

FINANCIAL INFORMATION

The following discussion should be read in conjunction with the consolidated financial statements and the notes of the Group, the relevant contents of which are contained in Appendix I to this document. The historical financial information are prepared in accordance with the IFRS Accounting Standards, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. [REDACTED] should read the whole of the historical financial information as set out in Appendix I to this document and not rely merely on the information contained in this section.

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

OVERVIEW

We are a specialized topical dermatology pharmaceutical company in China, with category-leading products across multiple therapeutic areas, providing comprehensive “head-to-toe” coverage across dermatological pharmaceuticals and medical-grade skincare products. Our business is built around a distinctive feature of dermatology: patients often identify symptoms, evaluate treatment options, make purchase decisions and engage in long-term self-care with a high degree of autonomy. Each stage of this process is increasingly conducted through digital channels. We were early to recognize this user-centric reality and build our business model around it. The result is a product engine that delivers repeatable commercial success: by combining data-driven user demand insight, clinically grounded product development, versatile topical manufacturing, an omnichannel commercialization network with 30-minute delivery capabilities, and real-world usage data that feeds back into user demand insight, we move rapidly from user need to product launch, and from product launch to market leading products across a broad range of therapeutic categories. In addition to our commercialized products, as of the Latest Practicable Date, we have also established a pipeline of over 30 candidates, including three innovative drug candidates in China with IND approval and three pre-IND U.S. regulatory filings completed. According to Frost & Sullivan, we ranked first in China by both the total number of topical dermatology drugs submitted and approved for marketing authorization over the three years preceding the Latest Practicable Date.

During the Track Record Period, we achieved steady revenue growth, driven by the increased sales of our topical dermatological products. In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, we recorded revenue of RMB1,030.6 million, RMB1,125.7 million, RMB1,323.7 million, RMB293.2 million and RMB336.8 million, respectively. During the same periods, our gross profit was RMB740.0 million, RMB776.3 million, RMB884.1 million, RMB199.4 million and RMB222.7 million, respectively, representing a gross profit margin of 71.8%, 69.0%, 66.8%, 68.0% and 66.1%, respectively. Our profit for the year/period was RMB146.2 million, RMB45.6 million, RMB94.5 million, RMB37.8 million and RMB12.6 million, respectively, in 2023, 2024, 2025, and for the three months ended March 31, 2025 and 2026.

We expect to continue investing significantly in research and development, manufacturing capacity expansion and digital commercialization over the coming years as we advance our product pipeline and drive the market penetration of our existing commercialized portfolio. Subsequent to the [REDACTED], our financial performance may fluctuate from period to period due to, among other factors, the timing of new product approvals and launches, the pace of expansion of our online sales channels, changes in our product mix, and the level of selling and marketing expenditure required to sustain our market leadership across our core therapeutic categories.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial position have been, and are expected to be, continuously and materially affected by a number of key factors, including the following:

Market Demand for Our Products

Our financial performance and results of operations depend significantly on the level of market demand for dermatological pharmaceuticals and medical-grade skincare products in China. The prevalence of common skin diseases, including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions, continues to increase due to changes in environment, lifestyle patterns and the enhancement of consumer awareness. At the same time, the distinctive feature of dermatology — where patients often identify symptoms, evaluate treatment options, make purchase decisions and engage in long-term self-care with a high degree of autonomy through digital channels — accelerated the shift from hospital-based dermatology purchases to self-diagnosed and self-purchased online consumption.

According to Frost & Sullivan, generally there is a positive correlation between per capita disposable income, which represents consumer purchasing power, and per capita expenditure on beauty and health products. From 2021 to 2025, the per capita disposable income in China increased from RMB35,128 to RMB43,377 at a CAGR of 5.4%. The rising consumer spending power in China drove the growth in sales of our products throughout the Track Record Period. According to Frost & Sullivan, China’s topical dermatology drug market has experienced strong growth supported by rising disease prevalence, increasing diagnosis rates, and greater public awareness of skin health. It is projected to grow from RMB27.8 billion in 2025 to RMB45.1 billion in 2030, representing a CAGR of approximately 10.2%. Looking ahead, the market is projected to further grow to RMB59.8 billion by 2035 driven by rising disease prevalence, increasing health awareness, and a structural shift in consumption toward online channels. In particular, sales through online channel is expected to account for a growing share of sales of topical dermatology drug for skin diseases in China, rising from approximately 24.1% in 2025 to approximately 27.7% in 2030, representing a CAGR of 13.4%, and further to approximately 31.6% by 2035, representing of CAGR of 8.7%. These trends reflect strong and sustained demand for effective, science-based dermatology solutions across a wide range of high-prevalence skin conditions.

Our revenue from sales of products increased from RMB1,019.7 million in 2023 to RMB1,109.8 million in 2024 and further to RMB1,308.2 million in 2025. For the three months ended March 31, 2025 and 2026, our revenue from sales of products amounted to RMB291.0 million and RMB331.5 million, respectively. Specifically, revenue from the sales of our dermatology products increased from RMB778.7 million in 2023 to RMB968.5 million in 2024 and further to RMB1,161.3 million in 2025, and was RMB263.8 million and RMB281.0 million for the three months ended March 31, 2025 and 2026, respectively, which accounted for 75.6%, 86.0%, 87.7%, 90.0%, 83.4% of our total revenue in the corresponding year/period. These increases reflect the strong growth capability and increasing market demand of our products, especially our dermatology products. Given our comprehensive product portfolio covering all major topical dermatology categories, as well as our social commerce-driven omnichannel commercialization model, we believe we are well positioned to capture the continuing expansion of China’s dermatology market.

Social Commerce-Driven Omnichannel Sales and Distribution Network

Our results of operations are highly dependent on the execution and scalability of our digital-centric commercial model. For mild-to-moderate skin conditions, users increasingly self-manage their care, completing the awareness-decision-purchase-usage journey — the autonomous cycle through which dermatology patients identify symptoms, evaluate solutions, purchase products and engage in long-term self-care — through digital channels, particularly for OTC drugs and medical-grade skincare products. Our commercialization model is built on this reality, purposely designed to capture disease-related search intent and user sentiment across China’s major digital platforms, combined with the breadth of our portfolio across anatomical sites, indications and usage scenarios, these insights ensure our products are precisely positioned where users are searching and readily available at the point of purchase. In 2025, this strategy enabled us to reach paying users totaling approximately 30.6 million purchases, defined as unique users who completed purchase payments for our products across our monitored online platforms. During the Track Record Period, our online sales significantly increased, which contributed to the increase in our

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total revenue. We generated RMB478.2 million, RMB645.9 million and RMB767.9 million, RMB178.4 million and RMB208.1 million in 2023, 2024 and 2025, and three months ended March 31, 2025 and 2026 through our online sales on Douyin, Tmall and other e-commerce platforms, representing 46.4%, 57.4%, 58.0%, 60.8% and 61.8% of the total revenue from the same periods. As we continue to invest in our online marketing efforts, we expect that our online sales will grow further in the future which, in turn, will contribute to our business growth as well as improve our results of operations in the long run.

Strength and Breadth of Our Dermatology Product Portfolio and Pipeline

Our ability to grow revenue and maintain profitability is closely linked to the performance of our diversified portfolio of topical dermatology products. We have established one of the industry’s most comprehensive and structurally complete portfolios of topical dermatology products. As of the Latest Practicable Date, our commercialized portfolio consisted of over 50 products across six core therapeutic areas, including our flagship products such as Lifu[®] Metronidazole Gel for acne and rosacea, Lifu[®] Adapalene Gel for acne, Lifu[®] Clindamycin Phosphate Topical Solution for acne, Luofu[®] Bifonazole Solution for athlete’s foot and fungal infections, Lifu[®] Pimecrolimus Cream for atopic dermatitis, Jinniu’er[®] Compound Clobetasol Propionate Ointment for psoriasis vulgaris and ZRVIVE Selenium Sulfide Shampoo for dandruff and scalp care. According to Frost & Sullivan, our commercialized products address the eight major dermatological indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, ensuring that we can provide a targeted solution for the vast majority of dermatological consultations. In 2023, 2024 and 2025 and for the three months ended March 31, 2025 and 2026, revenue generated from our dermatology products accounted for 75.6%, 86.0%, 87.7%, 90.0% and 83.4% of our total revenue, respectively. The growth trend in our dermatology products evidenced our competitive strength in securing market dominance with our commercialized products.

In addition to our existing core products, we have developed a multidimensional product pipeline including over 30 product candidates as of the Latest Practicable Date, which included innovative drugs, modified new drugs and complex generics, such as Clindamycin Phosphate and Benzoyl Peroxide Gel, Adapalene and Benzoyl Peroxide Gel, Hydrocortisone Butyrate Cream, ZYG24002, Terbinafine Hydrochloride Film-forming Solution, ZYG24004, ZYG24012, Crisaborole Ointment, Calcipotriol and Betamethasone Ointment, and Finasteride Tablets. The successful commercialization of these candidates will further diversify our revenue base and strengthen our long-term growth trajectory.

Our Ability to Effectively Conduct Branding and Marketing Activities

We have adopted a social commerce-driven omnichannel commercialization model that integrates our in-depth insights in the topical dermatology drug industry, our product portfolio across anatomical sites, indications and usage scenarios, proprietary algorithm-based traffic optimization underpinned by real-time monitoring of disease-related search intent and user sentiment across China’s major digital platforms and multi-platform exposure, allowing us to effectively interact with consumers, establish our brand image, and attract new and potential consumers. Furthermore, our brand-building approach is grounded in tens of millions of annual user touchpoints, a long track record of product satisfaction, and authentic user feedback accumulated across our portfolio, which together inform and reinforce every element of our commercialization strategy. This model is centered on consumer analysis and social media marketing across China’s leading digital platforms — including Xiaohongshu (RED), Douyin and Bilibili — as the primary driver of disease awareness, brand building and user acquisition. By systematically converting social media-generated traffic into online and offline sales, this approach has been instrumental in driving brand awareness, deepening market penetration and achieving sustained revenue growth across our core therapeutic categories.

In 2023, 2024 and 2025 and for the three months ended March 31, 2025 and 2026, our selling expenses accounted for 39.5%, 40.5%, 35.9%, 37.7% and 43.7% of our total revenue, respectively. While our marketing expenses represent a significant portion of operating costs, we believe these investments underpin both short-term sales generation and long-term brand equity. Continued investment in content quality, platform presence, and user-centric branding is essential to sustaining top-of-mind awareness, improving conversion rates and maintaining customer lifetime value. In the long run, we are also committed to adopting various measures to carry out marketing activities more efficiently, such as formulating budgets based on our historical experience, conducting regular analysis of marketing campaigns and making adjustments accordingly.

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BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2 to the Accountants’ Report in Appendix I to this document. The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards that were effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the relevant periods are set out in Note 34 to the Accountants’ Report in Appendix I to this document.

The historical financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the amounts of expenses, assets and liabilities presented, the accompanying disclosures, and the disclosure of contingent liabilities reported in our financial information. In applying these accounting policies, we make significant judgments based on experience and various other factors, which frequently require estimates about matters that are inherently uncertain. These judgments, estimates and assumptions are subject to ongoing review and are based on historical experience and other factors that we consider to be reasonable under the circumstances, including expectations about future events. Actual results may differ from these judgments, estimates and assumptions. For more details of our material accounting policies, judgments and estimates, please see Notes 2 and 3 to the Accountants’ Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except percentages)									
Revenue	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0
Cost of sales	(290,586)	(28.2)	(349,430)	(31.0)	(439,541)	(33.2)	(93,816)	(32.0)	(114,038)	(33.9)
Gross profit	739,974	71.8	776,270	69.0	884,129	66.8	199,379	68.0	222,740	66.1
Other income	14,811	1.4	14,105	1.3	24,921	1.9	3,842	1.3	4,921	1.5
Selling expenses	(407,258)	(39.5)	(456,186)	(40.5)	(475,300)	(35.9)	(110,492)	(37.7)	(147,317)	(43.7)
Administrative expenses	(112,215)	(10.9)	(159,144)	(14.1)	(221,788)	(16.8)	(32,161)	(11.0)	(40,796)	(12.1)
Research and development costs	(48,784)	(4.7)	(59,512)	(5.3)	(70,971)	(5.4)	(11,537)	(3.9)	(10,781)	(3.2)
Reversals/(recognition) of impairment loss on trade and other receivables	510	(0.0)	(558)	(0.1)	1,579	0.2	109	(0.0)	(1,478)	(0.5)
Impairment losses on goodwill, intangible assets and assets held-for-sale	(220)	(0.0)	(39,990)	(3.6)	–	–	–	–	–	–
Profit from operations	186,818	18.1	74,985	6.7	142,570	10.8	49,140	16.7	27,289	8.1
Finance costs	(6,045)	(0.6)	(6,910)	(0.7)	(11,151)	(0.8)	(2,993)	(1.0)	(1,541)	(0.5)
Changes in the carrying amount of financial instruments issued to investors	–	–	–	–	(3,625)	(0.3)	–	–	(7,582)	(2.2)
Share of losses of associates	(3,127)	(0.3)	(2,506)	(0.2)	(2,315)	(0.2)	(2,358)	(0.8)	(754)	(0.2)

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	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except percentages)									
Profit before taxation	177,646	17.2	65,569	5.8	125,479	9.5	43,789	14.9	17,412	5.2
Income tax	(31,406)	(3.0)	(19,970)	(1.7)	(30,963)	(2.4)	(6,031)	(2.0)	(4,783)	(1.5)
Profit for the year/period	146,240	14.2	45,599	4.1	94,516	7.1	37,758	12.9	12,629	3.7
Attributable to:										
Equity shareholders of the										
Company	146,951	14.3	48,042	4.3	95,854	7.2	38,239	13.0	12,544	3.7
Non-controlling interests	(711)	(0.1)	(2,443)	(0.2)	(1,338)	(0.1)	(481)	(0.1)	85	0.0
Profit for the year/period	146,240	14.2	45,599	4.1	94,516	7.1	37,758	12.9	12,629	3.7

NON-IFRS FINANCIAL MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure), which is not required by, or presented in accordance with, IFRS Accounting Standards as additional financial measures. We believe that adjusted net profit (non-IFRS measure) facilitate comparisons of operating performance across different years and companies by adjusting potential impacts of items. We believe that these measures provide useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations. The adjusted net profit (non-IFRS measure) we present may not be comparable to similarly titled financial measures of other companies. The adjusted net profit (non-IFRS measure) have limitations as analytical tools, and you should not consider them in isolation from, or as substitutes for analysis of, our operating results presented in accordance with IFRS Accounting Standards.

Adjusted Net Profit (non-IFRS measure)

We define the adjusted net profit (non-IFRS measure) as profit for the year/period adjusted by adding back (i) equity-settled share-based payment, which are non-cash in nature; (ii) changes in the carrying amount of financial instruments issued to [REDACTED], and the financial liabilities would be reclassified to equity upon the [REDACTED]; and (iii) [REDACTED] expenses in relation to our [REDACTED].

For the years ended December 31, 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, our adjusted net profit (non-IFRS measure) was RMB146.6 million, RMB71.5 million, RMB180.9 million, RMB38.1 million and RMB31.4 million, respectively. The following table sets forth the reconciliations of our adjusted net profit (non-IFRS measure) for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(unaudited)				
	(RMB in thousands)				
Profit for the year/period . .	146,240	45,599	94,516	37,758	12,629
Add:					
Equity-settled share-based payment	343	25,923	79,384	390	6,719
Changes in the carrying amount of financial instruments issued to investors	—	—	3,625	—	7,582
[REDACTED] expenses ⁽¹⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Effect of income tax	—	—	(601)	—	(797)
Adjusted net profit (non-IFRS measure)	146,583	71,522	180,933	38,148	31,447

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Note:

(1) Represents [REDACTED] expenses related to the [REDACTED].

KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue was generated from (i) sales of dermatology products, which mainly cover six core therapeutic areas including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair diseases, (ii) sales of autoimmune rheumatic products, (iii) sales of other commercialized products and (iv) others, including technical services and others. For 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, our revenue amounted to RMB1,030.6 million, RMB1,125.7 million, RMB1,323.7 million, RMB293.2 million, and RMB336.8 million, respectively. The following table sets forth a breakdown of our revenue by major products or service lines and the corresponding percentages for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(unaudited)</i>									
	<i>(RMB in thousands, except for percentages)</i>									
Sales of products	1,019,698	98.9	1,109,755	98.6	1,308,220	98.8	290,969	99.2	331,504	98.4
Others ⁽¹⁾	10,862	1.1	15,945	1.4	15,450	1.2	2,226	0.8	5,274	1.6
Total	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0

Note:

(1) Others mainly include the revenue from our technical services and others.

Revenue by Therapeutic Areas

The following table sets forth a breakdown of our revenue by key therapeutic areas in absolute amounts and as percentages of the revenue from sales of products for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(unaudited)</i>									
	<i>(RMB in thousands, except for percentages)</i>									
Immune-inflammatory dermatoses	191,185	18.6	253,001	22.5	324,389	24.5	88,774	30.3	71,907	21.4
Superficial fungal infections	263,390	25.6	288,469	25.6	283,440	21.4	55,778	19.0	53,052	15.8
Nasofacial dermatoses	284,075	27.6	248,414	22.1	272,029	20.6	52,206	17.8	57,077	16.9
Scalp and hair conditions	36,415	3.5	118,741	10.5	142,708	10.8	38,203	13.0	61,386	18.2
Onychomycosis	3,626	0.3	53,173	4.7	104,080	7.9	21,103	7.2	30,267	9.0
Pigmentation disorders	—	—	6,671	0.6	34,637	2.5	7,764	2.7	7,265	2.1
Subtotal of the dermatology products	778,691	75.6	968,469	86.0	1,161,283	87.7	263,828	90.0	280,954	83.4
Autoimmune rheumatic products	217,962	21.2	124,904	11.1	134,802	10.2	24,195	8.2	46,599	13.8
Other products	23,045	2.1	16,382	1.5	12,135	0.9	2,946	1.0	3,951	1.2
Total sales of products	1,019,698	98.9	1,109,755	98.6	1,308,220	98.8	290,969	99.2	331,504	98.4
Others ⁽¹⁾	10,862	1.1	15,945	1.4	15,450	1.2	2,226	0.8	5,274	1.6
Total	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0

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Note:

(1) Others mainly include the revenue from our technical services and others.

We generated substantial revenue from our dermatology product portfolio, which spans six core therapeutic areas — nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions — and includes flagship products such as Lifu[®] Metronidazole Gel and Lifu[®] Adapalene Gel for acne and rosacea, Luofu[®] Bifonazole Solution for fungal infections, Luofu[®] Amorolfine Hydrochloride Liniment for onychomycosis, Lifu[®] Pimecrolimus Cream for eczema and ZRVIVE Selenium Sulfide Anti-dandruff Shampoo for scalp and hair conditions, in aggregate accounting for 75.6%, 86.0%, 87.7%, 90.0% and 83.4% of our revenue in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively.

Revenue by Sales Channels

During the Track Record Period, we sold our products through (i) online sales, (ii) offline sales, and (iii) others. The following table sets forth a breakdown of our revenue by sales channel in absolute amounts and as percentages of the revenue from sales of products for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except for percentages)									
Online sales										
Wholesale	401,675	39.0	459,005	40.8	522,425	39.5	122,946	41.9	126,806	37.7
Retail	76,533	7.4	186,931	16.6	245,496	18.5	55,497	18.9	81,259	24.1
Subtotal of online sales	478,208	46.4	645,936	57.4	767,921	58.0	178,443	60.8	208,065	61.8
Offline sales⁽¹⁾	541,490	52.5	463,819	41.2	540,299	40.8	112,526	38.4	123,439	36.6
Total sales of products	1,019,698	98.9	1,109,755	98.6	1,308,220	98.8	290,969	99.2	331,504	98.4
Others ⁽²⁾	10,862	1.1	15,945	1.4	15,450	1.2	2,226	0.8	5,274	1.6
Total	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0

Notes:

(1) Our offline sales predominantly represent sales to distributors.

(2) Others mainly include the revenue from our technical services and others.

Revenue from our online sales channels accounted for 46.4%, 57.4%, 58.0%, 60.8% and 61.8% of our total revenue in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively. Revenue from our online sales channels in absolute amounts showed steady growth across the Track Record Period, driven by our social commerce-driven omnichannel commercialization model under which social media and e-commerce platforms account for an increasing share of our sales channels, as well as our effective social media promotion and advertising strategy, which significantly enhanced brand awareness for our flagship products such as ZRVIVE Selenium Sulfide Anti-dandruff Shampoo and drove sustained growth in online sales revenue.

Revenue from our offline sales channels accounted for 52.5%, 41.2%, 40.8%, 38.4% and 36.6% of our total revenue in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively. Revenue from our offline sales channels declined from the year ended December 31, 2023 to the year ended December 31, 2025, primarily attributable to a shift in our product mix, as we strategically scaled back sales of third-party product, Kunxian Capsule. Revenue from our offline sales channels increased from the three months ended March 31, 2025 to the three months ended March 31, 2026, driven by the increased sales of Hydroxychloroquine Sulfate Tablets following its inclusion in centralized procurement and the continued expansion of our offline distribution network, supported by the synergistic effect of our growing online brand presence.

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Cost of Sales

Our cost of sales primarily consists of (i) cost of materials, (ii) transportation costs, (iii) manufacturing overhead, (iv) staff costs, and (v) others. In 2023, 2024 and 2025 and for the three months ended March 31, 2025 and 2026, our cost of sales were RMB290.6 million, RMB349.4 million, RMB439.5 million, RMB93.8 million and RMB114.0 million, respectively, representing 28.2%, 31.0%, 33.2%, 32.0% and 33.9% of our total revenue during the same periods. The following table sets forth the components of our cost of sales and the components as a percentage of total cost of sales for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Cost of materials	238,540	82.1	271,785	77.8	341,929	77.8	75,990	81.0	91,438	80.2
Transportation costs	11,725	4.0	22,798	6.5	28,844	6.5	6,097	6.5	8,592	7.5
Manufacturing overhead	18,428	6.3	20,522	5.9	25,503	5.8	5,449	5.8	6,141	5.4
Staff costs	15,479	5.3	16,435	4.7	22,797	5.2	4,661	5.0	6,037	5.3
Others ⁽¹⁾	6,414	2.3	17,890	5.1	20,468	4.7	1,619	1.7	1,830	1.6
Total	290,586	100.0	349,430	100.0	439,541	100.0	93,816	100.0	114,038	100.0

Note:

(1) Others mainly include service costs and others.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. In 2023, 2024 and 2025 and for the three months ended March 31, 2025 and 2026, our gross profit was RMB740.0 million, RMB776.3 million, RMB884.1 million, RMB199.4 million and RMB222.7 million, respectively, and our gross profit margin was 71.8%, 69.0%, 66.8%, 68.0% and 66.1%, respectively, during the same periods. The table below sets forth a breakdown of our gross profit and gross profit margin by major products or service lines for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
(unaudited)										
(RMB in thousands, except for percentages)										
Sales of products	733,890	72.0	765,179	69.0	875,624	66.9	198,562	68.2	218,471	65.9
Others ⁽¹⁾	6,084	56.0	11,091	69.6	8,505	55.0	817	36.7	4,269	80.9
Total	739,974	71.8	776,270	69.0	884,129	66.8	199,379	68.0	222,740	66.1

Note:

(1) Others mainly include gross profit from our technical services and others.

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Gross Profit and Gross Profit Margin by Therapeutic Areas

The table below sets forth our gross profit and gross profit margin by key therapeutic area of our products for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
(unaudited)										
(RMB in thousands, except for percentages)										
Immune-inflammatory dermatoses . . .	151,559	79.3	184,027	72.7	226,611	69.9	62,284	70.2	47,396	65.9
Superficial fungal infections . . .	175,796	66.7	197,277	68.4	204,865	72.3	39,835	71.4	38,520	72.6
Nasofacial dermatoses . . .	215,779	76.0	185,561	74.7	193,340	71.1	37,834	72.5	40,788	71.5
Scalp and hair conditions . . .	18,270	50.2	82,635	69.6	102,904	72.1	27,089	70.9	45,768	74.6
Onychomycosis .	2,602	71.8	28,712	54.0	67,934	65.3	13,179	62.5	21,816	72.1
Pigmentation disorders	—	—	4,400	66.0	22,128	63.9	5,076	65.4	4,844	66.7
Subtotal of the dermatology products	564,006	72.4	682,612	70.5	817,782	70.4	185,297	70.2	199,132	70.9
Autoimmune rheumatic products	158,653	72.8	74,809	59.9	56,159	41.7	12,801	52.9	18,056	38.7
Other products . .	11,231	48.7	7,758	47.4	1,683	13.9	464	15.8	1,283	32.5
Total sales of products	733,890	72.0	765,179	69.0	875,624	66.9	198,562	68.2	218,471	65.9
Others ⁽¹⁾	6,084	56.0	11,091	69.6	8,505	55.0	817	36.7	4,269	80.9
Total	739,974	71.8	776,270	69.0	884,129	66.8	199,379	68.0	222,740	66.1

Note:

(1) Others mainly include gross profit from our technical services and others.

Gross Profit and Gross Profit Margin by Sales Channels

The table below sets forth a breakdown of our gross profit and gross profit margin by sales channels for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
							(unaudited)			
(RMB in thousands, except for percentages)										
Online sales										
Wholesale	284,354	70.8	313,977	68.4	356,139	68.2	85,467	69.5	90,724	71.5
Retail	57,450	75.1	138,047	73.8	186,458	76.0	41,232	74.3	61,595	75.8
Online sales										
subtotal	341,804	71.5	452,024	70.0	542,597	70.7	126,699	71.0	152,319	73.2
Offline sales	392,086	72.4	313,155	67.5	332,027	61.6	71,863	63.9	66,152	53.6

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	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(unaudited)									
	(RMB in thousands, except for percentages)									
Total sales of products	733,890	72.0	765,179	69.0	875,624	66.9	198,562	68.2	218,471	65.9
Others ⁽¹⁾	6,084	56.0	11,091	69.6	8,505	55.0	817	36.7	4,269	80.9
Total	<u>739,974</u>	<u>71.8</u>	<u>776,270</u>	<u>69.0</u>	<u>884,129</u>	<u>66.8</u>	<u>199,379</u>	<u>68.0</u>	<u>222,740</u>	<u>66.1</u>

Note:

(1) Others mainly include gross profit from our technical services and others.

Other Income

Our other income primarily consists of (i) interest income, arising from banking deposits; (ii) government grants, which mainly represent the subsidies received from local government to fund our innovative R&D activities, support our talent recruitment, and compensate the capital expenditures for our construction of manufacturing facilities and equipment; (iii) gain on wealth-management products; and (iv) others, mainly comprising our charitable donations and the net gain or loss arising from the disposal of property, plant and equipment and right-of-use assets. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, we recorded other income of RMB14.8 million, RMB14.1 million, RMB24.9 million, RMB3.8 million and RMB4.9 million, respectively. The following table sets forth a breakdown of our other net income for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(unaudited)				
	(RMB in thousands)				
Interest income	1,919	3,000	1,601	721	139
Government grants	13,730	14,356	24,928	3,376	5,075
Gain on wealth management products	13	32	119	84	—
Others	(851)	(3,283)	(1,727)	(339)	(293)
Total	<u>14,811</u>	<u>14,105</u>	<u>24,921</u>	<u>3,842</u>	<u>4,921</u>

Selling Expenses

Our selling expenses mainly consist of (i) marketing and promotion expenses, which primarily include e-commerce platforms marketing expenses, advertising expenses, and offline marketing activities; (ii) employee costs, mainly comprising salaries and benefits of our marketing and promotion personnel; (iii) office and travel expenses; (iv) warehousing service fees; (v) equity-settled share-based payment for our sales and marketing personnel; and (vi) others. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, our selling expenses were RMB407.3 million, RMB456.2 million, RMB475.3 million, RMB110.5 million and RMB147.3 million, respectively, during the same period. The following

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table sets forth a breakdown of our selling expenses in absolute amount and as a percentage of our total selling expenses for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Marketing and										
promotion expenses	312,148	76.6	356,200	78.1	383,470	80.7	89,589	81.1	122,289	83.0
Staff costs	73,911	18.1	72,415	15.9	69,796	14.7	16,869	15.3	20,450	13.9
Office and travel										
expenses	8,822	2.2	8,442	1.9	8,735	1.8	1,390	1.3	2,019	1.4
Warehousing service										
fees	3,840	0.9	6,146	1.3	6,260	1.3	1,143	1.0	974	0.7
Equity-settled share-										
based payment	–	–	5,836	1.3	1,253	0.3	280	0.3	675	0.5
Others	8,537	2.2	7,147	1.5	5,786	1.2	1,221	1.0	910	0.5
Total	407,258	100.0	456,186	100.0	475,300	100.0	110,492	100.0	147,317	100.0

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs; (ii) office and travel expenses; (iii) depreciation and amortization; (iv) professional service fees, mainly fees for audit, consulting and legal services; (v) taxes and surcharges; (vi) equity-settled share-based payment for our management personnel; and (vii) others. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, our administrative expenses were RMB112.2 million, RMB159.1 million, RMB221.8 million, RMB32.2 million and RMB40.8 million, respectively, representing 10.9%, 14.1%, 16.8%, 11.0% and 12.1% of our revenue, respectively, during the same period. The following table sets forth a breakdown of our administrative expenses in absolute amount and as a percentage of our total administrative expenses for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Staff costs	51,382	45.8	64,700	40.7	63,080	28.4	15,275	47.5	15,177	37.2
Equity-settled share-based										
payment	343	0.3	20,053	12.6	77,735	35.0	44	0.1	5,582	13.7
Office and travel expenses	16,570	14.8	16,493	10.4	17,179	7.7	3,367	10.5	3,411	8.4
Depreciation and amortization	13,827	12.3	16,846	10.6	17,590	7.9	4,622	14.4	4,682	11.5
Professional service fees	8,034	7.2	16,007	10.1	17,012	7.7	1,283	4.0	6,502	15.9
Taxes and surcharges	10,989	9.8	11,773	7.4	13,116	5.9	2,972	9.2	2,916	7.1
Others	11,070	9.8	13,272	8.2	16,076	7.4	4,598	14.3	2,526	6.2
Total	112,215	100.0	159,144	100.0	221,788	100.0	32,161	100.0	40,796	100.0

Research and Development Costs

Our research and development costs primarily consist of (i) clinical trial and technical service fees, mainly for our preclinical research and clinical trials; (ii) staff costs, including salaries, equity-settled share-based payment and other benefits for our R&D personnel; (iii) costs of materials, primarily including reagents and other materials, reference drugs and consumables used in R&D activities; (iv)

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depreciation and amortization expenses; (v) registration and filing fee; and (vi) others, including travel expenses and other miscellaneous expenses related to our R&D activities. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, our research and development costs were RMB48.8 million, RMB59.5 million, RMB71.0 million, RMB11.5 million and RMB10.8 million, respectively, representing 4.7%, 5.3%, 5.4%, 3.9% and 3.2% of our revenue, respectively, during the same period. The following table sets forth a breakdown of our research and development costs in absolute amount and as a percentage of our total research and development costs for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except for percentages)									
Clinical trial and technical										
service fees	17,632	36.1	22,311	37.5	25,442	35.8	3,612	31.3	1,446	13.4
Staff costs	12,578	25.8	15,627	26.3	19,246	27.1	3,862	33.5	6,144	57.0
Costs of materials	9,074	18.6	11,064	18.6	12,633	17.8	1,568	13.6	602	5.6
Depreciation and amortization										
expenses	3,965	8.1	4,014	6.7	4,668	6.6	892	7.7	1,488	13.8
Registration and filing fee	2,252	4.6	1,698	2.9	2,578	3.6	1,338	11.6	436	4.0
Others	3,283	6.8	4,798	8.0	6,404	9.1	265	2.3	665	6.2
Total	48,784	100.0	59,512	100.0	70,971	100.0	11,537	100.0	10,781	100.0

Impairment Losses on Goodwill, Intangible Assets and Assets Held-for-Sale

Our impairment losses on financial assets during the Track Record Period comprised (i) impairment losses on goodwill; (ii) impairment losses on intangible assets; and (iii) impairment losses on assets held-for-sale. We recorded impairment losses on goodwill, intangible assets and assets held-for-sale of RMB0.2 million and RMB40.0 million in 2023 and 2024, respectively. In 2025 and the three months ended March 31, 2025 and 2026, no impairment was recognized on goodwill, intangible assets or assets held-for-sale.

Finance Costs

Finance costs consist of interest expenses on bank loans and interest expenses on lease liabilities. The following table sets forth the components of our finance costs in absolute amount and as a percentage of our total finance costs for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(unaudited)				
	(RMB in thousands, except for percentages)				
Interest expenses on bank loans	6,709	7,893	11,138	2,926	1,731
Interest expenses on lease liabilities	471	250	230	67	103
	7,180	8,143	11,368	2,993	1,834
Less: interest expenses capitalized					
into property, plant and					
equipment	(1,135)	(1,233)	(217)	—	(293)
Finance costs	6,045	6,910	11,151	2,993	1,541

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Changes in the Carrying Amount of Financial Instruments Issued to Investors

In 2025, we signed relevant investment agreements with external investors, whereby the relevant investors were granted special rights including redemption rights and liquidation preference. According to the relevant investment terms, in the event that we fail to complete a qualified [REDACTED] within the agreed time, or a change in the actual controller or other triggering events, the relevant investors shall be entitled to require us to repurchase the corresponding shares at the consideration of the investment amount paid by the investors, plus reasonable interest, deducting all accumulated distributed dividends. In case of actual or deemed liquidation events such as company liquidation, dissolution, major asset disposal, change of control rights, the investors shall have the priority in liquidation proceeds and the priority in receiving the higher amount of the investment amount paid by the investors, plus an annual simple rate, deducting all accumulated distributed dividends or a pro-rata share of distributable liquidation assets.

Since not all of the above-mentioned specified contingent events were within our control, we do not have an unconditional right to avoid redeeming our share capital for cash, and we have therefore recognised financial liabilities that were initially measured at the highest present value of those redemption amounts. These financial liabilities were subsequently measured at an amount expected to be paid to the investors upon redemption that could be payable upon occurrence of these events at the end of each reporting period with changes in the carrying amount of the liabilities recognised in “changes in the carrying amount of financial instruments issued to investors.”

In 2025 and the three months ended March 31, 2026, we recognized changes in the carrying amount of financial instruments issued to investors of RMB3.6 million and RMB7.6 million, respectively, in our consolidated statements of profit or loss. The financial instruments issued to investors would be reclassified from liability to equity when the special rights granted to the investors would be terminated upon the [REDACTED].

Income Tax

Our income tax consists of provision for income tax for the relevant years/periods and deferred tax. We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operated. In 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, our income tax were RMB31.4 million, RMB20.0 million, RMB31.0 million, RMB6.0 million and RMB4.8 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or material unresolved tax issues with the relevant tax authorities. See Note 7 to the Accountants’ Report in Appendix I to this document for more details.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2026 and Three Months Ended March 31, 2025

Revenue

Our revenue increased by 14.9% from RMB293.2 million in the three months ended March 31, 2025 to RMB336.8 million in the three months ended March 31, 2026, primarily attributable to the increased sales volume of our commercialized products.

Our revenue from sales of dermatology products increased by 6.5% from RMB263.8 million for the three months ended March 31, 2025 to RMB281.0 million for the three months ended March 31, 2026. This increase was mainly attributable to (i) an increase of RMB23.2 million for the revenue of ZRVIVE Selenium Sulfide Anti-dandruff Shampoo; (ii) an increase of RMB9.2 million for the revenue of the onychomycosis products, primarily driven by the increased sales volume of Luofu[®] Amorolfine Hydrochloride.

Our revenue from sales of autoimmune rheumatic products increased by 92.6% from RMB24.2 million for the three months ended March 31, 2025 to RMB46.6 million for the three months ended March 31, 2026, primarily attributable to (i) the increased demand for Hydroxychloroquine Sulfate Tablets following their inclusion into the centralized procurement; and (ii) the increased sales volume of Kunxian Capsule driven by the expansion of their online sales network.

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Cost of Sales

Our cost of sales increased by 21.6% from RMB93.8 million for the three months ended March 31, 2025 to RMB114.0 million for the three months ended March 31, 2026, primarily due to (i) an increase in cost of materials of RMB15.4 million, or 20.3%, mainly attributable to increased volume of products in line with revenue growth; and (ii) an increase in transportation costs of RMB2.5 million, or 40.9%, primarily due to the significant growth in online sales revenue and the corresponding increase in delivery costs.

Gross Profit and Gross Profit Margin

Our gross profit increased by 11.7% from RMB199.4 million for the three months ended March 31, 2025 to RMB222.7 million for the three months ended March 31, 2026, while our gross profit margin decreased from 68.0% to 66.1%. The decrease in gross profit margin was primarily attributable to a shift in our product mix where the revenue from our autoimmune rheumatic products as a proportion of our total revenue increased from 8.2% for the three months ended March 31, 2025 to 13.8% for the three months ended March 31, 2026, primarily driven by the inclusion of Hydroxychloroquine Sulfate Tablets in centralized procurement and the increased sales volume of Kunxian Capsule, while these products have a relatively lower profit margin.

Other Income

Our other income increased by 28.1% from RMB3.8 million for the three months ended March 31, 2025 to RMB4.9 million for the three months ended March 31, 2026, primarily due to an increase in government grants of RMB1.7 million provided by local governments to encourage industrial development, partially offset by a decrease in interest income of RMB0.6 million from bank deposits.

Selling Expenses

Our selling expenses increased by 33.3% from RMB110.5 million for the three months ended March 31, 2025 to RMB147.3 million for the three months ended March 31, 2026, primarily attributable to an increase of RMB32.7 million in marketing and promotion expenses driven by our phased increase in e-commerce channel marketing and promotion investment related to the marketing and promotional expenses for ZRVIVE Selenium Sulfide Antidandruff Shampoo following its recent formula upgrade.

Administrative Expenses

Our administrative expenses by 26.8% increased from RMB32.2 million for the three months ended March 31, 2025 to RMB40.8 million for the three months ended March 31, 2026, primarily due to (i) an increase of RMB5.5 million in share-based payment expenses arising from the 2025 Share Incentive Plan; and (ii) an increase of RMB5.2 million in professional service fees primarily in connection with our [REDACTED] preparation.

Research and Development Costs

Our research and development costs decreased by 6.6% from RMB11.5 million for the three months ended March 31, 2025 to RMB10.8 million for the three months ended March 31, 2026, primarily attributable to a decrease of RMB2.2 million in clinical trial and technical service fees, mainly due to the phased completion of, or progression through, different stages of certain R&D projects, partially offset by an increase of RMB2.3 million in staff costs, primarily due to new hires in connection with new R&D activities supporting the expansion of our product pipeline.

Finance Costs

Our finance costs decreased by 48.5% from RMB3.0 million for the three months ended March 31, 2025 to RMB1.5 million for the three months ended March 31, 2026, primarily due to a decrease in the average balance of bank loans and the corresponding reduction in interest expenses on bank loans.

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Share of Losses of Associates

For the three months ended March 31, 2025 and the three months ended March 31, 2026, we recorded share of losses of associates of RMB2.4 million and RMB0.8 million, respectively, primarily attributable to our associates, Shandong Aigelin Pharmaceutical Co., Ltd., which was in the construction phase and had not yet achieved profitability; and Chongqing Jiubing Pharmaceutical Co., Ltd., which incurred losses during the first quarter of 2025, resulting from increased selling expenses during the first quarter of 2025 associated with the early commercialization of certain products.

Income Tax

Our income tax decreased by 20.7% from RMB6.0 million for the three months ended March 31, 2025 to RMB4.8 million for the three months ended March 31, 2026, primarily due to the decrease in profit before taxation.

Profit for the Period

As a result of the foregoing, our Profit for the period decreased by 66.6%, from RMB37.8 million for the three months ended March 31, 2025 to RMB12.6 million for the three months ended March 31, 2026.

Comparison of Years Ended December 31, 2025 and December 31, 2024

Revenue

Our revenue increased by 17.6% from RMB1,125.7 million in 2024 to RMB1,323.7 million in 2025, primarily attributable to the steady progress in the commercialization of our products, which contributed to the increase in our sales volume.

Our revenue from sales of dermatology products increased by 19.9% from RMB968.5 million in 2024 to RMB1,161.3 million in 2025. This increase was mainly attributable to (i) an increase of RMB66.9 million in the revenue of Lifu[®] Pimecrolimus Cream; (ii) an increase of RMB50.9 million in the revenue of the onychomycosis products, primarily driven by growth in revenue from Luofu[®] Amorolfine Hydrochloride Liniment and Luofu[®] Ciclopirox Olamine Cream; (iii) an increase of RMB26.5 million in the revenue from ZRVIVE Selenium Sulfide Anti-dandruff Shampoo, primarily driven by its formula upgrade and increased social media exposure; and (iv) the commercialization of Lifu[®] Clindamycin Phosphate Topical Solution and Lifu[®] Tranexamic Acid Tablets, which recorded an aggregated revenue of RMB49.2 million in 2025.

Our revenue from sales of autoimmune rheumatic products remained stable at RMB124.9 million and RMB134.8 million in 2024 and 2025, respectively.

Cost of Sales

Our cost of sales increased by 25.8% from RMB349.4 million in 2024 to RMB439.5 million in 2025, primarily due to (i) an increase in cost of materials of RMB70.1 million, or 25.8%, from RMB271.8 million in 2024 to RMB341.9 million in 2025, which was primarily driven by the increased volume of our products in line with revenue growth; and (ii) an increase in staff costs of RMB6.4 million, or 38.7%, from RMB16.4 million in 2024 to RMB22.8 million in 2025, primarily due to the expansion of our production workforce in line with the growing product demand as our revenue increases.

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Gross Profit and Gross Profit Margin

Our gross profit increased by 13.9% from RMB776.3 million in 2024 to RMB884.1 million in 2025, while our gross profit margin decreased from 69.0% to 66.8%. The decrease was primarily attributable to a shift in our product mix, primarily driven by (i) the inclusion of Hydroxychloroquine Sulfate Tablets into the centralized procurement, which increased the revenue contribution of our autoimmune rheumatic products that carry a relatively lower gross profit margin; and (ii) the significant growth in revenue from sales of our onychomycosis products, which also carries a relatively lower gross profit margin.

Other Income

Our other income increased by 76.7% from RMB14.1 million in 2024 to RMB24.9 million in 2025, primarily due to an increase of RMB10.6 million in government grant provided by local governments to encourage industry development.

Selling Expenses

Our selling expenses increased by 4.2% from RMB456.2 million in 2024 to RMB475.3 million in 2025, mainly attributable to an increase of RMB27.3 million in marketing and promotion expenses driven by increased investments in e-commerce channel promotion to enhance online market share and consumer reach. During the same period, our selling expenses as a proportion of our revenue decreased from 40.5% to 35.9%, reflecting the continued optimization of our cost structure.

Administrative Expenses

Our administrative expenses increased by 39.4% from RMB159.1 million in 2024 to RMB221.8 million in 2025, primarily due to (i) an increase of RMB57.7 million in equity-settled share-based payment, arising from the 2025 Share Incentive Plan; and (ii) an increase of RMB1.0 million in professional service fees in connection with the preparation for our [REDACTED].

Research and Development Costs

Our research and development costs increased by 19.3% from RMB59.5 million in 2024 to RMB71.0 million in 2025, mainly attributable to (i) an increase of RMB3.6 million in staff costs from new hires to support the expansion of our R&D pipeline; and (ii) an increase of RMB3.1 million in clinical trial and technical service fees, reflecting the ongoing progression of our R&D projects, including nonclinical studies and preparatory work for ZYG24002 following its Phase I Clinical Trial approval in November 2025 and preclinical and registration activities for the planned clinical trial applications of ZYG24004 and ZYG24012 in the fourth quarter of 2025.

Impairment Losses on Goodwill, Intangible Assets and Assets Held-for-Sale

In 2025, we did not recognize any impairment losses on goodwill, intangible assets, or assets held-for-sale. Compared to the impairment losses of RMB40.0 million we recorded in 2024, the change was primarily attributable to the impairment losses in 2024 arose from certain one-off events. There were no triggering events in 2025, therefore, no provision for impairment losses was recorded.

Finance Costs

Our finance costs increased by 61.4% from RMB6.9 million in 2024 to RMB11.2 million in 2025, primarily due to an increase in the average balance of bank loans, which led to a corresponding increase in interest expenses on bank loans.

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Share of Losses of Associates

We recorded share of losses of associates of RMB2.5 million and RMB2.3 million in 2024 and 2025, respectively, primarily attributable to our associate, Shandong Aigelin Pharmaceutical Co., Ltd., which was in the construction phase and had not yet achieved profitability.

Income Tax

Our income tax increased by 55.0% from RMB20.0 million in 2024 to RMB31.0 million in 2025, primarily due to the increase in our profit before taxation.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 107.3% from RMB45.6 million in 2024 to RMB94.5 million in 2025.

Comparison of Years Ended December 31, 2024 and December 31, 2023

Revenue

Our revenue increased by 9.2% from RMB1,030.6 million in 2023 to RMB1,125.7 million in 2024, primarily due to the commercialization of our products, including Lifu[®] Pimecrolimus Cream, ZRVIVE Selenium Sulfide Anti-dandruff Shampoo and Luofu[®] Amorolfine Hydrochloride Liniment, which contributed to the increase in our sales volume.

Our revenue from sales of dermatology products increased by 24.4% from RMB778.7 million in 2023 to RMB968.5 million in 2024. This increase was mainly attributable to (i) the commercialization of Lifu[®] Pimecrolimus Cream, which contributed RMB66.5 million in revenue in 2024; (ii) the commercialization of ZRVIVE Selenium Sulfide Anti-dandruff Shampoo, which contributed RMB75.8 million in revenue in 2024; and (iii) the commercialization of Luofu[®] Amorolfine Hydrochloride Liniment, which contributed RMB43.3 million in revenue in 2024.

Our revenue from sales of autoimmune rheumatic products decreased by 42.7% from RMB218.0 million in 2023 to RMB124.9 million in 2024, primarily attributable to our strategic re-prioritization of resources towards our dermatology products.

Cost of Sales

Our cost of sales increased by 20.3% from RMB290.6 million in 2023 to RMB349.4 million in 2024, primarily due to (i) an increase in cost of materials of RMB33.2 million from RMB238.5 million in 2023 to RMB271.8 million in 2024, which was primarily driven by the increased sales volume of our products in line with revenue growth; and (ii) an increase in transportation costs of RMB11.1 million, or 94.4%, from RMB11.7 million in 2023 to RMB22.8 million in 2024, primarily due to the significant growth in online sales revenue and the corresponding increase in delivery costs.

Gross Profit and Gross Profit Margin

Our gross profit increased by 4.9% from RMB740.0 million in 2023 to RMB776.3 million in 2024, while our gross profit margin decreased from 71.8% to 69.0%. The decrease in gross profit margin was primarily attributable to a shift in our product mix where the revenue from our autoimmune rheumatic products significantly decreased as a proportion of our total revenue from 21.2% in 2023 to 11.1% in 2024, primarily driven by (i) the decrease of gross profit margin for our dermatology products from 72.4% in 2023 to 70.5% in 2024, mainly resulting from the commercialization of products in the onychomycosis and pigmentation disorders categories, which carry a relatively lower profit margin; and (ii) the decrease of gross profit margin for our autoimmune rheumatic products, resulting from the strategic scaled back sales of third-party product, Kunxian Capsule.

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Other Income

Our other income remained relatively stable at RMB14.8 million and RMB14.1 million in 2023 and 2024, respectively.

Selling Expenses

Our selling expenses increased by 12.0% from RMB407.3 million in 2023 to RMB456.2 million in 2024, mainly attributable to (i) an increase of RMB44.1 million in marketing and promotion expenses, mainly driven by increased investments in e-commerce channel promotion and strengthened cooperation with major e-commerce platforms to enhance online market share and consumer reach; (ii) an increase of RMB5.8 million in share-based payment granted to key sales and marketing personnel; and (iii) an increase of RMB2.3 million in warehousing service fees, reflecting the growth in our online sales volume and the corresponding increase in fulfillment and storage requirements.

Administrative Expenses

Our administrative expenses increased by 41.8% from RMB112.2 million in 2023 to RMB159.1 million in 2024, primarily due to (i) an increase of RMB19.7 million in equity-settled share-based payment granted to key management personnels; (ii) an increase of RMB13.3 million in staff costs resulting from headcount growth and the addition of several senior management personnels; and (iii) an increase of RMB8.0 million in professional service fees due to the one-off recognition of professional service fees related to the listing application following our voluntary withdrawal of the initial listing application on the Main Board of the Shenzhen Stock Exchange.

Research and Development Costs

Our research and development costs increased by 22.0% from RMB48.8 million in 2023 to RMB59.5 million in 2024, mainly attributable to (i) an increase of RMB4.7 million in clinical trial and technical service fees arising from the continued advancement of our R&D pipeline, including the Desonide Lotion project, the Hydrocortisone Butyrate Cream project and the Crisaborole Ointment project; (ii) an increase of RMB2.0 million in costs of materials consumed in R&D activities, as certain of our product candidate proceeded to process validation stage in October 2024, resulting in correspondingly higher material expenditure; and (iii) an increase of RMB3.0 million in staff costs, driven by the expansion of our R&D team and the increased salary for our R&D personnel.

Impairment Losses on Goodwill, Intangible Assets and Assets Held-for-Sale

We recorded impairment losses on goodwill, intangible assets and assets held-for-sale of RMB0.2 million and RMB40.0 million in 2023 and 2024, respectively. The significant increase was primarily due to (i) an impairment loss on goodwill of RMB27.0 million, arising from our strategic shift towards dermatology products, which resulted in a lower priority for our autoimmune and rheumatic products; (ii) an impairment loss on intangible assets of RMB10.6 million, as there was no short-term sales plan for a R&D project, leaving the assets idle with minimum foreseeable opportunity for transfer; and (iii) an impairment loss on assets held-for-sale of RMB2.4 million arising from the disposal of the drug approval certificate for tofacitinib citrate, where the transfer price was lower than its carrying amount. These impairment losses were resulted from certain one-off events which are non-recurring in nature.

Finance Costs

Our finance costs increased by 14.3% from RMB6.0 million in 2023 to RMB6.9 million in 2024, primarily due to the increase of RMB1.2 million in interest expenses resulting from the increased bank loans.

Share of Losses of Associates

We recorded our share of losses of associates of RMB3.1 million and RMB2.5 million in 2023 and 2024, respectively, mainly attributable to our associate, Shandong Aigelin Pharmaceutical Co., Ltd., which was in its construction phase and had not yet become profitable.

Income Tax

Our income tax decreased by 36.4% from RMB31.4 million in 2023 to RMB20.0 million in 2024, mainly due to the decrease in our profit before taxation.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 68.8% from RMB146.2 million in 2023 to RMB45.6 million in 2024.

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SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment	300,756	342,205	445,521	485,962
Right-of-use assets	33,366	82,859	78,025	85,316
Intangible assets	79,400	74,555	81,966	81,970
Goodwill	28,244	1,284	1,284	1,284
Investments in associates	56,343	53,837	51,522	50,768
Deferred tax assets	6,686	5,021	6,500	8,976
Other non-current assets	9,067	13,112	46,116	50,305
Total non-current assets	513,862	572,873	710,934	764,581
Current assets				
Inventories	98,053	105,093	129,560	137,406
Trade and other receivables	143,161	151,786	161,903	208,037
Cash and cash equivalents	245,026	367,508	433,450	343,254
Assets held-for-sale	7,099	4,717	4,717	4,717
Total current assets	493,339	629,104	729,630	693,414
Total assets	1,007,201	1,201,977	1,440,564	1,457,995
Current liabilities				
Trade and other payables	99,962	180,721	214,264	199,156
Contract liabilities	17,139	7,801	6,472	12,595
Bank loans	29,441	90,465	109,124	160,243
Lease liabilities	3,504	2,809	1,311	2,905
Financial instruments issued to investors	—	—	292,244	396,524
Deferred income	—	3,311	3,182	3,648
Income tax payable	9,095	4,824	10,971	7,828
Total current liabilities	159,141	289,931	637,568	782,899
Net current assets/(liabilities)	334,198	339,173	92,062	(89,485)
Total assets less current liabilities	848,060	912,046	802,996	675,096
Non-current liabilities				
Bank loans	149,336	187,206	166,620	106,470
Lease liabilities	1,999	2,887	2,100	8,460
Deferred income	38,166	41,892	43,359	46,956
Deferred tax liabilities	6,934	2,617	2,161	2,050
Total non-current liabilities	196,435	234,602	214,240	163,936
Net assets	651,625	677,444	588,756	511,160
Capital and reserves				
Share capital	129,900	129,900	138,168	138,168
Reserves	502,019	529,231	432,738	355,057
Total equity attributable to equity shareholders of the Company	631,919	659,131	570,906	493,225
Non-controlling interests	19,706	18,313	17,850	17,935
Total equity	651,625	677,444	588,756	511,160

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Property, Plant and Equipment

Our property, plant and equipment mainly consisted of buildings, machinery, office and other equipment, leasehold improvements, and construction in progress. The following tables set forth the breakdown of net carrying amounts of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Buildings	152,474	240,403	230,970	228,720
Machineries	64,672	88,429	92,991	91,907
Office and other equipment	6,556	6,301	5,763	5,600
Leasehold improvement	545	1,474	3,023	3,012
Construction in progress	76,509	5,598	112,774	156,723
Total	300,756	342,205	445,521	485,962

Our total property, plant and equipment increased from RMB300.8 million as of December 31, 2023 to RMB342.2 million as of December 31, 2024, primarily because (i) we constructed manufacturing facilities in Chongqing, with the project completed in 2024 and transferred from construction in progress to buildings; and (ii) we added machinery and other equipment to support our business expansion and R&D requirements.

Our total property, plant and equipment increased from RMB342.2 million as of December 31, 2024 to RMB445.5 million as of December 31, 2025, primarily attributable to an increase in construction in progress of RMB107.2 million related to the construction of the new drug production base and R&D trial center in Wuxi.

Our total property, plant and equipment increased from RMB445.5 million as of December 31, 2025 to RMB486.0 million as of March 31, 2026, primarily attributable to an increase of RMB43.9 million in construction in progress related to the construction of a new drug production base and R&D trial center in Wuxi, partially offset by depreciation in the ordinary course of business.

Right-of-Use Assets

Our right-of-use assets consist of properties leased for own use, motor vehicles, and land use-rights. The following tables set forth the breakdown of right-of-use assets as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Properties leased for own use	5,660	6,426	3,864	11,557
Motor vehicles	1,582	663	—	—
Land use-rights	26,124	75,770	74,161	73,759
Total	33,366	82,859	78,025	85,316

Note:

- (1) Land use-rights are paid upfront in a lump sum in the PRC, and there are no ongoing payments to be made under the terms of the land leases.

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Our right-of-use assets increased significantly from RMB33.4 million as of December 31, 2023 to RMB82.9 million as of December 31, 2024. This increase was attributable to an increase of RMB49.6 million in land use-rights, resulting from the lump-sum payments made to acquire new land use-rights in Wuxi for the construction of the new drug production base and R&D trial center.

Our right-of-use assets decreased from RMB82.9 million as of December 31, 2024 to RMB78.0 million as of December 31, 2025, primarily attributable to the termination of lease agreements.

Our right-of-use assets increased from RMB78.0 million as of December 31, 2025 to RMB85.3 million as of March 31, 2026, primarily attributable to the leasing of new office space in Hangzhou.

Intangible Assets

Our intangible assets consist primarily of capitalized development costs, patents and licenses, software, and trademarks. The following tables set forth the breakdown of net carrying amounts of our intangible assets as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Capitalized development costs	31,418	26,752	30,293	31,170
Patents and licenses	38,671	40,060	45,911	45,633
Software	5,507	4,486	3,184	2,760
Trademarks	3,804	3,257	2,578	2,407
Total	<u>79,400</u>	<u>74,555</u>	<u>81,966</u>	<u>81,970</u>

Our intangible assets decreased from RMB79.4 million as of December 31, 2023 to RMB74.6 million as of December 31, 2024, primarily due to (i) the impairment of RMB10.6 million recognized in the capitalized development costs for a R&D project, as there was no short-term sales plan for this pipeline product, leaving the assets idle with minimum foreseeable opportunity for transfer; and (ii) the amortization of our intangible assets of RMB7.4 million in 2024.

Our intangible assets increased from RMB74.6 million as of December 31, 2024 to RMB82.0 million as of December 31, 2025, primarily due to (i) the increase in acquired patents and licenses resulting from our continued acquisition of manufacturing approvals and related technologies for multiple pipeline products to ramp up our product pipeline; and (ii) ongoing progress of our internal R&D projects, leading to an increase in development costs eligible for capitalization, partially offset by the amortization of our intangible assets amounting to RMB8.5 million in 2025.

As of December 31, 2025 and March 31, 2026, our intangible assets remained stable at RMB82.0 million and RMB82.0 million.

Goodwill

Our goodwill arose from the acquisition of 98% equity interest in Chongqing Duoyuan Enterprise Management Co., Ltd. (“**Chongqing Duoyuan**”) in November 2020, through which we indirectly acquired Chongqing Yaoyanyuan, a subsidiary of Chongqing Duoyuan. This acquisition was intended to broaden our presence in the immunology and rheumatology segment and support potential portfolio synergies at the time.

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Our goodwill decreased substantially from RMB28.2 million as of December 31, 2023 to RMB1.3 million as of December 31, 2024, primarily due to the recognition of an impairment loss on goodwill of RMB27.0 million. The impairment resulted from our strategic shift towards dermatology products, which resulted in a lower priority for our autoimmune and rheumatic products.

Our goodwill remained stable at RMB1.3 million as of December 31, 2024, December 31, 2025 and March 31, 2026.

Inventories

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

	As of December 31,			As of March, 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Raw materials	32,242	43,271	55,471	58,452
Work in progress	–	792	382	522
Finished goods	65,811	61,030	73,707	78,432
Total	98,053	105,093	129,560	137,406

Our inventories increased from RMB98.1 million as of December 31, 2023 to RMB105.1 million as of December 31, 2024, primarily due to our increased raw materials and work in progress in line with the growing revenue and sales volume of our products, and the change in inventory levels is consistent with the growth in the scale of our operations.

Our inventories increased from RMB105.1 million as of December 31, 2024 to RMB129.6 million as of December 31, 2025, primarily because we proactively undertook strategic stockpiling, increasing our inventory level of raw materials and finished goods in anticipation of increased market demand during the sales ramp-up phase to support the commercialization and promotion of new products, thereby ensuring stable supply and operational continuity.

Our inventories increased from RMB129.6 million as of December 31, 2025 to RMB137.4 million as of March 31, 2026, primarily due to the increase in finished goods as our product revenue and sales volume increased.

The following table sets forth our inventory turnover days for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Inventory turnover days ⁽¹⁾	116	105	96	105

Note:

- (1) Derived by dividing the average of the inventory year/period balance and year/end balance by cost of sales for the relevant year/period and multiplied by the number of days in the respective period (i.e., 360 days for the full years or 90 days for three months).

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Driven by our improved inventory management and optimized production scheduling, our inventory turnover days decreased from 116 days in 2023 to 105 days in 2024, and further to 96 days in 2025. As of March 31, 2026, the inventory turnover days for the three months increased to 105 days, primarily due to proactive stockpiling ahead of the peak summer sales season and the build-up of strategic inventory reserves.

As of May 31, 2026, approximately RMB98.4 million, or 70.0% of our inventories as of March 31, 2026, had been utilized or sold. Therefore, we do not expect any material recoverability issue with respect to our inventories.

Trade and Other Receivables

Our trade and other receivables are primarily classified as current assets and consist of trade receivables, bills receivable, other receivables, deposits, prepayments to suppliers, prepayments for [REDACTED] expenses and value-added tax (“VAT”) receivable. Our trade receivables represent the outstanding amounts due from our customers for our topical dermatological products. Our bills receivable represents short-term bank acceptance notes received from our customers in lieu of cash payments. Prepayments to suppliers mainly comprise advance payments to suppliers for purchases, marketing expenses and equipment procurement. Deposits mainly comprise rental deposits and other security deposits. VAT receivable represents value added taxes paid with respect to our procurement that can be credited against future value added tax payables. The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade receivables	60,426	73,052	40,464	63,205
Less: loss allowance on trade receivables	(3,315)	(3,795)	(1,834)	(3,157)
	57,111	69,257	38,630	60,048
Bills receivables	41,032	33,281	75,893	64,358
Trade and bills receivables	98,143	102,538	114,523	124,406
Other receivables	26	356	1,223	3,581
Less: loss allowance on other receivables	(2)	(18)	(45)	(153)
	24	338	1,178	3,428
Deposits	17,887	18,214	16,471	16,906
Prepayments to suppliers	25,631	28,797	28,020	59,760
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VAT receivable	1,476	1,899	279	160
Other receivables, deposits and prepayments	45,018	49,248	47,380	83,631
Total	143,161	151,786	161,903	208,037

Our trade and bills receivables increased from RMB98.1 million as of December 31, 2023 to RMB102.5 million as of December 31, 2024, further to RMB114.5 million as of December 31, 2025 and RMB124.4 million as of March 31, 2026, primarily driven by the continued growth in our revenue and sales volume, which led to a corresponding increase in amounts due from customers.

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Our trade receivables typically mature within 30 to 90 days from the invoice date, and we require advance payment for certain sales. Our management of accounts receivable involves ongoing credit assessment and monitoring procedures.

We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses. Our loss allowance for trade receivables was RMB3.3 million, RMB3.8 million, RMB1.8 million and RMB3.2 million as of December 31, 2023, 2024 and 2025, and March 31, 2026, respectively.

The following table sets forth an aging analysis of our trade receivables based on the invoice date:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year	56,981	69,005	38,408	59,831
1 year to 2 years	64	233	179	170
2 years to 3 years	66	19	43	47
Total	<u>57,111</u>	<u>69,257</u>	<u>38,630</u>	<u>60,048</u>

The following table sets forth our trade receivable turnover days for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Trade receivable turnover days ⁽¹⁾ . . .	22	20	15	13

Note:

- (1) Derived by dividing the average of the year/period opening balance and the year/end balance of trade receivables (net of provisions) for the year/period by the revenue of the relevant year/period, and multiplied by 360/90 days.

Our trade receivables turnover days decreased from 22 days in 2023 to 20 days in 2024, mainly due to our continued optimization of accounts receivable management, which further accelerated cash collection. Our trade receivables turnover days remained stable at 15 days in 2025 and 13 days for the three months ended March 31, 2026.

As of May 31, 2026, RMB53.2 million, or 84.2% of our trade receivables as of March 31, 2026, have been subsequently settled. Therefore, we do not expect any material collection issue with respect to our trade receivables.

Our other receivables, deposits and prepayments increased from RMB45.0 million as of December 31, 2023 to RMB49.2 million as of December 31, 2024, primarily due to an increase of RMB3.2 million in prepayments. Our other receivables, deposits and prepayments decreased from RMB49.2 million as of December 31, 2024 to RMB47.4 million as of December 31, 2025, primarily due to a decrease of RMB1.7 million in deposits, resulting from the refund of land deposits by relevant government authorities. Our other receivables, deposits and prepayments increased from RMB47.4 million as of December 31, 2025 to RMB83.6 million as of March 31, 2026, primarily due to an increase in prepayments of RMB31.7 million, resulting from (i) a significant increase in advance payments to suppliers, resulting from our proactive advance procurement of raw materials, in preparation for the peak summer sales season; and (ii) an increase in prepaid marketing expenses, resulting from our continued investment in advertising, e-commerce promotion and other marketing activities.

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Trade and Other Payables

Our trade and other payables are mainly classified as current liabilities and consist of trade payables, payroll and benefits payables, dividends payable, and other payables and accruals. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade payables	30,715	47,619	95,396	103,935
Payroll payables	29,520	34,012	31,580	18,877
Dividends payable	—	38,622	526	—
Other payables and accruals	39,727	60,468	86,762	76,344
Total	99,962	180,721	214,264	199,156

Trade Payables

Trade payables mainly comprise amounts payable to suppliers for purchases and for engineering and equipment. Our trade payables increased from RMB30.7 million as of December 31, 2023 to RMB47.6 million as of December 31, 2024, in line with the expansion of our business scale. They further increased significantly to RMB95.4 million as of December 31, 2025 and subsequently to RMB103.9 million as of March 31, 2026, primarily attributable to the commencement of construction of our Wuxi new drug production base and R&D trial center, for which we accrued estimated outstanding construction costs at year-end and period-end based on the progress of the project. Suppliers typically grant us credit terms ranging from 30 to 60 days for trade payables.

The following table sets forth an aging analysis of our trade payables, based on the invoice date:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Within 1 year	26,082	43,501	83,958	98,368
1 year to 2 years	2,211	915	8,175	2,410
Over 2 years	2,422	3,203	3,263	3,157
Total	30,715	47,619	95,396	103,935

The following table sets forth our trade payable turnover days for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade payable turnover days ⁽¹⁾	39	40	59	79

Note:

- (1) Derived by dividing the average of the year/period’s opening balance and year-end balance of trade payables for the year/period by the cost of sales for the relevant year/period and multiplied by 360/90 days.

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In 2023 and 2024, our trade payable turnover days were 39 days and 40 days, respectively, remaining relatively stable. In 2025, our trade payable turnover days increased to 59 days and subsequently to 79 days as of March 31, 2026, primarily due to the commencement of construction of the Wuxi new drug production base and R&D trial center during 2025. At the end of the period, a significant increase in estimated construction payables was recorded based on project progress, resulting in a substantial rise in trade payable balances. As these construction payables had not yet been included in the cost of sales, trade payable turnover days were extended.

As of May 31, 2026, approximately RMB45.1 million, or 43.4% of our trade payables as of March 31, 2026, was repaid.

Payroll Payables and Benefits, Dividends Payable, and Other Payables and Accruals

As of December 31, 2023, 2024, and 2025, and March 31, 2025 and 2026, our total payroll payables, dividends payable, and other payables and accruals amounted to RMB69.2 million, RMB132.5 million, RMB133.1 million, RMB91.6 million, and RMB95.2 million, respectively. The increase in these items as of December 31, 2024 compared to those as of December 31, 2023 was primarily attributable to dividends declared and accrued in the previous year, which resulted in an increase in dividends payable as of December 31, 2024. Such dividends were subsequently paid in 2025, leading to a decrease in the corresponding balance as of December 31, 2025.

The total amount of payroll payables, dividends payable, other payables and accruals decreased from RMB118.9 million as of December 31, 2025 to RMB95.2 million as of March 31, 2026, mainly attributable to an decrease of RMB10.4 million in other payables and accruals, driven by our increased spending on advertising, e-commerce promotion and other marketing activities, resulting in a significant increase in marketing expenses payable, partially offset by a decrease of RMB12.7 million in payroll payables resulting from the payment of year-end performance bonuses.

Contract Liabilities

Contract liabilities represent our performance obligations arising from advance payments received from or receivables due from customers. Such amounts are recognized as revenue upon satisfaction of the related performance obligations. Our contract liabilities decreased from RMB17.1 million as of December 31, 2023 to RMB7.8 million as of December 31, 2024. This decrease was primarily attributable to a reduction in advance payments received from certain customers. Contract liabilities as of December 31, 2024 and December 31, 2025 were RMB7.8 million and RMB6.5 million, respectively, remaining relatively stable. Our contract liabilities increased from RMB6.5 million as of December 31, 2025 to RMB12.6 million as of March 31, 2026, mainly attributed to prepayments from new customers in this period.

Deferred Income

All of our deferred income relates to government grants. As of December 31, 2023, 2024, and 2025, and March 31, 2026, our total deferred income amounted to RMB38.2 million, RMB45.2 million, RMB46.5 million, and RMB50.6 million, respectively. The increase was mainly attributable to higher government subsidies received during the corresponding period. Subsidies related to assets are recognized as deferred income upon receipt and amortized on a systematic basis over the useful lives of the related assets and recognized in profit or loss.

FINANCIAL INFORMATION

Net Current Assets

The following table sets forth a breakdown of our current assets and current liabilities as of the years/periods indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
				2026
	<i>(RMB in thousands)</i>			
Current assets				
Inventory	98,053	105,093	129,560	137,406
Accounts receivable and other receivables	143,161	151,786	161,903	208,037
Cash and cash equivalents	245,026	367,508	433,450	343,254
Assets held-for-sale	7,099	4,717	4,717	4,717
Total current assets	493,339	629,104	729,630	693,414
Current liabilities				
Trade and other payables	99,962	180,721	214,264	199,156
Contract liabilities	17,139	7,801	6,472	12,595
Bank loans	29,441	90,465	109,124	160,243
Lease liabilities	3,504	2,809	1,311	2,905
Financial instruments issued to investors	—	—	292,244	396,524
Deferred income	—	3,311	3,182	3,648
Income tax payable	9,095	4,824	10,971	7,828
Total current liabilities	159,141	289,931	637,568	782,899
Net current assets/(liabilities)	334,198	339,173	92,062	(89,485)

Our net current assets increased from RMB334.2 million as of December 31, 2023 to RMB339.2 million as of December 31, 2024, mainly attributable to (i) an increase of RMB122.5 million in cash and cash equivalents, primarily due to higher operating cash inflows driven by revenue growth in 2024 and proceeds from new bank loans, partially offset by (ii) an increase of RMB80.8 million in trade and other payables, reflecting the continued expansion of our business, the diversification of our product structure, and the corresponding increase in raw material procurement and marketing and promotion-related expenses; and (iii) an increase of RMB61.0 million in short-term bank loans, primarily due to the drawdown of loans in advance in preparation for the 2025 share repurchase plan.

Our net current assets decreased from RMB339.2 million as of December 31, 2024 to RMB92.1 million as of December 31, 2025, mainly attributable to (i) an increase of RMB292.2 million in financial instruments issued to investors, arising from the recognition of equity issued in 2025 as financial liabilities, which was the primary driver of the significant decrease in net current assets during the year, partially offset by (ii) an increase of RMB65.9 million in cash and cash equivalents, primarily due to higher operating cash inflows driven by revenue growth and proceeds from financing activities in 2025; (iii) an increase of RMB24.5 million in inventories, reflecting our proactive strategic stockpiling of raw materials and finished goods in anticipation of stronger market demand and to support the launch and promotion of new products; and (iv) an increase of RMB18.7 million in short-term bank loans to supplement daily working capital.

Our net current assets decreased from RMB92.1 million as of December 31, 2025 to net current liabilities of RMB89.5 million as of March 31, 2026, primarily attributable to (i) an increase of RMB104.3 million in financial instruments issued to investors, primarily arising from the recognition of financial instruments issued to investors in 2026; (ii) an increase of RMB51.1 million in short-term bank loans, primarily due to our refinancing of certain long-term bank loans with short-term facilities; and (iii) a decrease of RMB90.2 million in cash and cash equivalents, primarily due to an increase of RMB31.7 million in prepayments for advance procurement of raw materials ahead of the peak summer sales season.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our cash was primarily used for operating activities, capital expenditures and dividend distribution. We have historically financed our operations primarily through cash flow generated from our operating activities and bank borrowings.

Summary of the Consolidated Statement of Cash Flows

The following table sets forth our cash flows for the years/periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
				(unaudited)	
	(RMB in thousands)				
Net cash generated from operating activities	183,170	161,144	206,935	39,266	12,751
Net cash used in investing activities	(147,708)	(118,587)	(117,573)	(21,193)	(88,588)
Net cash (used in)/generated from financing activities . .	(29,275)	80,115	(23,832)	(87,773)	(14,104)
Net increase/(decrease) in cash equivalents	6,187	122,672	65,530	(69,700)	(89,941)
Effect of exchange rate changes	(30)	(190)	412	(120)	(255)
Cash and cash equivalents at the beginning of the year/period	238,869	245,026	367,508	367,508	433,450
Cash and cash equivalents at the end of the year/period	245,026	367,508	433,450	297,688	343,254

Net Cash Generated from Operating Activities

For the three months ended March 31, 2026, our net cash generated from operating activities was RMB12.8 million, primarily attributable to the profit before tax of RMB17.4 million, as adjusted by non-cash and non-operating items and movements in working capital, and after deducting income tax paid of RMB10.5 million. Non-cash and non-operating items primarily included (i) equity-settled share-based payment expenses of RMB6.7 million, (ii) depreciation and amortization of RMB10.6 million, and (iii) changes in carrying value of financial instruments issued to investors of RMB7.6 million. Movements in working capital primarily included (i) an increase in inventories of RMB7.8 million, (ii) an increase in receivables of RMB44.1 million, and (iii) an increase in payables of RMB30.6 million.

In 2025, our net cash inflow generated from operating activities was RMB206.9 million, which was primarily attributable to the profit before tax of RMB125.5 million, as adjusted by non-cash and non-operating items and movements in working capital, and after deducting income tax paid of RMB26.8 million. Non-cash and non-operating items primarily included (i) equity-settled share-based payment expenses of RMB79.4 million, and (ii) changes in carrying value of financial instruments held by investors of RMB3.6 million. Movements in working capital primarily included (i) an increase in inventories of RMB24.5 million, (ii) an increase in receivables of RMB9.3 million, and (iii) an increase in payables of RMB6.9 million.

FINANCIAL INFORMATION

In 2024, our net cash generated from operating activities was RMB161.1 million, which was mainly derived from the profit before tax of RMB65.6 million, as adjusted by non-cash and non-operating items and movements in working capital, and after deducting income tax paid of RMB26.9 million. Non-cash and non-operating items primarily included (i) impairment losses of RMB40.0 million, mainly relating to goodwill, intangible assets and assets held-for-sale; (ii) depreciation and amortization of RMB32.2 million; and (iii) equity-settled share-based payment expenses of RMB25.9 million. Movements in working capital primarily included (i) an increase in inventories of RMB7.2 million, (ii) an increase in receivables of RMB14.7 million, and (iii) an increase in payables of RMB36.8 million.

In 2023, our net cash inflow generated from operating activities was RMB183.2 million, which was calculated on the basis of the profit before tax of RMB177.6 million, adjusted for non-cash and non-operating items and movements in working capital, and after deducting income tax paid of RMB28.9 million. Non-cash and non-operating items primarily included depreciation and amortization of RMB27.3 million. Movements in working capital primarily included (i) an increase in inventories of RMB10.8 million, (ii) an increase in receivables of RMB17.1 million, and (iii) an increase in payables of RMB25.2 million.

Net Cash Used in Investing Activities

For the three months ended March 31, 2026, the net cash used in our investing activities amounted to RMB88.6 million, mainly attributable to purchase of property, plant and equipment of RMB88.6 million.

In 2025, our net cash used in investing activities was RMB117.6 million, which was primarily attributable to (i) payment for purchase of property, plant and equipment of RMB122.0 million; and (ii) payment for wealth management products measured at fair value through profit or loss of RMB90.0 million, partially offset by proceeds from disposal of wealth management products measured at fair value through profit or loss of RMB90.1 million.

In 2024, our net cash used in investing activities was RMB118.6 million, which was primarily attributable to (i) payment for purchase of property, plant and equipment of RMB120.2 million, and (ii) payment for wealth management products measured at fair value through profit or loss of RMB17.5 million, partially offset by proceeds from disposal of wealth management products measured at fair value through profit or loss of RMB17.5 million.

In 2023, our net cash used in investing activities was RMB147.7 million, which was primarily attributable to (i) payment for purchase of property, plant and equipment, land use-rights and intangible assets of RMB115.7 million; (ii) payment for investments in associates of RMB35.0 million; and (iii) payment for wealth management products measured at fair value through profit or loss of RMB18.0 million, partially offset by proceeds from disposal of wealth management products measured at fair value through profit or loss of RMB18.0 million.

Net Cash Generated from/(Used in) Financing Activities

For the three months ended March 31, 2026, our net cash used in financing activities was RMB14.1 million, primarily attributable to (i) repayment of bank loans of RMB136.0 million; and (ii) interest paid for bank loans of RMB1.7 million, partially offset by proceeds from bank loans of RMB127.0 million.

In 2025, our net cash used in financing activities was RMB23.8 million, which was primarily attributable to (i) repayment of bank loans of RMB231.5 million; (ii) shares repurchased for share award scheme of RMB 43.1 million; (iii) shares repurchased for share cancellation of RMB 167.5 million; (iv) dividend payments of RMB63.8 million; and (v) interest paid for bank loans of RMB11.2 million; partially offset by (i) proceeds from issuance of ordinary shares with preferred rights (net of transaction costs) of RMB256.9 million; (ii) proceeds from bank loans of RMB229.6 million; and (iii) proceeds from share award scheme of RMB9.6 million.

FINANCIAL INFORMATION

In 2024, our net cash generated from financing activities was RMB80.1 million, which was primarily attributable to proceeds from bank loans of RMB163.0 million, partially offset by (i) repayment of bank loans of RMB64.2 million; (ii) shares repurchased for share award scheme of RMB9.2 million; and (iii) interest paid for bank loans of RMB7.8 million.

In 2023, our net cash used in financing activities was RMB29.3 million, which was primarily attributable to (i) repayment of bank loans of RMB108.8 million, (ii) dividend payments of RMB42.4 million, (iii) payments for acquisition of non-controlling interests in a subsidiary of RMB18.0 million, and (iv) interest paid for bank loans of RMB6.7 million, partially offset by proceeds from bank loans of RMB149.7 million.

Working Capital

Taking into account the financial resources available to us, including cash flow generated from operating activities, our current cash and cash equivalents, and expected [REDACTED] from the [REDACTED], the Directors believe that we have sufficient working capital to cover the current demands for at least 12 months from the date of this document.

CAPITAL EXPENDITURES

We incurred capital expenditures during the Track Record Period mainly for the purchase of property, plant and equipment related to the construction and upgrade of R&D and production facility, as well as the acquisition of intangible assets.

The following table sets forth a breakdown of capital expenditures as of the years/periods indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Payments for purchase of property, plant and equipment, land-use rights and intangible assets	115,692	120,196	121,997	88,590

We expect to continue to incur capital expenditures as we expand our business. We may adjust capital expenditures for any given fiscal year based on our development plan, or market conditions and other factors that we deem appropriate. And we expect to fund our future capital requirements mainly through cash flow generated from operations, bank borrowings and the [REDACTED] from this [REDACTED]. See “Future Plans and Use of [REDACTED]” for more details.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Contracted for acquisition of property, plant and equipment and intangible assets	53,412	35,500	207,454	166,095

FINANCIAL INFORMATION

Contracted but not provided for capital commitments primarily related to the construction of our new manufacturing facility and the obtaining of drug registration certifications. These commitments increased significantly in 2025, reflecting the commencement of construction of our Wuxi new drug production base and R&D trial center.

INDEBTEDNESS

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

	As of December 31,			As of March 31,	As of May 31,
	2023	2024	2025	2026	2026
					(unaudited)
	(RMB in thousands)				
Current					
Bank loans	29,441	90,465	109,124	160,243	150,800
Lease liabilities	3,504	2,809	1,311	2,905	2,748
Financial instruments issued to investors	—	—	292,244	396,524	400,147
Subtotal	32,945	93,274	402,679	559,672	553,695
Non-current					
Bank loans	149,336	187,206	166,620	106,470	128,030
Lease liabilities	1,999	2,887	2,100	8,460	7,922
Subtotal	151,335	190,093	168,720	114,930	135,952
Total	184,280	283,367	571,399	674,602	689,647

Bank Loans

Our bank loans comprise guaranteed and unguaranteed bank loans. As of December 31, 2023, 2024 and 2025, and March 31, 2026, certain of our bank loans were secured by our land use rights and property, plant and equipment. See Note 24 to the Accountants’ Report in Appendix I to this document for more details.

The total bank loans increased from RMB178.8 million as of December 31, 2023 to RMB277.7 million as of December 31, 2024, primarily due to the drawdown of loans in advance for implementing the share repurchase plan in 2025. The total bank loans were RMB277.7 million as of December 31, 2024, RMB275.7 million as of December 31, 2025 and RMB266.7 million as of March 31, 2026, remaining relatively stable.

Lease Liabilities

Our total lease liabilities increased from RMB5.5 million as of December 31, 2023 to RMB5.7 million as of December 31, 2024. This increase was primarily attributable to the new lease for our R&D laboratory in Nanjing following the business expansion. Our total lease liabilities decreased to RMB3.4 million as of December 31, 2025, primarily due to the expiry of certain leases during 2025. Our total lease liabilities increased from RMB3.4 million as of December 31, 2025 to RMB11.4 million as of March 31, 2026. This increase was primarily due to the addition of new marketing office leases in Hangzhou.

Financial Instruments Issued to Investors

As of December 31, 2025, our financial instruments issued to investors were RMB292.2 million, primarily attributable to the recognition of financial instruments issued to investors of RMB288.6 million during 2025. See Note 26 to the Accountants’ Report in Appendix I to this document for more details. As of March 31, 2026, the financial instruments issued to investors amounted to RMB396.5 million, representing an increase of RMB104.3 million, primarily due to the recognition of financial instruments issued to investors of RMB96.7 million during the three months ended March 31, 2026 and an increase of RMB7.6 million resulting from changes in the carrying amount of financial instruments issued to investors.

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Indebtedness Statement

As of May 31, 2026, we had (i) bank loans of RMB94.9 million, secured by our land use-rights, (ii) bank loans of RMB183.9 million, unsecured, (iii) lease liabilities of RMB10.7 million, and (iv) financial instruments issued to investors of RMB400.1 million.

Except as discussed above, as of May 31, 2026, being the indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness that could significantly limit our ability to obtain future financing. As of May 31, 2026, we did not have plans for other material external debt financing.

Our Directors confirm that (i) there has not been any material adverse change in our indebtedness since March 31, 2026 and up to the Latest Practicable Date, and (ii) during the Track Record Period and up to the date of this document, we did not have any material default on our indebtedness or breach of covenant.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

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

	For the years ended/As of December 31,			For the three months ended/As of March 31,
	2023	2024	2025	2026
Key financial ratios				
Revenue growth rate (%)	19.8	9.2	17.6	14.9
Gross profit margin (%)	71.8	69.0	66.8	66.1
Adjusted net profit margin (%) ⁽¹⁾ (non-IFRS measure)	14.2	6.4	13.7	9.3
Current ratio ⁽²⁾	3.1	2.2	1.1	0.9
Quick ratio ⁽³⁾	2.5	1.8	0.9	0.7
Debt-to-assets ratio ⁽⁴⁾	35.3	43.6	59.1	64.9

Notes:

- (1) Adjusted net profit margin (non-IFRS measure) is calculated by dividing adjusted net profit (non-IFRS measure) by revenue.
- (2) Current ratio is calculated by dividing total current assets by total current liabilities.
- (3) Quick ratio equals current assets (excluding inventories) divided by current liabilities.
- (4) Debt-to-assets ratio is calculated by dividing total debt, representing the sum of total current liabilities and total non-current liabilities, by total assets, representing the sum of total current assets and total non-current assets, as of the relevant date and multiplied by 100%.

FINANCIAL INFORMATION

Revenue Growth Rate and Gross Profit Margin

For more details of the discussion of the factors affecting our revenue growth rate and gross profit margin during the Track Record Period, see “— Period-to-Period Comparison of Results of Operations.”

Adjusted Net Profit Margin (Non-IFRS Measure)

For more details, see “— Non-IFRS Financial Measures.”

Current Ratio and Quick Ratio

Our current ratio decreased from 3.1 as of December 31, 2023 to 2.2 as of December 31, 2024, and our quick ratio decreased from 2.5 as of December 31, 2023 to 1.8 as of December 31, 2024. These decreases were primarily attributable to a significant increase in our current liabilities arising from (i) an increase of RMB80.8 million in trade and other payables, mainly attributable to dividends payable as of December 31, 2024; and (ii) an increase of RMB61.0 million in short-term bank loans, mainly attributable to the loans drawn down in advance in preparation for the share repurchase plan in 2025.

Our current ratio decreased from 2.2 as of December 31, 2024 to 1.1 as of December 31, 2025, and our quick ratio decreased from 1.8 as of December 31, 2024 to 0.9 as of December 31, 2025. These decreases were primarily attributable to an increase of RMB292.2 million arising from the recognition of equity issued as financial liabilities while issuing financial instruments to investors in 2025, resulting in a significant increase in our current liabilities.

Our current ratio decreased from 1.1 as of December 31, 2025 to 0.9 as of March 31, 2026, and our quick ratio decreased from 0.9 as of December 31, 2025 to 0.7 as of March 31, 2026. These decreases were primarily attributable to an increase in prepayments during the period, driven by our proactive advance procurement of raw materials and cross-border products ahead of the peak summer sales season and our increased spending on marketing across retail channels, resulting in a significant increase in prepaid marketing expenses.

Debt-to-Assets Ratio

Our debt-to-assets ratio increased from 35.3% as of December 31, 2023 to 64.9% as of March 31, 2026, primarily attributable to the recognition of financial instruments issued to investors as financial liabilities in 2025 and the three months ended March 31, 2026, which increased our total liabilities during the Track Record Period. For more details of the discussion of the factors affecting our debt-to-assets ratio during the Track Record Period, please see “— Selected Items from the Consolidated Statements of Financial Position.”

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), accounting for approximately [REDACTED]% of our [REDACTED] from the [REDACTED]. The estimated total [REDACTED] expenses consist of (i) [REDACTED] expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), and (ii) [REDACTED] related expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] (approximately HK\$[REDACTED]), and other fees and expenses of approximately RMB[REDACTED] (approximately HK\$[REDACTED]). Approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) of the estimated [REDACTED] expenses is directly attributable to the issue of new Shares to the public and will be account for as a deduction from equity upon completion of the [REDACTED]. Approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) is expected to be charged in profit or loss before or upon completion of the [REDACTED]. This calculation is subject to adjustment based on the actual amount incurred or to be incurred. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and are for reference only. The actual amount may differ from such an estimate.

FINANCIAL INFORMATION

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we declared dividends annually. For the years ended December 31, 2023, 2024 and 2025, we approved the dividend of RMB39.0 million (RMB3 per 10 shares, inclusive of tax), RMB38.6 million (RMB3 per 10 shares, inclusive of tax) and RMB25.7 million (RMB2 per 10 shares, inclusive of tax), respectively, in our shareholders’ meeting.

We implement our dividend policy in compliance with applicable PRC laws and regulations, including the PRC Company Law, and our Articles of Association. Following the completion of the [REDACTED], dividends may be distributed in cash or in any other manner permitted by our Articles of Association. Any proposal to declare or pay dividends, and the amount of any such dividends, will be at the discretion of the Board and will depend on a number of factors, including our operating performance, cash flows, financial position, cash dividends paid to us by our subsidiaries, business prospects, statutory and regulatory restrictions applicable to our declaration and payment of dividends, and other factors that the Board may deem relevant. The declaration and payment of any dividend, as well as the amount thereof, shall comply with our constitutional documents and applicable laws. Shareholders may approve the declaration of any dividends at a shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders at a shareholders’ meeting. Our PRC Legal Advisor is of the opinion that we may pay dividends following approval by our Shareholders at a shareholders’ meeting, in accordance with applicable laws, regulations, and our Articles of Association.

Pursuant to applicable PRC laws and regulations, including the PRC Company Law, and our Articles of Association, dividends may only be paid out of after-tax profits after the following distributions have been made: making up any losses incurred in the preceding year; allocating 10% of after-tax profits to the statutory reserve fund, which, however, we may elect not to do so if the aggregate statutory reserve reaches 50% of more of our registered capital; and allocating such proportion of after-tax profits as approved by the shareholders’ meeting to the discretionary reserve fund. We aim to strictly implement this plan to ensure a consistent profit distribution policy and to protect the legitimate rights and interests of our Shareholders.

DISTRIBUTABLE RESERVES

As of March 31, 2026, the aggregate amount of reserved profit available for distribution to our Shareholders was RMB322.9 million.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, we have completed a number of related party transactions, which primarily consisted of the procurement of goods and services and sales of goods and provision of services. The Directors believe that each of the related party transactions set out in Note 33 to the Accountants’ Report in Appendix I to this document was carried out in the ordinary course of business on an arm’s length basis. The Directors are of the view that these related party transactions did not cause any distortion of our results of operations or make our historical results not reflective of our performance during the Track Record Period. During the Track Record Period, certain of our banking loans were guaranteed by related parties. As of the Latest Practicable Date, such guarantees remained outstanding. For more details on our related party transactions, balances, and arrangements, please see Note 33 to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

As of the Latest Practicable Date, we owned nine properties in China, with an aggregate gross floor area of approximately 48,918.9 sq.m., which was mainly used in our business operations. See “Business — Properties — Owned Property” for more details. Our Property Valuer, AVISTA Valuation Advisory Limited, has valued our Group’s selective property interests as of April 30, 2026 at RMB492.9 million. Details of the valuation are summarized in Appendix III to this document.

MARKET RISKS ANALYSIS

We are exposed to various market risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk arising from our normal business operations. We manage and monitor these risks to ensure that appropriate measures are taken in a timely and effective manner. For more details, please see Note 31 to the Accountants’ Report set out in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade receivables. Our exposure to credit risk arising from cash and cash equivalents and bills receivable are limited because the counterparties are banks and financial institutions with low credit risks confirmed by us. We also expect that there is no significant credit risk associated with other receivables and amounts due from related parties since the counterparties to these financial assets have no material default history. The Group has not provided any guarantees which would expose us to credit risk.

We have established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 30 to 90 days from the date of billing. We have no significant concentration of credit risk in industries or countries in which the customers operate.

Liquidity risk

Our liquidity risk management policy is designed to ensure maintenance of adequate cash reserves and to monitor liquidity requirements on a regular basis, monitor utilization of bank borrowings and ensure compliance with loan covenants.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. We are primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow risk in relation to interest-bearing borrowings and variable-rate bank balances. Currently, we have not entered into any interest rate hedging policies to manage this risk; however, the management continuously monitors our interest rate risk exposure and will consider hedging material interest rate risks as necessary.

Currency Risk

We mainly operate in Chinese Mainland, and most of our monetary assets and liabilities are denominated in RMB. The management considers our exposure to currency risk is insignificant.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets attributable to our Shareholders has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only and is set out in this section to illustrate the effect of the proposed [REDACTED] on the audited consolidated net tangible assets of our Group attributable to our Shareholders as of March 31, 2026, and how the audited consolidated net tangible assets attributable to our Shareholders as of March 31, 2026 would be affected thereby.

The unaudited [REDACTED] statement of adjusted consolidated net tangible assets attributable to owners of our Company is prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets attributable to owners of our Company as of March 31, 2026 or at any future date after the [REDACTED].

See Appendix II to this document for more details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or operating position or prospects since March 31, 2026, being the end date of our consolidated financial statements as set out in “Appendix I — Accountants’ Report” to this document, and up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Except as otherwise disclosed in this document, the Directors confirm that, as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of Chapter 13 of the Listing Rules.