You should read the following discussion and analysis together with our consolidated financial statements included in the Accountant's Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements were prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results may differ materially from our expectations and predictions as a result of certain factors, including those set out in the sections entitled "Forward-Looking Statements", "Risk Factors", and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in "Industry Overview".

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.

As of the Latest Practicable Date, our Mufemilast was 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.

Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, timeline and terms of potential collaboration with our partners, regulatory approval timeline and commercialization of our drug candidates.

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 have repaid the Convertible Bonds in full.

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

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial, operational and trading positions or prospects since December 31, 2025, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there has been no events since December 31, 2025 that would materially affect the information shown in the Accountant's Report included in Appendix I to this document.

BASIS OF PREPARATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS Accounting Standards**") as issued by the International Accounting Standards Board ("**IASB**"). Our consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires our management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 of the Accountant's Report in Appendix I to this document.

Our Group is in the development stage for certain drug candidates and has one drug candidate ready for commercialisation yet. In 2025, our Group incurred a net loss of RMB129.8 million and net operating cash outflow of RMB81.2 million.

In view of such circumstance, our Directors have carefully considered the sources of financing available to us and our operating performance in assessing whether we will have sufficient financial sources to continue as a going concern for at least the next twelve months from December 31, 2025. The Board has reviewed management's cash flow projections covering not less than twelve months from December 31, 2025. Based on the factors disclosed in note 2.1(iii) of the Accountant's Report in Appendix I to this document our Group's historical performance and management's operating and financing plans, our Directors believe the cash and cash equivalents on hand, and anticipated cash inflow from unutilized bank facilities are sufficient to meet the cash requirements to fund our Group's planned operations, capital expenditures and other obligations for at least the next twelve months after December 31, 2025. Therefore, our consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Development, Regulatory Approvals and Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop and obtain regulatory approval of our drug candidates. As of the Latest Practicable Date, we had six drug candidates in our product pipeline that had advanced to the clinical stage, including our Core Products, Mufemilast and Hemay022, and our key products, Hemay007, Hemay808, Hemay181 and Hemay5087. Additionally, we also had two drug candidates at preclinical stage. For details of the development status of our drug candidates, see "Business — Our Product Pipeline." Whether our drug candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

Although we currently have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years. Our ability to generate revenue from our drug candidates depends on the successful commercialization of the drug candidates, which may require significant sales and marketing efforts in accordance with local rules and regulations. If our drug candidates are approved but fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See also "Risk Factors — Risks Relating to Our Business — Risks Relating to the Manufacturing and Commercialization of Our Drug Candidates."

Potential Competition Upon Commercialization

The biopharmaceutical industry in which we operate is highly competitive and rapidly changing. Although we focus on developing drug candidates with the potential to become highly differentiated, we also face competition with respect to our current drug candidates and any future candidates we may seek to develop or commercialize will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future. For instance, our core product Mufemilast, upon potential commercialization, will face competition from existing marketed small-molecule targeted drugs for psoriasis such as Symbiox, Otezla, and Rinvoq. See "Industry Overview — Autoimmune Disease Drug Market — Psoriasis (Ps) Drug Market — Competitive Landscape of Small-Molecule Targeted Drugs for Psoriasis Treatment in China" for further details. Competition may further intensify as a result of advances in the commercial applicability of technologies and availability of capital for investment in the industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective with lower cost than our drug candidates, or achieve earlier patent protection, regulatory approvals, product commercialization and market penetration than we do. To compete effectively against an approved product, we must demonstrate compelling advantages in efficacy, convenience, tolerability or safety in order to overcome price competition and to be commercially successful. Furthermore, disruptive technologies and medical breakthroughs may further intensify the competition and render our drug candidates obsolete or noncompetitive. See "Risk Factors — Risks Relating to Our Business — Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates — We may face intense competition and our competitors may discover, develop, or commercialize competing drugs more quickly and successfully than we do."

Our Cost Structure

Our results of operations have been and will be significantly affected by our cost structure, which primarily consisted of research and development expenses, and general and administrative expenses, selling and marketing expenses and finance costs during the Track Record Period.

Research and development activities are central to our business. In 2024 and 2025, our R&D expenses were RMB97.0 million and RMB90.3 million, respectively. Our R&D expenses primarily consist of clinical research and service fees, outsourced research and development costs, employee benefit expenses, raw materials and consumables used, depreciation and amortization, share-based payment expenses and others. Our current R&D activities primarily relate to the clinical development of our Core Products and key products. We expect our research and development expenses to continue to increase for the foreseeable future as we continue to progress the clinical development of our current and future drug candidates. As the clinical trials of our drug candidates continue to progress and as we continue to expand our product pipeline, we expect to incur additional costs in relation to preclinical studies and clinical trials, procurement of raw materials, expansion of our research and development team, and production facilities, among other things.

Our general and administrative expenses primarily consist of employee benefit expenses, depreciation and amortization, professional service fees, and others. In 2024 and 2025, our general and administrative expenses were RMB33.3 million and RMB46.0 million, respectively. We expect our administrative expenses to increase in the foreseeable future to support our expanding business operation.

We expect our cost structure to evolve as we continue to develop and expand our business. As the clinical trials of our drug candidates continue to progress and as we continue to expand our product pipeline, we expect to incur additional costs in relation to preclinical studies and clinical trials, procurement of raw materials, expansion of our research and development team, production facilities, among other things. Moreover, once our drug candidates receive marketing approvals and are commercialized, we are expected to dedicate our resources to sales and marketing. We also anticipate an increase in the legal, compliance, accounting, insurance, and investor and public relations expenses as a result of becoming a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through capital injection from our Shareholders and borrowings. Going forward, upon successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business and product pipelines, we may require additional funding through public or private equity offerings, borrowings or other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations. For additional details, see "— Liquidity and Capital Resources."

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our major accounting policy information and significant accounting judgements and estimates, are set forth in detail in the notes to the Accountant's Report set out in Appendix I to this document.

PRINCIPAL COMPONENTS OF OUR 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 income	263	550
Finance costs	(1,808)	(1,327)
Finance costs – 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)**

Other Income

Our other income primarily consists of government grants, mainly comprising awards and subsidies granted by the PRC local government authorities for our research and development activities and status as a high-growth technology company. Such government grants had no conditions or contingencies attached or were recognized upon compliance with the attached conditions. The following table sets forth a breakdown of our other income:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Government grants	5,236	5,737
Amortization of deferred income	62	62
Total	**5,298**	**5,799**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses, mainly comprising salaries and welfare for our sales and marketing staff; and (ii) traveling and transportation expenses, mainly incurred by our sales and marketing staff. The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as percentages of total selling and marketing expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Employee benefit expenses	786	96.1%	938	94.8%
Traveling and transportation expenses	31	3.8%	50	5.1%
Depreciation of property, plant and equipment	1	0.1%	1	0.1%
Total	**818**	**100.0%**	**989**	**100.0%**

In 2024, we began to recruit sales and marketing personnel in preparation for the upcoming commercialization and sale of our Core Products, in particular Mufemilast.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses, mainly comprising salaries and welfare for our administrative staff; (ii) depreciation of property, plant and equipment and right-of-use assets; (iii) professional service fees, mainly comprising consulting and other service fees and auditor's remuneration in relation to our A-Share Listing Attempt; (iv) share-based payment expenses, representing expenses to our qualified employees under our Equity Incentive Scheme; (v) office expenses, representing expenses incurred in office operations such as procurement of office consumables, telecommunication services and decoration and facility renovation expenses; and (vi) traveling and transportation expenses, mainly incurred by our administrative staff. The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of total general and administrative expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Employee benefit expenses	13,512	40.6%	14,254	31.0%
Depreciation of property, plant equipment and right-of-use assets	8,925	26.8%	9,135	19.9%
Professional service expenses(1)	3,098	9.3%	312	0.7%
Share-based payment expenses	2,661	8.0%	2,142	4.7%
Office expenses	507	1.5%	877	1.9%
Traveling and transportation expenses	286	0.9%	287	0.6%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others(2)	4,315	13.0%	2,438	5.3%
Total	**33,304**	**100.0%**	**45,978**	**100.0%**

(1) Professional service expenses comprise consulting, auditors fees and other service fees.

(2) Others primarily include tax and surcharges, utilities, maintenance fees and low-value consumables for office use.

R&D Expenses

Our R&D expenses primarily consist of (i) clinical research and service fees incurred for engaging CROs and hospitals in relation to clinical trials of our pipeline products; (ii) outsourced research and development costs, mainly incurred for pre-clinical studies and research process development conducted by CROs; (iii) employee benefit expenses, mainly comprising salaries and welfare for our research and development staff; and (iv) raw materials and consumables used, mainly comprising the costs of raw materials and utilities used in our research and development activities. The following table sets forth a breakdown of our R&D expenses, in absolute amounts and as percentages of total research and development expenses:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Clinical research and service fees	34,350	35.4%	16,999	18.8%
Outsourced R&D costs	8,713	9.0%	26,450	29.3%
Employee benefit expenses	22,989	23.7%	23,731	26.3%
Raw materials and consumables used	10,405	10.7%	3,571	4.0%
Depreciation and amortization	6,198	6.4%	4,719	5.2%
Share-based payment expenses	8,964	9.2%	7,756	8.6%
Others[(1)]	5,368	5.6%	7,049	7.8%
Total	**96,987**	**100.0%**	**90,275**	**100.0%**

(1) Others primarily include patent application and maintenance expenses, office expenses and traveling and transportation expenses.

The following table sets forth a breakdown of our clinical research and service fees and outsourced R&D costs (excluding raw materials and consumables used, employee benefit expenses, and depreciation and amortization) attributable to our Core Products by development stage, for the years indicated:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Pre-clinical	3,646	10.2%	7,335	22.4%
Phase I clinical trial	863	2.4%	4,854	14.8%
Phase II clinical trial	8,167	23.0%	2,670	8.1%
Phase III clinical trial and NDA stage	22,894	64.4%	17,910	54.7%
Total	**35,570**	**100.0%**	**32,769**	**100.0%**

The following table sets forth a breakdown of our R&D expenses by product for the years indicated:

	Year ended December 31,			
	2024		2025	
	(RMB in thousands except for percentages)			
Mufemilast	58,487	60.3%	55,649	61.6%
Hemay022	12,358	12.7%	6,331	7.0%
Hemay181	13,006	13.4%	6,648	7.4%
Hemay808	1,099	1.1%	6,566	7.3%
Hemay5087	2,541	2.6%	9,686	10.7%
Other pipeline	9,496	9.9%	5,395	6.0%
Total	**96,987**	**100.0%**	**90,275**	**100.0%**

Other Gains, Net

Our other gains, net, primarily consist of interest income from term deposits and net losses on disposals of property, plant and equipment. The following table sets forth a breakdown of our net other gains, for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Interest income from term deposits	3,953	2,454
Net losses on disposals of property, plant and equipment	(5)	(25)
Others	15	(15)
Total	**3,963**	**2,414**

Finance Costs — net

Our net finance costs represent the difference between our finance income and our finance costs. Our finance income consists of interest income from cash at banks. Our finance costs primarily consist of (i) interest expenses on borrowing and convertible bonds, (ii) interest expenses on redemption liabilities, (iii) interest expenses on lease liabilities and (iv) net foreign exchange losses. The following table sets forth a breakdown of our finance income and finance costs:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Finance income		
Interest income from cash at banks	263	550
Finance costs		
Interest expenses on borrowings and convertible bonds	(3,737)	(3,328)
Less: received government subsidy related to interest	2,040	2,040
Net interest expenses on borrowings and convertible bonds	(1,697)	(1,288)
Interest expenses on lease liabilities	(86)	(31)
Net foreign exchange losses	(25)	(8)
	(1,808)	(1,327)
Finance costs, net	**(1,545)**	**(777)**

Net interest expenses on bank borrowings and convertible bonds represents the total costs incurred from our bank borrowings and convertible bonds excluding the borrowings cost capitalised into our property, plant and equipment and the specific subsidy granted by the local goverment in relation to the Convertible Bond issued by Xiajiang Hemay, one of our subsidiaries.

Interest expense on redemption liabilities represents the interest expenses associated with the financial liabilities resulting from redeemable rights against our Company which we granted to some of our [**REDACTED**] Investors and were terminated prior to the conversion of our Company into a joint stock limited liability company. Interest expenses on lease liabilities represented the costs incurred from financing our lease agreements. Net foreign exchange losses represented the loss in value due to changes in currency exchange rates on our foreign-related transactions.

Income Tax Expenses

We are subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period and up to the Latest Practicable Date, we did not incur any current income tax and recorded deferred tax.

The following sets forth our principal applicable taxes and tax rates by jurisdiction:

PRC

Pursuant to the Enterprise Income Tax Law of the PRC and its relevant regulations, entities which operate in China are subject to a 25% income tax rate. Our Company and Tianjin Hemay Pharmaceutical qualified as High and New Technology Enterprise, respectively, and are entitled to preferential income tax rate of 15%.

Australia

Hemay Australia was incorporated in Australia and is subject to federal and state income tax rate of 25% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had made all required tax filings, had paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Other Income

Our other income increased by 9.5% from RMB5.3 million in 2024 to RMB5.8 million in 2025, primarily due to an increase in the government grants we received, due to (i) subsidies for our research and development projects from Australian government; and (ii) county-level subsidies as a reward for the completion of our joint-stock reform, partially offset by a decrease in subsidies granted to high-growth technology company.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 20.9% from RMB0.8 million in 2024 to RMB1.0 million in 2025, primarily due to (i) our recruitment of sales team April 2024, who only incurred such expenses after April 2024, resulting in the increase of employee benefit expenses; and (ii) an increase in traveling and transportation expenses and social insurance contributions.

General and Administrative Expenses

Our general and administrative expenses increased by 38.1% from RMB33.3 million in 2024 to RMB46.0 million in 2025, primarily due to a RMB16.5 million increase in [**REDACTED**] of the [**REDACTED**]; partially offset by a RMB2.8 million decrease in professional services expenses.

Research and Development Expenses

Our research and development expenses decreased by 6.9% from RMB97.0 million in 2024 to RMB90.3 million in 2025, primarily 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, partially offset by (iii) an increase in outsourced R&D costs, reflecting research efforts for Mufemilast for new indications and Hemay5087.

Other Gains – Net

Our net other gains decreased by 39.1% from RMB4.0 million in 2024 to RMB2.4 million in 2025, primarily due to a RMB1.5 million decrease in our interest income from term deposits, mainly attributable to a decrease in the average interest rate in 2025.

Finance Costs – Net

We had net finance cost of RMB1.5 million in 2024 and RMB0.8 million in 2025. This decrease was primarily due to (i) a RMB0.3 million increase in our interest income from cash at banks; and (ii) a RMB0.4 million decrease in our interest expenses on borrowings and convertible bonds, mainly attributable to higher interest expenses on bonds payable incurred in 2024, while a reduction in the interest rate on bonds payable effective from March 2025.

Loss for the Year

As a result of the foregoing, our loss for the year increased from RMB123.4 million in 2024 to RMB129.8 million in 2025.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR 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 by 42.3% 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

	As of December 31,		As of April 30,
	2024	2025	2026
	(RMB in thousands)		*(unaudited)*
Current assets			
Prepayments and other receivables	11,384	6,557	8,563
Term deposits – current	–	64,954	43,673
Cash and cash equivalents	149,797	57,392	45,084
Inventory	–	–	4,593
Total current assets	**161,181**	**128,903**	**101,913**

	As of December 31,		As of April 30,
	2024	2025	2026
	(RMB in thousands)		*(unaudited)*
Current liabilities			
Trade and notes payables	41,837	38,649	41,423
Accruals and other payables	18,072	20,014	16,183
Borrowings	96,325	100,108	104,307
Lease liabilities	489	572	578
Total current liabilities	**156,723**	**159,343**	**162,492**
Net current (liabilities)/assets	**4,458**	**(30,440)**	**(60,579)**

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; (iii) a RMB3.8 million increase of our current borrowings; 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.

Prepayments and other receivables, current

Our current prepayments and other receivables primarily consist of (i) prepayments for clinical services and outsourced research and development provided by the CROs, CMOs, and hospitals that we collaborate with; and (ii) deposits, which primarily include performance or security deposits for construction projects. The following table sets forth a breakdown of our current prepayments and other receivables:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Prepayments		
Prepayment for clinical research and services and outsourced research and development	9,720	3,238
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepayments to suppliers	608	203
	10,328	**6,477**
Other receivables		
Deposits	1,087	12
Others	46	68
Less: loss allowance	(77)	–
	1,056	80
Total	**11,384**	**6,557**

Our current prepayments and other receivables decreased from RMB11.4 million as of December 31, 2024 to RMB6.6 million as of December 31, 2025, primarily due to an RMB6.5 million decrease of our prepayments for clinical research and services and outsourced research and development, mainly attributable to the recognition of research and development expenses in 2025 for prepayments previously recorded as of December 31, 2024, as the related performance milestones were achieved; and which was partially offset by an increase in prepayments for other purposes resulting from prepayment for [**REDACTED**] in the amount of RMB[**REDACTED**] million.

As of April 30, 2026, RMB1.4 million or 21.3% of our prepayments and other receivables as of December 31, 2025 had been settled.

Trade and notes payables

Our trade and notes payables primarily consist of payables to (i) third-party research institutions (including CROs, CMOs, and hospitals) for clinical research and services and outsourced research and development services, (ii) raw materials and (iii) third-party service providers in connection with intellectual property advisory and logistics services.

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

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Payables for clinical research and services and outsourced research and development	39,199	37,504
Payables for raw materials	1,969	338
Payables for other purposes	669	807
Total	**41,837**	**38,649**

Our trade and notes payables decreased from RMB41.8 million as of December 31, 2024 to RMB38.6 million as of December 31, 2025, primarily due to the decrease in payables for raw materials, as the NDA stage process validation for Mufemilast for Ps, which required significant raw material procurement, was substantially completed in 2024.

As of April 30, 2026, RMB2.9 million or 7.4% of our trade and notes payables as of December 31, 2025 had been settled.

Accruals and other payables

Our accruals and other payables primarily consist of (i) payables for purchases of property, plant and equipment in relation to the construction of our Xiajiang manufacturing facilities; (ii) salaries and welfare payables comprising salaries and welfare due to our staff; (iii) payables for professional service fees, mainly comprising amounts due to professional parties we engaged for our A-Share Listing Attempt; and (iv) other taxes payables. The following table sets forth a breakdown of our accruals and other payables:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Payable for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payables for purchases of property, plant and equipment	11,211	7,178
Salaries and welfare payables	4,699	5,609
Payables for professional service fees	680	13
Other taxes payables	464	461
Others	1,018	247
Total	**18,072**	**20,014**

Our accruals and other payables increased from RMB18.1 million as of December 31, 2024 to RMB20.0 million as of December 31, 2025, primarily due to (i) a RMB[**REDACTED**] million increase in payables for [**REDACTED**] in connection with the [**REDACTED**]; and (ii) a RMB0.9 million increase in accrued salaries and welfare, primarily attributable to general salary adjustments and the corresponding increase in year-end bonus accruals; partially offset by (iii) a RMB4.0 million decrease in payables for purchases of property, plant and equipment, primarily due to the settlement of outstanding payables for the construction of Xiajiang manufacturing facilities.

Non-Current Assets and Non-Current Liabilities

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	156,436	149,105
Intangible assets	66	57
Right-of-use assets	10,821	9,915
Prepayments and other receivables	28,747	13,855
Term deposits – non current	93,075	30,575
Total non-current assets	**289,145**	**203,507**
Non-current liabilities		
Deferred income	9,591	9,529
Lease liabilities	511	13
Total non-current liabilities	**10,102**	**9,542**

Property, plant and equipment

Our property, plant and equipment primarily include our production facilities and office buildings in Xiajiang and Ganzhou. The carrying amount of our property, plant and equipment was RMB156.4 million and RMB149.1 million as of December 31, 2024 and 2025, respectively. The change in the carrying amount of our property, plant and equipment was primarily due to depreciation, partially offset by additions of machinery and equipment at Xiajiang and Ganzhou for research and production purposes.

Right-of-use assets

Our right-of-use assets primarily include our land use rights in Xiajiang, Ganzhou and Anhui and property leases in Tianjin. Our right-of-use assets decreased from RMB10.8 million as of December 31, 2024 to RMB9.9 million as of December 31, 2025, primarily due to depreciation of right-of-use assets and amortization of land use rights.

Prepayments and other receivables, non-current

Our non-current prepayments and other receivables primarily consist of prepayments for VAT in relation to our purchases of non-current assets, raw materials and research services.

The following table sets forth a breakdown of our non-current prepayments and other receivables as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Value added tax recoverable	26,589	11,847
Prepayments for suppliers	471	321
Deposits	1,687	1,687
Total	**28,747**	**13,855**

Our non-current prepayments and other receivables decreased from RMB28.7 million as of December 31, 2024 to RMB13.9 million as of December 31, 2025, primarily due to a RMB14.7 million decrease in value added tax recoverable and refunds.

Term deposits

Our term deposits consisted of our term deposits at commercial banks. Our term deposits increased from RMB93.1 million as of December 31, 2024 to RMB95.5 million as of December 31, 2025, primarily due to an increase in the provision of interest income. See Note 18 of the Accountants' Report included in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of liquidity consist of cash and cash equivalents, which we have historically generated primarily through equity financing and borrowings. We expect that our cash needs in the near future will primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing commercialization, as well as expanding our drug candidate portfolio. Our management closely monitors the uses of cash and cash equivalents and strives to maintain a healthy liquidity for our operations.

Going forward, we believe that our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, term deposits, borrowings, [**REDACTED**] from the [**REDACTED**], as well as revenue generated from sales of our successfully commercialized drug products. With the continuing expansion of our business, we may require further funding through [**REDACTED**], debt financing, collaboration arrangements, licensing arrangements or other sources.

Working Capital Confirmation

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 77.0 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 and expect to raise our next round of financing at least six months after the completion of the [**REDACTED**].

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
Net cash used in operating activities	(91,258)	(81,203)
Net cash generated from/(used in) investing activities	83,888	(9,236)

	Year ended December 31,	
	2024	2025
	(RMB in thousands)	
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**

Net Cash Flows Used in Operating Activities

During the Track Record Period, we incurred negative cash flows from our operations. Most of our operating cash outflows resulted from our research and development expenses and general and administrative expenses.

In 2025, we had net cash used in operating activities of RMB81.2 million. This amount represented our loss before income tax of RMB129.8 million, adjusted for non-cash and non-operating items, primarily: (i) depreciation of property, plant and equipment of RMB13.0 million; (ii) share-based payment expenses of RMB9.9 million; (iii) interest expenses of RMB3.4 million; and (iv) interest income from term deposit of RMB2.5 million. The amount was further adjusted by (i) a RMB19.3 million increase in prepayment and other receivables; (ii) a RMB7.8 million increase in accruals and other payables; (iii) a RMB3.2 million decrease in trade and notes payables.

In 2024, we had net cash used in operating activities of RMB91.3 million. This amount represented our loss before income tax of RMB123.4 million, adjusted for non-cash and non-operating items, primarily: (i) depreciation of property, plant and equipment of RMB13.5 million; (ii) interest income from term deposit of RMB4.0 million; (iii) interest expenses of RMB3.8 million; and (iv) share-based payment expenses of RMB11.6 million. The amount was further adjusted by (i) an RMB3.3 million decrease in prepayment and other receivable, primarily due to return in VAT refunds; (ii) an RMB 2.8 million increase in trade and note payable; and (iii) an RMB0.6 million decrease in accruals and other payables, primarily due to a decrease in our payables for professional service fees after we ended our A-Share Listing Attempt.

We plan to improve our net operating cash outflow position by implementing the following measures:

- Advancing the commercialization of our Core Products and other pipeline products after obtaining the relevant regulatory approvals. After the commercialization of our products, we expect to generate more cash from our operating activities. As we optimize our product portfolio and cost structure, increase sales, and continue to grow our business, we expect to generate steady cash inflows from operations in the foreseeable future; and

- Effectively controlling our cost and operating expenses, for example setting up a comprehensive budget management system covering all types of costs and expenses incurred in our daily operations, and strictly managing our budgets at the project and business department levels.

Net Cash Flows Used in/Generated from Investing Activities

In 2025, we had net cash used in investing activities of RMB9.2 million, primarily attributable to the payments for property, plant and equipment of RMB10.5 million.

In 2024, we had net cash generated from investing activities of RMB83.9 million, primarily attributable to the collection of principal and interests from term deposits with maturities over one year of RMB94.3 million, as we reduced our investments in term deposits, partially offset by payments for property, plant and equipment of RMB10.7 million, primarily due to purchases for the construction of Xiajiang manufacturing facility and purchases for and construction costs incurred in relation to the Anhui manufacturing facility.

Net Cash Flows Generated from/Used in Financing Activities

In 2025, we had net cash used in financing activities of RMB2.0 million, primarily attributable to (i) repayment of bank borrowings of RMB34.2 million; (ii) payment of interests on borrowings of RMB3.8 million; (iii) payment of [**REDACTED**] of RMB[**REDACTED**] million; partially offset by proceeds from bank borrowings of RMB38.7 million.

In 2024, we had net cash generated from financing activities of RMB111.5 million, primarily attributable to (i) capital injections from shareholders of RMB118.0 million; and (ii) proceeds from bank borrowings of RMB34.2 million, partially offset by (iii) payment to a shareholder of RMB30.0 million, (iv) financial advisory fee paid of RMB5.1 million relating to our equity financing, and (v) payments of interest and principal on borrowings and lease liabilities.

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.

INDEBTEDNESS

During the Track Record Period, our indebtedness included current and non-current borrowings and lease liabilities. As of April 30, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB104.9 million.

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

	As of December 31,		As of April 30,
	2024	2025	2026
	(RMB in thousands)		(unaudited)
Current			
Borrowings	96,325	100,108	104,307
Lease liabilities	489	572	578
	96,814	100,680	104,885
Non-current			
Borrowings	–	–	–
Lease liabilities	511	13	13
Total	**97,325**	**100,693**	**104,898**

Borrowings

The following table sets forth a breakdown of our current and non-current borrowings as of the dates indicated:

	As of December 31,		As of April 30,
	2024	2025	2026
	(RMB in thousands)		(unaudited)
Non-current			
Convertiable bonds	–	–	–
Long-term borrowing	–	–	–
Current			
Short-term bank borrowings	34,176	38,667	104,307
Convertible bonds	62,149	61,441	–
Total	**96,325**	**100,108**	**104,307**

Current portion

As of December 31, 2025, our current short-term bank borrowings increased from RMB34.2 million as of December 31, 2024 to RMB38.7 million, as we repaid certain bank borrowings in 2025. In addition, our convertible bonds decreased to RMB61.4 million, primarily due to the reduction in the interest rate on bonds payable since March 2025, and the partial offsetting of interest expenses by service fees related to the renewal of convertible bonds in the first half of 2025. For further details, see "History, Development and Corporate Structure" and note 20 of the Accountant's Report in Appendix I to this document.

As of April 30, 2026, our current borrowings increased to RMB104.3 million from RMB100.1 million as of December 31, 2025. This increase was primarily due to an increase of RMB65.6 million in our bank borrowings, partially offset by the repayment of RMB61.4 million in convertible bonds.

As of April 30, 2026, our total credit facilities from banks amounted to RMB509.5 million, of which RMB405.2 million remained undrawn. As of April 30, 2026, our committed credit facilities from banks amounted to RMB509.5 million, of which RMB104.3 million has been used and RMB405.2 million remained unulitized.

Non-current portion

Our non-current borrowings remained nil as of December 31, 2024 and 2025 and April 30, 2026.

Lease Liabilities

Our current and non-current lease liabilities were in relation to our leases of properties in our operations. Our lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

Our current lease liabilities increased from RMB0.5 million as of December 31, 2024 to RMB0.6 million as of December 31, 2025, while our non-current lease liabilities decreased from RMB0.5 million as of December 31, 2024 to RMB0.01 million as of December 31, 2025, primarily due to our payment of rent for our leased properties and the reclassification of the remaining lease liabilities as current liabilities. As of April 30, 2026, our non-current lease liabilities remained stable at RMB0.01 million. Our current lease liabilities remained stable as of December 31, 2025 and April 30, 2026.

Contingent Liabilities

As of December 31, 2024 and 2025 and the Latest Practicable Date, we did not have any material contingent liabilities.

Except as disclosed above, as of the Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, debt securities, loans, unutilized bank facilities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Save for the repayment of Convertible Bonds, our Directors confirm that there has not been any material change in our indebtedness since April 30, 2026 and as of the Latest Practicable Date. Our Directors confirm that as of the Latest Practicable Date, there was no covenant on any of our outstanding debt that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we had no defaults on our borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

CAPITAL EXPENDITURES

Our capital expenditures include: (i) payments for property, plant and equipment, including construction of production facilities and purchases of equipment; and (ii) payments for land use rights. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,	
	2024	**2025**
	(RMB in thousands)	
Payments for property, plant and equipment	10,693	10,455
Payments for land use rights	–	–
Total	**10,693**	**10,455**

We expect to incur capital expenditures in the next five years primarily for construction of our manufacturing facilities in China, as part of our commercialization efforts. See "Future Plans and [**REDACTED**]" for more details. We plan to fund our planned capital expenditures mainly through our cash balances, [**REDACTED**] from the [**REDACTED**], and borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

We have capital commitments primarily in relation to (i) manufacturing facilities and equipment, and (ii) certain capital expenditures contracted for but not yet incurred. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Property, plant and equipment	2,624	2,236

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 years/periods indicated.

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

Gearing Ratio

Our gearing ratio increased from 21.6% as of December 31, 2024 to 30.3% as of December 31, 2025.

Current Ratio

Our current ratio was 1.0 times as of December 31, 2024. Our current ratio decreased to 0.8 times as of December 31, 2025, primarily due to current liabilities exceeding current assets as of such date.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified property valuer, valued our property interests of Xiajiang Hemay as of April 30, 2026 at RMB93.6 million. Details of the valuation are summarized in Appendix III to this document. The following table sets out the reconciliation between the net book value of the property as of December 31, 2025 and the property valuation report as set out in Appendix III to this document as of April 30, 2026:

	RMB'000
Net book value of the property as of December 31, 2025	87,958
Less: Depreciation for the four months ended April 30, 2026	1,749
Net book value of the property as of April 30, 2026	86,209
Net valuation surplus as of April 30, 2026	6,191
Market value of the property as of April 30, 2026 as set forth in the property valuation report in Appendix III to this document	92,400

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, aside from our capital commitments as disclosed above, we had not entered into any off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks. See Note 4 to this Appendix I to this document for details.

DIVIDENDS

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. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. [**REDACTED**] should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate.

DISTRIBUTABLE RESERVES

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

[REDACTED]

Our [**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share, 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 gross [**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.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.