, the issuance of the Phase II clinical trial report for RA will be paused as of the Latest Practicable Date.

***Hemay808***

Hemay808 is a molecular entity targeting IgE and PDE4. Through topical administration, this compound maintains effective therapeutic concentrations in target tissues while significantly reducing systemic exposure and toxicity risks, achieving an optimized balance between efficacy and

safety. For Hemay808, the Phase IIa clinical trial for atopic dermatitis in China has been completed, and a Phase IIb clinical trial is planned to begin in China by second half of 2026, pending receipt of [**REDACTED**] from the [**REDACTED**]. For phase IIa clinical trial of Hemay808 for AD, following 29 days of treatment, there were no statistically significant differences among the vehicle, low-, medium-, and high-dose groups in mean change from baseline in EASI score (all $P > 0.05$). The Hemay808 medium-dose group demonstrated a consistent trend toward greater efficacy compared to placebo across various efficacy endpoints, including EASI score, IGA, DLQI, and NRS, with a favorable safety profile. Therefore, we expect to choose the dose of medium-dose group of Hemay808 (3% concentration) for further clinical investigation.

***Hemay181***

Hemay181 is a potential first in class Topoisomerase I target SDC drug with a mechanism of action. It is the first clinical-stage SDC drug globally or in China that is activated by β-GU in the tumor microenvironment, offering broad-spectrum anti-tumor potential. After administration, Hemay181 demonstrated a metabolic stability during systemic circulation. Upon reaching the tumor site, β-GU cleaves Hemay181, releasing the cytotoxic drug SN38, which is then internalized by cancer cells to exert its toxic effects.

As of the Latest Practicable Date, we were conducting Phase I clinical trial in China to evaluate the safety, tolerability, pharmacokinetic profile, and preliminary anti-tumor efficacy of Hemay181. As of the Latest Practicable Date, we were conducting a Phase Ib to evaluate the antitumor efficacy of Hemay181 in patients with advanced solid tumors and to evaluate the safety of Hemay181 in patients with advanced solid tumors.

## COMPETITIVE LANDSCAPE

We face evolving competitive landscapes in the autoimmune disease and oncology drug markets. The psoriasis drug market in China is characterized by intense competition as there are 17 approved targeted therapies in China including Apremilast with the same target as our Core Product, and drug such as Adalimumab targeting TNF-α, and drugs have better performance than Apremilast. See "Industry Overview — Competitive Landscape of Innovative Drugs for Psoriasis Treatment in China and — Psoriasis (Ps) Drug Market". Notwithstanding the competitive landscape, we believe Mufemilast is well-positioned due to its features and advantages. See "Business — Our Clinical-Stage Drug Candidates — Mufemilast — Features and Advantages of Mufemilast" for details." According to F&S, currently, China's oncology market is dominated by chemotherapy drugs. China's oncology drug market's growth is primarily driven by: (i) an increasing number of cancer patients and longer survival times; (ii) rising clinical needs; (iii) favorable government policies; and (iv) the expansion of the National Reimbursement Drug List (NRDL). In oncology, according to F&S, the new cases of total cancer in China grew to 5.0 million in 2024 from 0.5 million in 2019 with the CAGR of 2.2%. The number of new cases will increase to 5.4 million in 2028 and 5.7 million in 2032 with the CAGR of 1.7% from 2024 to 2028 and 1.5% from 2028 to 2032. Breast cancer, one of our key focus areas, is among the top five cancers globally by incidence. These trends underscore the importance of our continued investment in Hemay022 and Hemay181. See "Industry Overview" for more details.

## OTHER DRUG CANDIDATES

As of the Latest Practicable Date, we had a pipeline of two other drug candidates. Hemay183 and Hemay5087 are broadspectrum anti-tumor drugs. They were primarily used for the treatment of advanced solid tumors. As of the Latest Practicable Date, we were conducting preclinical studies for Hemay183. We have received the approval to conduct the phase I clinical trial of Hemay5087 from the NMPA in February 2026 and were initiating the clinical trial.

## RESEARCH AND DEVELOPMENT

We have made significant efforts in identifying, developing, and commercializing biotechnology and other pharmaceutical drug candidates. Our integrated R&D capabilities are demonstrated by a proven track record of success, including the successful development of Mufemilast, a small-molecule PDE4B protein expression blocker and PDE4 inhibitor, which has received NDA approval in China for the treatment of moderate to severe Ps. As of the Latest Practicable Date, we have developed a robust pipeline of seven drug candidates. Our R&D strategy is centered on a disciplined approach to portfolio management, prioritizing our Core Products — Mufemilast and Hemay022 — and key oncology asset Hemay181. This focus is reflected in our

R&D investment, where these three products together accounted for approximately 76.0% of our total R&D expenses during the Track Record Period. We manage our pipeline progress through active monitoring of trial progress, disciplined capital allocation, and a local-first geographic strategy.

**Pipeline Progress and Portfolio Management**

Our R&D strategy is centered on a disciplined approach to portfolio management. We prioritize our Core Products — Mufemilast and Hemay022 — and key oncology asset Hemay181, which together accounted for approximately 76.0% of our total R&D expenses during the Track Record Period. This focused strategy involves active monitoring of trial progress, disciplined capital allocation, and a local-first geographic strategy. This has led us to make strategic decisions to optimize our portfolio, such as deprioritizing the development of Mufemilast for the treatment of AS and Hemay007 for UC to focus resources on more promising candidates. Our current R&D capabilities are also built upon foundational research conducted between 2002 and 2009, during which early pipeline assets were discontinued, such as Hemay014 and Hemay101/102, due to factors such as partner funding constraints, allowing us to refine our strategic focus. For a detailed discussion of our portfolio management, historical development, and discontinued projects, see "Business — Research and Development." As of the Latest Practicable Date, save for Mufemilast's treatment for AS, none of the clinical programs of the Core Product have been suspended or terminated due to unsatisfactory efficacy or safety results. This decision reflects the Group's strategic focus on indications with greater clinical and commercial potential. For further details on our portfolio management and historical development, see "— Pipeline Progress and Portfolio Management" and "— Historical Development (2002-2009) and Discontinued Projects."

**Our R&D Team and Capabilities**

Our core R&D personnel consists of four members covering the fields of chemistry, biology, pharmacology and medicine, each with over 20 years of experience in biomedical or pharmaceutical research. Our research, development and clinical trial team consisted of 129 members as of December 31, 2025. As of December 31, 2025, 69.4% and 77.8% of the employees of our research and development team and clinical team, respectively, held bachelor's degrees or above. Leaders of these team generally have extensive professional experience from global big pharma or leading Chinese pharma companies. We have a dedicated R&D center in Tianjin where Hemay Bio-Tech was first established in 2002. Our principal R&D operations have remained there since. This center is responsible for all research activities related to our drug candidates. We have built an experienced R&D team by leveraging Tianjin's talent pool and university resources. The city's geographical advantages also support collaboration and clinical trial management, making Tianjin our primary R&D center. See "Business — Research and Development — Our R&D Center" for more details.

**R&D Expenses**

In 2024 and 2025, our research and development costs amounted to RMB97.0 million and RMB90.3 million, respectively, amounting to 74.0% and 65.8%, respectively, of our operating expenses (calculated by the sum of (i) selling and marketing expenses, (ii) general and administrative expenses and (iii) research and development expenses) for the same periods, reflecting our continued investment in innovation and drug discovery. In 2024 and 2025, R&D expenses directed to Mufemilast were RMB58.5 million and RMB55.6 million, respectively. Our research and development expenses attributable to Hemay022 decreased from RMB12.4 million in 2024, representing 12.7% of total R&D expenses, to RMB6.3 million in 2025, representing 7.0% of total R&D expenses. We do not anticipate that the Phase III clinical trial of Hemay022 will terminate nor suspend, because (i) the clinical trial has enrolled 212 subjects as of the Latest Practicable Date, accounting for more than 60% of the planned enrolment; and (ii) we have invested in substantial amount of funds in the clinical trial. We have not identified any factor that we consider warrant the suspension or termination of the clinical program of Hemay022 as of the Latest Practicable Date.

**Our Platform**

We have built an integrated technology system that spans the entire process of small molecule drug development, from the early R&D stage to industrialization. This system includes: (i) a modular compound library construction platform focused on multiple pharmacological Targets; (ii)

pathogen-driven biomarker animal model screening platform for efficient drug candidate evaluation; (iii) a tumor microenvironment activation substructure combination chemotherapy drug design platform; and (iv) a differentiated clinical design platform to support effective clinical trials. These capabilities enable us to continuously advance our pipeline and bring treatments to market, addressing medical needs in China and beyond.

## OUR COMPETITIVE STRENGTHS

We believe that several key competitive advantages have contributed to our success and will continue to differentiate us from our peers: (i) focusing on treatments for autoimmune diseases and oncology, which offer significant market potential; (ii) commercial-scale in-house manufacturing capabilities; and (iii) an experienced management team supported by renowned investors.

## OUR STRATEGIES

We intend to capitalize on our competitive strengths by pursuing the following development strategies: (i) accelerate clinical development of Mufemilast across multiple indications to strengthen market influence and industry position; (ii) advance clinical development of Hemay022 and Hemay181 to build a globally competitive pipeline; (iii) optimize commercialization infrastructure, focusing on Mufemilast's upcoming approval for Ps; (iv) expand manufacturing facilities to support commercialization, enhance supply capabilities and optimize manufacturing processes; (v) strengthen R&D capabilities to drive innovation and ensure a sustainable product pipeline; (vi) attract and motivate diverse talent aligned with growth objectives; and (vii) enhance domestic and international business development to drive global expansion.

## COOPERATION WITH THIRD PARTIES

We have entered into research collaborations with both the Zhuang Entities and, an Independent Third Party, Nankai University.

Our historical cooperation with the Zhuang Entities, which lasted from 2003 to 2020, primarily involved early-stage funding and regulatory coordination support, which included works such as submitting regulatory documents and accompanying on-site inspections conducted by the regulatory authorities, for the development of Mufemilast. Throughout this cooperation, we retained sole, independent and effective control over all aspects of the research and development of Mufemilast. The Zhuang Entities did not participate in the clinical trial implementation, protocol design, data analysis or any other technical development activities. Following the termination of the cooperation, we have continued to independently advance the development of Mufemilast across multiple indications. We do not have any profit-sharing agreement with any Zhuang Entities as of the Latest Practicable Date; and, we are not aware of any profit-sharing claim from Zhuang Entities against our Group in connection with patent rights relating to the Core Products and other product candidates. During 2003 to 2020 and as of the Latest Practicable Date, we do not have any disputes in relation to our collaboration on Mufemilast between the Company and the Zhuang Entities.

Since June 2017, we have been coordinating with Nankai University on the development of novel immunotoxins and miniaturized antibody-drug conjugate drug candidates. This cooperation is focused on early-stage research and compound identification. Nankai University is responsible for executing the research plan, while we retain full control over patent applications and subsequent development. This cooperation is not related to any of our Core Products.

See "Business — Cooperation with Third Parties" for further details.

## PROCUREMENT AND SUPPLIERS

We procure equipment for the development and manufacture of our drug candidates from leading and reputable manufacturers and suppliers domestically. We purchase cell culture media one third-party supplier on a regular basis. We use CROs and consultants to manage, conduct and support our clinical trials in China. Our purchases include raw materials, third-party contracting services for research and development services, machines and equipment. For 2024 and 2025, purchases from our largest supplier accounted for approximately 29.6% and 19.7%, respectively, of our total purchases. For the same years, purchases from our five largest suppliers accounted for approximately 47.5% and 52.4%, respectively, of our total purchases.

Save for two suppliers, all our top five suppliers during the Track Record Period are Independent Third Parties, and none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) had any interest in any of our five largest suppliers during the Track Record Period.

## MANUFACTURING

We have established commercial-scale in-house manufacturing capabilities to ensure stable and cost-controlled supply of active pharmaceutical ingredients, or APIs, and drug products. This integrated approach ensures stability and cost efficiency of clinical and commercial supply. Our Core Product, Mufemilast, received NDA approval from the NMPA for the treatment of moderate to severe plaque Ps, marking a critical milestone in its commercialization journey. Xiajiang Manufacturing Facility commenced its production in October 2022. Xiajiang Manufacturing Facility has a designed production capacity of approximately 5.8 tons per annum, of which approximately 1.4 tons per annum are currently operational as of the Latest Practicable Date. In 2024 and 2025, the utilization rate was 6.4% and 2.3%, respectively. The Xiajiang Manufacturing Facility is primarily responsible for the production of APIs and key intermediates, and as of the Latest Practicable Date, it was used exclusively for the production of the API for Mufemilast. The facility has passed inspection by the NMPA in connection with the NDA for Mufemilast, paving the way for its commercial manufacturing. The low utilization rate during the Track Record Period was primarily due to the early stage of commercialization of our Core Product, Mufemilast, and the limited clinical-scale production demand during the Track Record Period. The facility was mainly used for pilot-scale and clinical trial API production, and its output was aligned with the needs of our ongoing clinical development programs. Ganzhou Manufacturing Facility commenced its production in March 2021. It is equipped with three production lines: with a planned designed production capacity of 115 million tablets and 10 million ointments per annum. In 2024 and 2025, the utilization rate for tablets was 1.2% and 1.1%, respectively, calculated as the percentage of actual production volume over the design production capacity for the years indicated. In the same years, the utilization rate for ointments was nil and 1.0%, respectively. The low utilization rates of both manufacturing facilities did not have a material adverse impact on our operations or financial performance during the Track Record Period. While depreciation and fixed operating costs were incurred, we recognize the strategic value of maintaining in-house manufacturing capabilities, which support regulatory compliance, cost control, and supply chain autonomy. We believe that our manufacturing infrastructure positions us well for future scale-up and commercial expansion.

## COMMERCIALIZATION

In September 2025, we obtained NDA approval from the NMPA for Mufemilast for the treatment of moderate to severe plaque Ps. We are preparing to launch Mufemilast in China for moderate to severe plaque Ps, and anticipate commencing commercial manufacturing at our Ganzhou Manufacturing Facility. We intend to conduct marketing and sales of Mufemilast through a dedicated commercialisation team. The success of our commercialization plan will depend on several factors, including timely regulatory and NRDL approval, effective dual-channel sales execution, robust commercial channel management, efficient hospital access and reimbursement support, a well-structured marketing team, awareness-building for follow-on indications, strong compliance systems, and the integration of AI and new media marketing strategies.

Our commercialization strategy adopts a dual approach, combining direct sales with collaboration with third-party contract sales organizations (CSOs). We plan to build an in-house sales force of approximately 80-85 members within one year of launch, focusing on coverage of 160-200 leading hospitals and key opinion leader institutions. Through CSO partnerships, we aim to reach an additional 500-800 hospitals, with staged expansion targets for 2026 and 2027. Our direct sales team will focus on 160-200 leading hospitals nationwide, targeting key opinion leader (KOL) institutions. In 2026, we aim to engage 30 to 40 target hospitals during the self-pay period, focusing on KOL institutions in key cities such as Beijing, Tianjin, Shanghai, and Hangzhou, and those involved in our clinical trials. To support this, we plan to recruit direct sales team members with prior experience and established connections with KOL institutions in these major cities.

We have formulated a pricing strategy for Mufemilast that reflects its differentiated clinical value, multi-indication potential, and competitive positioning in the autoimmune disease treatment landscape. Our pricing approach is anchored in a holistic approach, which considers not only the benchmark pricing of the first approved indication — moderate to severe plaque Ps — but also the anticipated market value of subsequent indications such as BD and UC.

In the Ps treatment market, Mufemilast offers a unique advantage as the only drug clinically validated for use in patients with latent tuberculosis infection, without requiring pre-treatment screening or therapy. According to F&S, approximately 0.6 million Ps patients in China tested positive for tuberculosis in 2024. This differentiation is expected to be a key commercial entry point.

We intend to set the initial commercial price of Mufemilast with reference to existing targeted therapies. For example, the annual treatment cost of deucravacitinib (brand name: Sotyktu), a small-molecule drug, was RMB52,735, while ustekinumab (brand name: Stelara), a biologic, was RMB239,700 at the time of launch in China. Taking into account Mufemilast's clinical advantages and broader indication potential, we aim to establish a price point that reflects its long-term market value while ensuring patient accessibility. We believe the proposed initial annual treatment cost may be set higher than deuterated deucravacitinib (brand name: Sotyktu) but below the biologic ustekinumab (brand name: Stelara). Furthermore, to broaden patient access, we consider that the initial annual treatment cost may be set at no more than one-half of the price of ustekinumab (i.e. from RMB52,735 to RMB119,850).

Following launch, we plan to actively pursue inclusion in the National Reimbursement Drug List ("**NDRL**") through negotiation with the National Healthcare Security Administration. Pricing adjustments will be made in response to regulatory feedback and market dynamics to achieve a balance between clinical value, patient access, and commercial sustainability. Should NRDL inclusion not be achieved as planned, we will adjust our pricing and commercialization approach to maintain patient access and market uptake during the self-pay period, while continuing to advance market education and support initiatives.

For details, see "Business — Our Product Pipeline — Our Clinical-Stage Drug Candidates — Commercialization and Clinical Development Plan."

**INTELLECTUAL PROPERTY**

The proprietary nature of, and protection for, our drug candidates and their methods of use are an important part of our strategy to develop and commercialize medicines, as described in more detail below. We have obtained patents and filed patent applications in China, the United States and other countries, relating to certain of our drug candidates, and are pursuing additional patent protection for them and for other of our drug candidates and technologies. We rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection including our manufacturing processes.

We also rely on know-how and continuing technological innovation to develop, strengthen and support our development programs. As of the Latest Practicable Date, we owned 9 issued patents in PRC, 16 issued patents in the U.S., 62 issued patents in other jurisdictions, and 66 patent applications in China, the U.S. and other jurisdictions in relation to our Core Products and key products and the technologies of our four technology platforms. With respect to any issued patents in the United States and Europe, we may be entitled to obtain a patent term extension to extend the patent expiration date provided we meet the applicable requirements for obtaining such patent term extensions.

We face potential risks in the development and commercialization of our Core Products and product candidates in overseas jurisdictions, particularly due to the absence of formal freedom-to-operate ("**FTO**") analyses outside China. We have not conducted FTO searches and analyses outside China. As of the Latest Practicable Date, our products are limited to Phase I clinical trials or preclinical stages outside China. The United States patent laws provide a safe harbor exemption under 35 U.S.C. § 271(e)(1), which excludes from patent infringement acts that are reasonably related to the development and submission of information required for regulatory approval of pharmaceuticals, including clinical trials conducted for such purposes. In Australia, we believe that our studies conducted there are likely to fall within the statutory exemptions under Australian patent law for certain experimental activities and, where applicable, certain acts undertaken solely for

purposes connected with obtaining regulatory approval of pharmaceutical products. On that basis, we believe that the risk of a successful patent infringement claim arising from those Australian studies is low. However, the availability of those exemptions depends on the specific nature and purpose of the relevant activities, and no assurance can be given that third parties will not assert infringement claims. Therefore, we do not expect to encounter infringement risks for these Phase I clinical trials or preclinical stages outside China. Our commercial plans outside China have not been fully confirmed at this stage. We will conduct FTO searches and analyses once the specific overseas countries and regions for commercialization are determined, and may adjust our clinical trial plans and commercialization strategies based on actual clinical progress. Nonetheless, the absence of FTO analysis at this stage presents a risk that third-party intellectual property rights may exist which could restrict our ability to develop, manufacture or commercialize our drug candidates in such jurisdictions. Any infringement claims or legal proceedings arising from such third-party rights could result in delays, increased costs, or the inability to commercialize our products overseas. These risks may materially and adversely affect our global expansion strategy and the commercial potential of our pipeline products.

## SUMMARY OF KEY FINANCIAL INFORMATION

The summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountant's Report in Appendix I to this document, as well as the information set forth in the section headed "Financial Information."

### Summary of Consolidated Statements of Comprehensive Income

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

| | Year ended December 31, | |
|---|---|---|
| | 2024 | 2025 |
| | *(RMB in thousands)* | |
| Other income | 5,298 | 5,799 |
| Selling and marketing expenses | (818) | (989) |
| General and administrative expenses | (33,304) | (45,978) |
| Research and development expenses | (96,987) | (90,275) |
| Other gains, net | 3,963 | 2,414 |
| **Operating loss** | (121,848) | (129,029) |
| Finance (costs)/income, net | (1,545) | (777) |
| **Loss before income tax** | **(123,393)** | **(129,806)** |
| Income tax expense | – | – |
| **Loss for the year** | (123,393) | (129,806) |
| **Loss for the year attributable to:** | | |
| Owners of the company | (123,393) | (129,806) |
| Non-controlling interests | – | – |
| | **(123,393)** | **(129,806)** |

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We incurred operating losses during the Track Record Period. Our loss before taxation was RMB123.4 million and RMB129.8 million in 2024 and 2025, respectively. Substantially all of our loss resulted from research and development expenses, and general and administrative expenses. Our research and development expenses decreased from RMB97.0 million in 2024 to RMB90.3 million in 2025. This decrease was due to (i) a decrease in clinical research and service fees, primarily due to lower patient enrollment as the clinical trials of Mufemilast for Phase II UC, and the Phase I clinical trial of Hemay181 were substantially completed by the end of 2024, and the clinical trial of Phase III BD completed the majority of patient enrollment in 2024 with the remaining enrollment expected to be completed by the end of 2025; and (ii) a decrease in raw materials and consumables, as Mufemilast's Phase III clinical trial for Ps were completed in

2024 and Hemay022 patients were primarily in the safety follow-up period in 2025, resulting in lower clinical drug consumption, partially offset by (iii) an increase in outsourced R&D costs, reflecting research efforts for Mufemilast for new indications and Hemay5087.

The decrease in our clinical research and service fees during the Track Record Period was primarily due to reduced expenses associated with Phase II and Phase III clinical activities. The decrease in Phase III clinical research and service fees in 2025 compared to 2024 was primarily due to the completion of Phase III clinical trials of Mufemilast for Ps in 2024 and the BD phase III clinical trial completing the majority of patient enrollment in 2024 with the remaining enrollment expected to be completed by the end of 2025. Similarly, the decrease in Phase II clinical research and service fees in 2025 compared to 2024 was primarily due to the substantial completion of the Phase II clinical trial of Mufemilast for UC.

**Summary of Consolidated Statements of Cash Flows**

| | Year ended December 31, | |
|---|---|---|
| | 2024 | 2025 |
| | *(RMB in thousands)* | |
| Net cash used in operating activities | (91,258) | (81,203) |
| Net cash (used in)/generated from investing activities | 83,888 | (9,236) |
| Net cash generated from/(used in) financing activities | 111,475 | (1,958) |
| **Net increase/(decrease) in cash and cash equivalents** | **104,105** | **(92,397)** |
| Cash and cash equivalents at the beginning of the year | 45,717 | 149,797 |
| Effects of exchange rate changes on cash and cash equivalents | (25) | (8) |
| **Cash and cash equivalents at the end of the year** | **149,797** | **57,392** |

Our primary use of cash was to fund clinical research and development of our drug candidates. Net cash used in operating activities was RMB91.3 million in 2024 and RMB81.2 million in 2025, mainly due to research and development expenses and general and administrative expenses, as we had no sales revenue during the Track Record Period. As our pipeline progresses and products gain regulatory approval, we expect to generate operating cash inflows, improving our cash flow position.

Our Directors are of the opinion that, taking into account the following financial resources available to us, including the cash and cash equivalents on hand, anticipated cash inflow from unutilized bank 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, general and administrative expenses, and selling and marketing expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments including related interests. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], at an [**REDACTED**] of HK$[**REDACTED**] per Share. Assuming the average cash burn rate going forward is 1.5 times the cash burn rate in 2025, we estimate that our cash and cash equivalents and term deposit as of April 30, 2026 will be able to maintain our financial viability for approximately 10.4 months from April 30, 2026, without taking into account the estimated [**REDACTED**] from the [**REDACTED**], or, we estimate we will be able to maintain our financial viability for approximately [**REDACTED**] months from April 30, 2026, if we take into account the estimated [**REDACTED**] from the [**REDACTED**]. We will continue to monitor our cash flows from operations closely.

**Summary of Consolidated Statements of Financial Position**

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this document.

| | As of December 31, | |
|---|---|---|
| | 2024 | 2025 |
| | *(RMB in thousands)* | |
| Total non-current assets | 289,145 | 203,507 |
| Total current assets | 161,181 | 128,903 |
| **Total assets** | **450,326** | **332,410** |
| Total non-current liabilities | (10,102) | (9,542) |
| Total current liabilities | (156,723) | (159,343) |
| **Total liabilities** | **(166,825)** | **(168,885)** |
| **Net assets** | **283,501** | **163,525** |
| Share capital | 396,847 | 396,847 |
| Reserves and accumulated losses | (113,346) | (233,322) |
| **Total equity** | **283,501** | **163,525** |

Our net assets decreased from RMB283.5 million as of December 31, 2024 to RMB163.5 million as of December 31, 2025, primarily reflecting a reduction in total equity due to the recognition of a loss and total comprehensive loss of RMB129.8 million in 2025, partially offset by share-based payment expenses of RMB9.9 million.

**Current Assets and Current Liabilities**

We had net current assets of RMB4.5 million as of December 31, 2024 and net current liabilities of RMB30.4 million as of December 31, 2025. This reversal was primarily due to (i) a RMB92.4 million decrease in our cash and cash equivalents, mainly attributable to our research and development expenses and our general and administrative expenses; (ii) a RMB4.8 million decrease in our current prepayments and other receivables, primarily attributable to the recognition of research and development expenses in 2025 for prepayments for clinical research and services and outsourced research and development; and partially offset by a RMB65.0 million increase of our current term deposits, mainly attributable to the reclassification of long-term deposits.

Our net current liabilities further increased from RMB30.4 million as of December 31, 2025 to RMB60.6 million as of April 30, 2026, primarily due to (i) a RMB12.3 million decrease in our cash and cash equivalents and a RMB21.3 million decrease in our short-term time deposits, which were mainly attributable to net cash outflows from our daily operating activities; and (ii) a RMB4.2 million increase in our borrowings, mainly attributable to an increase of RMB65.6 million in our bank borrowings, partially offset by the repayment of RMB61.4 million in convertible bonds.

**Key Financial Ratios**

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

| | As of December 31, | |
|---|---|---|
| | 2024 | 2025 |
| Gearing ratio[(1)] | 21.6% | 30.3% |
| Current ratio[(2)] | 1.0 | 0.8 |

(1) Gearing ratio equals total debts, comprising current and non-current borrowings and lease liabilities, divided by total assets as of the end of the year indicated.

(2) Current ratio equals total current assets divided by total current liabilities as of the end of the year indicated.

### Cash Operating Costs

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

| | Year ended December 31, | |
|---|---|---|
| | 2024 | 2025 |
| | *(RMB in thousands)* | |
| **Costs relating to research and development of our Core Products** | | |
| Clinical trial and contracting costs | 39,782 | 30,250 |
| Staff costs | 18,764 | 15,176 |
| Raw materials and others | 12,183 | 8,262 |
| **Subtotal** | **70,729** | **53,688** |
| **Costs relating to research and development of our other drug candidates** | | |
| Clinical trial and contracting costs | 11,550 | 10,971 |
| Staff costs | 7,087 | 9,414 |
| Raw materials and others | 2,342 | 3,832 |
| **Subtotal** | 20,979 | 24,217 |
| Workforce employment cost[(1)] | 11,145 | 13,423 |
| **Total** | **102,853** | **91,328** |

(1) Workforce employment costs represent total non-research and development personnel costs, mainly including salaries and benefits.

## RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the [**REDACTED**]. Some of the major risks that we face include: (i) We may be unable to obtain or experience delay in obtaining regulatory approval for our drug candidates; (ii) we may face intense competition and our competitors may discover, develop, or commercialize competing drugs more quickly and successfully than we do; (iii) our financial prospects depend on the success of our clinical-stage and pre-clinical stage product pipeline; (iv) if we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected; (v) clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results; (vi) if our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates; (vii) we may not be able to identify, discover, develop new drug candidates or to identify additional therapeutic opportunities for our drug candidates; (viii) our drugs may cause undesirable side effects; and (ix) we may not be successful in developing, enhancing or adapting to new technologies and methodologies.

As of the Latest Practicable Date, we have experienced slower-than-anticipated patient enrollment in the Phase III clinical trial of Hemay022, one of our Core Products, primarily due to intense competition for patient recruitment in the breast cancer therapeutic area. See "Risk Factors — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected." Our historical development activities illustrate the inherent risks and uncertainties in drug development. For example, we have made strategic decisions to suspend or deprioritize certain clinical programs, including Mufemilast for the treatment of AS and Hemay007 for RA, based on clinical data. These decisions, while critical for disciplined resource allocation, highlight the risk that our product candidates may not proceed as initially planned. "Risk Factors — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results."

## OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Zhang, through Ganzhou Hesheng and Ganzhou Heyi, and Ms. Guo (being Dr. Zhang's spouse), through Hong Kong Hemay and its holding companies, will indirectly control approximately [**REDACTED**]% and [**REDACTED**]% of the voting rights of our Company, respectively. Dr. Zhang and Ms. Guo have also entered into an acting in concert agreement pursuant to which they have confirmed that they have been and will continue to be parties acting-in-concert in relation to voting for corporate matters of our Group. Dr. Zhang and Ms. Guo, together with Ganzhou Hesheng, Ganzhou Heyi and Hong Kong Hemay and its holding companies, will be our Controlling Shareholders upon completion of the [**REDACTED**]. For details, see "Relationship with our Controlling Shareholders."

## [**REDACTED**] INVESTORS

Throughout the development of our Company, we received five rounds of [**REDACTED**] Investments. The total funds raised from the [**REDACTED**] Investments were approximately RMB951.1 million, and the corresponding post-money valuation of our Company when we conducted the Series E Financing was RMB3.9 billion. Our diverse base of [**REDACTED**] Investors includes a Sophisticated Investor, Shanghai Cenova, which is expected to hold approximately [**REDACTED**]% of the issued share capital of our Company immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Pursuant to applicable PRC laws, the [**REDACTED**] Investors shall not dispose of any H Shares held by them within 12 months following the [**REDACTED**]. For details, see "History, Development and Corporate Structure — [**REDACTED**] Investments."

## DIVIDENDS

No dividend shall be declared or payable except out of our profits lawfully available for distribution.

We did not declare or pay any dividends during the Track Record Period and up to the Latest Practicable Date. Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, members of our Group incorporated in the PRC cannot pay dividends if such companies are in an accumulated loss position.

We currently do not have any dividend policy or fixed dividend pay-out ratio. See "Financial Information — Dividends"

[**REDACTED**]

## USE OF [**REDACTED**]

We estimate that the [**REDACTED**] from this [**REDACTED**] will be approximately HK$[**REDACTED**] million after deducting [**REDACTED**] commissions and estimated [**REDACTED**] expenses, paid and payable by us in the [**REDACTED**] taking into account any additional discretionary [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range of HK$[**REDACTED**] per Share to HK$[**REDACTED**] per Share. We intend to use the [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes:

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be used for the research and development and commercialization of our Core Product, Mufemilast;

(ii) approximately [**REDACTED**], or HK$[**REDACTED**] million will be used for the research and development and commercialization of our Core Product, Hemay022, for late-stage breast cancer;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be used for the ongoing and planned clinical trials of our key product, Hemay181;

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for the research and development of our other pipeline products, including preclinical and clinical trials for Hemay808, Hemay5087, and other of our product candidates, covering target research, pharmacology, toxicology, and pharmacokinetic studies; and

(v) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our general corporate and working capital purposes.

[**REDACTED**]

Our [**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, and no exercise of the [**REDACTED**], we estimate that our [**REDACTED**] will be approximately RMB[**REDACTED**] million, accounting for approximately [**REDACTED**]% of our [**REDACTED**]. Our estimated [**REDACTED**] mainly comprise (i) RMB[**REDACTED**] million of [**REDACTED**] related expenses (including but not limited to commissions and fees) and (ii) RMB[**REDACTED**] million of [**REDACTED**] expenses, including RMB[**REDACTED**] million of sponsor fees, RMB[**REDACTED**] million of fees and expenses of legal advisors, RMB[**REDACTED**] million of fees and expenses of the Reporting Accountant, and RMB[**REDACTED**] million of other fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of RMB[**REDACTED**]million, which was charged to our consolidated statements of comprehensive income. We expect to incur additional [**REDACTED**] of approximately RMB[**REDACTED**] million after the Track Record Period, approximately RMB[**REDACTED**] million of which is expected to be charged to our consolidated statements of comprehensive income, and approximately RMB[**REDACTED**] million of which is attributable to the [**REDACTED**] of Shares and will be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

## RECENT DEVELOPMENTS

We have received the approval to conduct the phase I clinical trial for Hemay5087 from the NMPA in February 2026 and were initiating the clinical trial. The enrollment of Phase III clinical trials BD for Mufemilast has completed.

On March 12, 2026, we repaid the Convertible Bonds in full.

The NMPA has approved our trial protocol of Mufemilast for Phase III UC in February 2026. We are in the process of planning such clinical trial as of the Latest Practicable Date.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this document.