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Application Proof of

Ziyond Pharmaceutical Co., Ltd.
江蘇知原藥業股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Ziyond Pharmaceutical Co., Ltd.

江蘇知原藥業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, AFRC transaction levy of 0.00015%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB[REDACTED] per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, Sole Sponsor-Overall Coordinator, Overall Coordinator, **[REDACTED]**

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE(1)

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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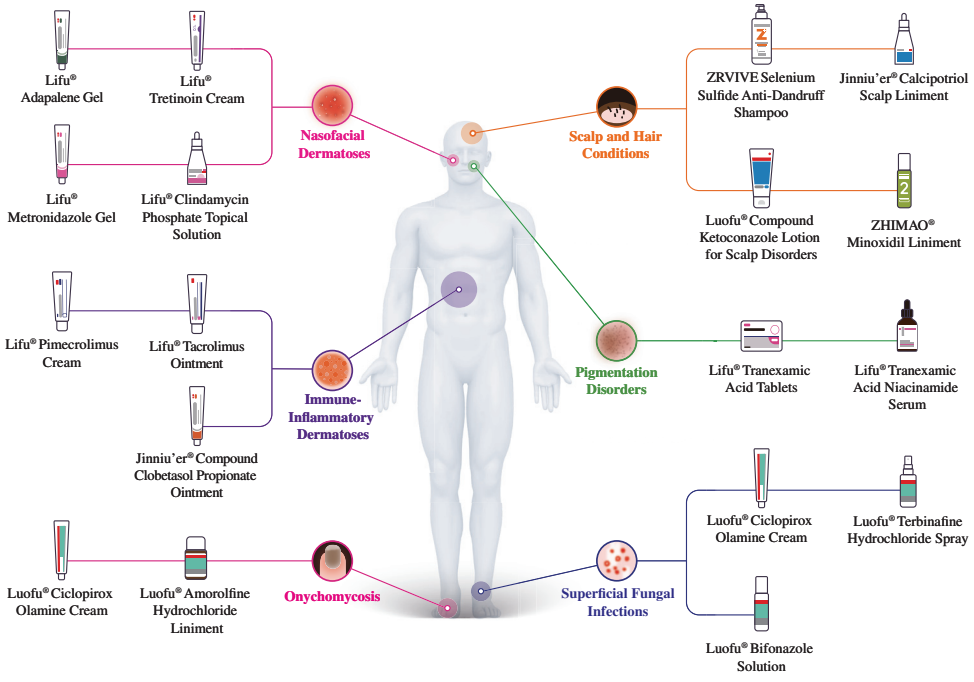
SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks in [**REDACTED**] *in the* [**REDACTED**] *are set out in the section headed "Risk Factors." You should read the entire document carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

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. 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. According to Frost & Sullivan, our commercialized products address the eight major dermatologic indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, and have established the broadest coverage of high-prevalence skin indications in China, leading the market in conditions with annual patients exceeding 20 million. In addition to our commercialized products, as of the Latest Practicable Date, we had 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.

Our portfolio spans the full spectrum of anatomical sites — scalp and hair, face, trunk, limbs and nails — across six core major therapeutic areas including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions.



Our Commercialized Products

As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas. According to Frost & Sullivan, five of our products ranked first across all channels online and offline, and an additional three ranked first by online sales, in their respective categories in 2025:

- ***Lifu® Metronidazole Gel*** — #1 in its category across all channels in 2025

- ***Luofu® Bifonazole Solution*** — #1 in its category across all channels in 2025
- ***Lifu® Clindamycin Phosphate Topical Solution*** — #1 in its category across all channels in 2025
- ***Luofu® Ciclopirox Olamine Cream*** — #1 in its category across all channels in 2025
- ***Jinniu'er® Compound Clobetasol Propionate Ointment*** — #1 in its category across all channels in 2025
- ***Lifu® Adapalene Gel*** — #1 in its category online in 2025
- ***Lifu® Pimecrolimus Cream*** — #1 in its category online in 2025
- ***Lifu® Tranexamic Acid Tablets*** — #1 in its category online in 2025

We have a consistent track record of establishing category leadership quickly with the products we launch. Among the products we launched during the Track Record Period, Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment reached No. 1 and No. 2 online, respectively, within three months of launch; Luofu® Ciclopirox Olamine Cream reached No. 1 online within five months; Lifu® Pimecrolimus Cream reached No. 1 online within seven months; and Lifu® Tranexamic Acid Tablets reached No. 1 online within 12 months.

The following table summarizes our major commercialized products as of the Latest Practicable Date:

Target Area	Product	Dosage Form	Indication	Reference Price	NRDL
Nasofacial Dermatoses	Lifu® (麗芙®) Metronidazole Gel	Gel	Inflammatory papules, pustules, rosacea erythema	RMB18.89/20g	Yes
	Lifu® (麗芙®) Adapalene Gel	Gel	Mild-to-moderate acne vulgaris	RMB19.9/16g	Yes
	Lifu® (麗芙®) Tretinoin Cream	Cream	Acne, keratosis pilaris	RMB18.9/10g	Yes
	Lifu® (麗芙®) Clindamycin Phosphate Topical Solution	Paint	Acne vulgaris	RMB31.2/30ml	No
Superficial Fungal Infections	Luofu® (洛芙®) Bifonazole Solution	Solution	Tinea manuum, tinea pedis, tinea corporis	RMB39.25/60ml	Yes
	Luofu® (洛芙®) Terbinafine Hydrochloride Spray	Spray	Tinea manuum, tinea pedis, tinea corporis	RMB32.37/40ml	No
Onychomycosis	Luofu® (洛芙®) Amorolfine Hydrochloride Liniment	Liniment	Onychomycosis (Fungal nail infection)	RMB137/2ml	No
	Luofu® (洛芙®) Ciclopirox Olamine Cream	Cream	Onychomycosis, tinea pedis, tinea corporis	RMB37.38/30g	Yes
Immune-Inflammatory Dermatoses	Lifu® (麗芙®) Pimecrolimus Cream	Cream	Mild-to-moderate atopic dermatitis ("**AD**")	RMB110/10g	Yes
	Lifu® (麗芙®) Tacrolimus Ointment	Ointment	Moderate-to-severe atopic dermatitis	RMB64/15g	Yes
	Jinniu'er® (金紐爾®) Compound Clobetasol Propionate Ointment	Ointment	Psoriasis vulgaris	RMB48.46/30g	No
Pigmentation Disorders	Lifu® (麗芙®) Tranexamic Acid Tablets	Tablet	Melasma	RMB160/36 tablets	Yes
Scalp and Hair Conditions	Jinniu'er® (金紐爾®) Calcipotriol Scalp Liniment	Liniment	Scalp psoriasis	RMB98/30ml	Yes
	ZHIMAO® (質茂®) Minoxidil Liniment	Liniment	Androgenetic alopecia ("**AGA**"), alopecia areata	RMB65.8/60ml	No
	ZRVIVE (質潤®) Selenium Sulfide Anti-dandruff Shampoo	Shampoo	—*	RMB99/300ml	No

Note:

* Not applicable for medical-grade skincare product

In addition to our established commercial portfolio, as of the Latest Practicable Date, we had four products that have received regulatory approval and are in the process of being prepared for commercial launch: Desonide Lotion, Sarecycline Hydrochloride Tablets, Fusidic Acid Cream, and Dutasteride Soft Capsules. These products span our core therapeutic areas and are expected to further broaden our commercial offerings in the near term.

Our Product Pipeline

As of the Latest Practicable Date, we had a pipeline of over 30 candidates and had plans to launch 15 to 20 new products over the next three to five years. Key product candidates in our pipeline as of the Latest Practicable Date include:

Innovative Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Drug Classification	Indication	Development Stage	Next Milestone	Rights / Origin
Nasofacial Dermatoses	**ZYG24002**	Modified New Drug (Class 2.2+2.4)	Seborrheic dermatitis	Phase I Clinical Trial	Phase II Clinical Trial expected to commence H1 2027	Self-developed
Superficial Fungal Infections	**ZYG24004**	Modified New Drug (Class 2.2+2.4)	Tinea pedis	IND Approved	Phase I Clinical Trial expected to commence H2 2026	Self-developed
Onychomycosis	**ZYG24012**	Modified New Drug (Class 2.2)	Onychomycosis	IND Approved	Phase I Clinical Trial expected to commence H1 2027	Self-developed

Generic Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Dosage Form	Indication	Regulatory Status	Next Milestone
Nasofacial Dermatoses	**Clindamycin Phosphate and Benzoyl Peroxide Gel**	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
	Adapalene and Benzoyl Peroxide Gel	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
Immune-Inflammatory Dermatoses	**Hydrocortisone Butyrate Cream**	Cream	Eczema; dermatitis	NDA Submitted	Approval expected H2 2026
	Crisaborole Ointment	Ointment	Mild-to-moderate atopic dermatitis	NDA Submitted	Approval expected H2 2026
	Calcipotriol and Betamethasone Ointment	Ointment	Plaque psoriasis	BE Trial Completed	NDA Submission expected H2 2026
Superficial Fungal Infections	**Terbinafine Hydrochloride Film-forming Solution**	Film-forming solution	Tinea pedis (Athlete's Foot)	NDA Submitted	Approval expected H2 2026
Scalp and Hair Conditions	**Finasteride Tablets**	Tablet	Androgenetic alopecia	NDA Submitted	Approval expected H2 2026

Our User-Centric Product Engine

In topical dermatology, patients play a critical role in identifying their condition, evaluating available options, making purchase decisions and managing their own long-term treatment with a high degree of autonomy and increasingly conduct each stage of this process through digital channels. This means that the success of a product depends not only on its active ingredient, but also its delivery design, skin feel, tolerability, and ease of application, which all directly determine patient adherence, impacting whether a product succeeds clinically and commercially.

In response to these structural features, we have designed a self-reinforcing user-centric product engine that operates across the full dermatology value chain, combining data-driven user demand insight, clinically grounded product development, versatile topical manufacturing and social commerce-driven omnichannel commercialization to move rapidly from the identification of a user need to a market-leading product — and then capture real-world usage data to feed back into the next iteration of the cycle. Key features of our user-centric product engine include:

Clinical-Oriented Research and Development. Our R&D is anchored in clinical value — identifying where genuine improvement in efficacy, tolerability or patient adherence is achievable, and then engineering formulations to deliver it. Our proprietary VertoDerm Platform is a dosage-form-agnostic, polymer-based topical delivery system. Operating through five functional modules — controlling drug release, retention, permeation, dispersion and stability at the target site — the platform can be adapted to the physicochemical properties of different active ingredients, the barrier characteristics of different anatomical sites and the requirements of different clinical use scenarios. Complementing the VertoDerm Platform, our Deep Skin Pharmacokinetics ("**D^3-PK**") capability enables us to verify drug distribution across skin layers before committing to human clinical trials, screening out formulations that appear equivalent on paper but fail to deliver at the target site.

Versatile and Responsive Manufacturing. We are vertically integrated across topical manufacturing and produce across eight dosage forms — solutions, gels, creams, ointments, liniments, paints, lotions and sprays — allowing us to match any new user need we identify to an optimal delivery format for the relevant anatomical site and usage scenario, unconstrained by manufacturing limitations.

Social Commerce-Driven Omnichannel Commercialization Network. Our omnichannel network spans hospitals, retail pharmacies and online platforms with 30-minute delivery capabilities and is designed to align with how topical dermatology users actually search for and access products. We have built proprietary capabilities to monitor real-time shifts in disease-related search intent and user sentiment across China's major online platforms. As disease awareness content on these platforms drives user search behavior, the breadth of our portfolio covering high-prevalence indications across anatomical sites and usage scenarios positions us to capture that traffic at the point of purchase, compounding growth without reliance on traditional advertising models.

STRENGTHS

Our strengths include: (i) full-spectrum topical dermatology company with category-leading products capturing high-growth market opportunities; (ii) integrated product portfolio driven by clinical innovation and strategic category expansion; (iii) R&D capabilities solving critical barriers in formulation and scale-up; (iv) integrated manufacturing platform with specialized versatility and scale; (v) social commerce-driven omnichannel commercialization model; and (vi) experienced management team combining pharmaceutical expertise with digital commercial execution. See "Business — Strengths" for more details.

STRATEGIES

Our strategies include: (i) deepen strategic focus on dermatology and solidify core competitive advantages through technological innovation; (ii) strengthen our omnichannel distribution network to maximize accessibility; (iii) optimize supply chain for scale, efficiency, and strategic flexibility; (iv) accelerate AI-driven digital transformation to secure the high ground in user knowledge; (v) drive long-term brand value through user experience and word-of-mouth; and (vi) pursue strategic international expansion. See "Business — Strategies" for more details.

OUR SALES NETWORK

During the Track Record Period, our products were sold in China. We have established a comprehensive and omnichannel sales network. We generate a substantial majority of our revenue through online wholesale, online retail and offline sales. Our sales team is structured to support this model. The following table sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	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.

OUR CUSTOMERS AND SUPPLIERS

Our major customers primarily consist of online wholesale customers and distributors. In 2023, 2024, 2025 and the three months ended March 31, 2026, our five largest customers in each year/period during the Track Record Period together generated RMB667.8 million, RMB599.3 million, RMB706.5 million and RMB159.9 million of revenues, respectively, accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue, respectively.

Our major suppliers primarily consist of suppliers of raw materials, finished products and providers of promotion and construction services. In 2023, 2024, 2025 and the three months ended March 31, 2026, purchases from our five largest suppliers in each year/period amounted to RMB190.8 million, RMB160.4 million, RMB231.5 million and RMB76.1 million, respectively, accounting for 24.6%, 19.7%, 22.7% and 26.5% of our total purchases, respectively.

See "Business — Our Customers" and "Business — Our Supply Chain — Our Major Suppliers" for more details.

OUR MARKET OPPORTUNITIES

The topical dermatology drug market in China features a mix of established multinational corporations and leading domestic pharmaceutical companies. According to Frost & Sullivan, within China's topical dermatology drug segment, the total market is projected to grow from approximately RMB27.8 billion in 2025 to approximately RMB45.1 billion in 2030, at a CAGR of approximately 10.2%. Growth is structurally underpinned by rising disease prevalence, increasing patient awareness and the convenience of self-medication, with online channels projected to grow at a CAGR of approximately 13.4% from 2025 to 2030, driven by the continued migration of dermatology users to digital purchasing and consultation.

China's topical dermatology drug market is in a stage of rapid development, characterized by diverse participants and a dynamic competitive landscape. According to Frost & Sullivan, our Company ranked sixth among all manufacturers of topical dermatology drugs in China based on ex-factory prices in 2025, with a revenue of approximately RMB0.96 billion. 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. See "Industry Overview" for more details of competition in the markets we serve.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our financial information during the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, our financial statements in this document, including the related notes. Our financial information was prepared in accordance with IFRS Accounting Standards.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

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)
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 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.

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 for the year/period (non-IFRS measure)	**146,583**	**71,522**	**180,933**	**38,148**	**31,447**

Note:

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

See "Financial Information — Period-to-Period Comparison of Results of Operations" and "Financial Information — Non-IFRS Financial Measures" for more details.

Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Total non-current assets	513,862	572,873	710,934	764,581
Total current assets	493,339	629,104	729,630	693,414
Total current liabilities	159,141	289,931	637,568	782,899
Net current assets/(liabilities)	334,198	339,173	92,062	(89,485)
Total non-current liabilities	196,435	234,602	214,240	163,936
Net assets	651,625	677,444	588,756	511,160

Our net assets increased from RMB651.6 million as of December 31, 2023 to RMB677.4 million as of December 31, 2024, primarily due to profit for the year of RMB45.6 million and equity-settled share-based payment of RMB25.9 million, partially offset by dividend declared and approved in the previous year which was recognized in 2024 at RMB38.6 million.

Our net assets decreased from RMB677.4 million as of December 31, 2024 to RMB588.8 million as of December 31, 2025, primarily due to (i) the recognition of financial instruments issued to investors of RMB288.6 million as a deduction from equity, (ii) the repurchase and cancellation of ordinary shares of RMB167.5 million and (iii) dividend declared and approved in the previous year which was recognized in 2025 at RMB25.7 million, partially offset by (i) proceeds of RMB256.9 million from the issuance of ordinary shares with preferred rights, net of transaction cost, (ii) profit for the year of RMB94.5 million and (iii) equity-settled share-based payment of RMB79.4 million.

Our net assets further decreased from RMB588.8 million as of December 31, 2025 to RMB511.2 million as of March 31, 2026, primarily due to the recognition of financial instruments issued to investors of RMB96.7 million as a deduction from equity, partially offset by (i) profit for the period of RMB12.6 million and (ii) equity-settled share-based payment expenses of RMB6.7 million during the three months ended March 31, 2026.

See "Financial Information — Selected Items from the Consolidated Statements of Financial Position" for more details.

Summary of the Consolidated Statements of Cash Flows

The following table sets forth summary data from our consolidated statements of cash flows for the years indicated. See "Financial Information — Liquidity and Capital Resources — Summary of the Consolidated Statement of Cash Flows" for more details.

	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**

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates or for the years/periods indicated. For further details, see "Financial Information — Key Financial Ratios."

	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

	For the years ended/As of December 31,			For the three months ended/As of March 31,
	2023	2024	2025	2026
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%.

RISK FACTORS

Our operations and the [**REDACTED**] involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to [**REDACTED**] in our Shares. Some of the major risks we face include: (i) Our business and future growth prospects rely on industry development and consumer demand for our products. If we fail to achieve and further promote our brand recognition and the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected; (ii) We operate in a competitive industry and if we fail to compete successfully against our existing or potential competitors in therapeutic dermatology and medical-grade skincare industry, our sales and operating results may be negatively affected; (iii) We rely on sales and marketing activities to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance; (iv) We rely on third-party e-commerce platforms and social media platforms to sell our products online; (v) Failure to maintain effective pricing strategies and any downward changes in the pricing of our products may have a material adverse effect on our business and results of operations; (vi) Our investment in R&D may not generate expected outcomes. In addition, we may fail to realize the anticipated benefits of licensing or collaboration arrangements, which may lead to disputes with our partners; (vii) We may not be able to develop or commercialize new products that are competitive or successful in the markets we have entered or plan to enter, in a timely manner or at all; (viii) Our profitability may be adversely affected by fluctuations in our cost of sales and operating expenses; (ix) Our historical business growth, revenue and profitability may not be indicative of future performance; and (x) We rely on our in-house sales and marketing team, which primarily supports our online sales, to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen were collectively interested in approximately 64.89% of the voting rights in our Company, including: (i) 4,800,308 Shares (representing approximately 3.47% of the voting rights in our Company) directly held by Mr. Xu, our executive Director and chairman of the Board; (ii) 1,200,000 Shares (representing approximately 0.87% of the voting rights in our Company) directly held by Mr. Xie, our executive Director, chief executive officer and general manager; (iii) 35,132,378 Shares (representing approximately 25.43% of the voting rights in our Company) held by Wuxi Zhonghe, which is controlled and owned as to an aggregate of approximately 61.82% by Mr. Xu and Mr. Xie pursuant to the Acting-in-Concert Agreement, whereby Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company; (iv) an aggregate of 37,377,018 Shares (representing approximately 27.05% of the voting rights in our Company) held by Wuxi Langming, Wuxi Langwei and Wuxi Langyi, all of which are controlled and managed by Wuxi Zhonghe as their general partner; and (v) an aggregate of 11,140,216

Shares (representing approximately 8.07% of the voting rights in our Company) held by Wuxi Langxing and Wuxi Zhiwen, both of which are controlled and managed by Mr. Xu as their general partner. Accordingly, Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen constitute our group of Controlling Shareholders.

Immediately after completion of the [**REDACTED**], our group of Controlling Shareholders will continue to control approximately [**REDACTED**]% of the voting rights in our Company (assuming that the [**REDACTED**] is not exercised) or approximately [**REDACTED**]% of the voting rights in our Company (assuming that the [**REDACTED**] is exercised in full).

PRE-[REDACTED] INVESTORS

We had attracted certain Pre-[**REDACTED**] Investors and completed multiple rounds of capital increase from them to raise funds for the development of our business as of the Latest Practicable Date. For further details of the identity and background of the Pre-[**REDACTED**] Investors, the amount raised and the usage of proceeds, see "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments."

DIVIDENDS

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. See "Financial Information — Dividends and Dividend Policy" for more details.

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**], and other fees incurred in connection with the [**REDACTED**]. The estimated total [**REDACTED**] expenses (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**] 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 accounted 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.

[**REDACTED**]

FUTURE PLANS AND USE OF [**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the midpoint of the stated range of the [**REDACTED**] of between HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**]). We currently intend to apply the [**REDACTED**] from the [**REDACTED**] for the following purposes: approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the expansion of our product portfolio; approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the upgrades of our manufacturing platform and intelligence infrastructures; approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the enhancement of brand and market influence; approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund potential strategic acquisitions and investments in China and overseas; and approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for working capital and general corporate purposes. See "Future Plans and Use of [**REDACTED**]" for more details.

RECENT DEVELOPMENT AND 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.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in "Glossary of Technical Terms."

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this document
"Acting-in-Concert Agreement"	the acting-in-concert agreement entered into between Mr. Xu and Mr. Xie dated March 31, 2021, pursuant to which Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, supplemented or otherwise modified from time to time, which shall become effective on the [**REDACTED**], a summary of which is set out in Appendix IV to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors of our Company
	[**REDACTED**]
"business day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
	[**REDACTED**]
"China", "Chinese Mainland" or "PRC"	the People's Republic of China and for the purpose of this document only, unless the context otherwise requires, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company" or "the Company"	Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司) (formerly known as Jiangsu Shengbaoluo Pharmaceutical Co., Ltd. (江蘇聖寶羅藥業有限公司)), a limited liability company incorporated under the laws of the PRC on March 11, 1999 and converted into a joint stock company with limited liability on November 27, 2020, and where the context so permits, shall include its predecessor
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT"	PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

DEFINITIONS

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
	[**REDACTED**]
"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, an independent market research and consulting company
	[**REDACTED**]
"Group," "our Group," "we" or "us"	our Company and our subsidiaries from time to time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB[**REDACTED**] each, which will be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars and [**REDACTED**] on the Stock Exchange
	[**REDACTED**]
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
	[**REDACTED**]

[**REDACTED**]

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[**REDACTED**]

"IFRS Accounting Standards"	IFRS Accounting Standards as issued by the International Accounting Standards Board
"independent third party(ies)"	entity(ies) or person(s) who is/are not connected person(s) of our Company or its subsidiary(ies)

[**REDACTED**]

[**REDACTED**]

"KRW"	Korean won, the lawful currency of South Korea
"Langrun Tech"	Langrun Pharmaceutical Technology Co., Ltd. (朗潤醫藥科技有限公司) (formerly known as Ningbo Langrun Pharmaceutical Technology Co., Ltd. (寧波朗潤醫藥科技有限公司)), a limited liability company incorporated in the PRC on August 20, 2012, which became our subsidiary in December 2015 and was subsequently dissolved on a voluntary basis by way of deregistration on September 8, 2025 due to cessation of its business
"Latest Practicable Date"	July 1, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Xie"	Mr. Xie Hongwei (謝宏偉), our executive Director, chief executive officer and general manager, and a member of our Controlling Shareholders
"Mr. Xu"	Mr. Xu Jun (徐軍), our executive Director and our chairman of the Board, and a member of our Controlling Shareholders
"Nomination Committee"	the nomination committee of our Board

[**REDACTED**]

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	Zhong Lun Law Firm, our legal advisor as to PRC law
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"document"	this document being issued in connection with the [**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Sole Sponsor"	the sole sponsor as named in "Directors and Parties Involved in the [**REDACTED**]"

[**REDACTED**]

"State Council"	State Council of the PRC (中華人民共和國國務院)
"Strategy and ESG Committee"	the strategy and ESG committee of our Board
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Track Record Period"	the three years ended December 31, 2025 and the three months ended March 31, 2026
"Trial Measures for Overseas Listing"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), as amended, supplemented or otherwise modified from time to time
"Unlisted Share(s)"	ordinary share(s) issued by our Company, which is/are not listed on any stock exchange, with a nominal value of RMB1.00 each
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"VAT"	value-added tax

[**REDACTED**]

"Wuxi Langming"	Wuxi Langming Pharmaceutical Investment Consulting Partnership Enterprise (Limited Partnership) (無錫朗名醫藥投資諮詢合夥企業(有限合夥)), formerly known as Ningbo Langming Pharmaceutical Investment Consulting Partnership Enterprise (Limited Partnership) (寧波朗名醫藥投資諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on November 27, 2014, and a member of our Controlling Shareholders
"Wuxi Langwei"	Wuxi Langwei Pharmaceutical Investment Consulting Partnership (Limited Partnership) (無錫朗威醫藥投資諮詢合夥企業(有限合夥)), formerly known as Ningbo Langwei Pharmaceutical Investment Consulting Partnership (Limited Partnership) (寧波朗威醫藥投資諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on November 27, 2014, and a member of our Controlling Shareholders

DEFINITIONS

"Wuxi Langxing"	Wuxi Langxing Pharmaceutical Investment Partnership (Limited Partnership) (無錫朗行醫藥投資合夥企業(有限合夥)), formerly known as Shenzhen Langxing Pharmaceutical Investment Partnership (Limited Partnership) (深圳市朗行醫藥投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on September 29, 2015, and a member of our Controlling Shareholders
"Wuxi Langyi"	Wuxi Langyi Pharmaceutical Investment Consulting Partnership (Limited Partnership) (無錫朗億醫藥投資諮詢合夥企業(有限合夥)), formerly known as Ningbo Langyi Pharmaceutical Investment Consulting Partnership (Limited Partnership) (寧波朗易醫藥投資諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on August 13, 2015, and a member of our Controlling Shareholders
"Wuxi Zhiwen"	Wuxi Zhiwen Pharmaceutical Investment Partnership (Limited Partnership) (無錫知問醫藥投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on November 1, 2017, and a member of our Controlling Shareholders
"Wuxi Zhonghe"	Wuxi Zhonghe Pharmaceutical Investment Co., Ltd. (無錫中和醫藥投資有限公司), a company incorporated in the PRC on December 5, 2014, and a member of our Controlling Shareholders
"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions and may not be comparable to similar terms adopted by other companies.

"acne vulgaris"	a chronic inflammatory skin disease of the pilosebaceous unit
"AD", "atopic dermatitis" or "atopic eczema"	a chronic, relapsing inflammatory skin disease characterized by immune dysregulation, skin barrier dysfunction, pruritus and eczematous lesions
"AGA"	androgenetic alopecia, a genetically predetermined hair loss disorder due to excessive response to androgens
"alopecia"	the medical term for hair loss
"alopecia areata"	a common inflammatory non-scarring hair loss, characterized by the sudden onset of well-demarcated circular hair loss patches on the scalp
"ANDA"	Abbreviated New Drug Application, application for the approval of a generic version of an already approved brand-name drug
"androgen"	a steroid hormone that promotes male secondary sex characteristics
"antibiotic"	a substance produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical product that is biologically active
"BE trial"	bioequivalence trial, a type of evaluation to determine whether a generic drug is equivalent to an original drug in terms of biochemical similarity
"BPO"	benzoyl peroxide, a prescription medication for acne vulgaris in China. Benzoyl peroxide is bactericidal with activity against C. acnes on the skin and within the hair follicles
"BSL-2"	Biosafety Level 2, a laboratory biosafety classification for handling moderate-risk biological agents that can cause human disease but are typically manageable with standard precautions, requiring controlled access, personal protective equipment and specific procedural safeguards
"CAGR"	compound annual growth rate
"cAMP"	cyclic adenosine monophosphate, a molecule that transmits signals inside cells
"clobetasol propionate"	a corticosteroid active pharmaceutical ingredient with anti-inflammatory properties
"CNAS"	China National Accreditation Service for Conformity Assessment
"combination therapy"	a treatment that uses more than one medication or modality
"corticosteroid"	a class of steroid hormone drugs that lower inflammation in the body and reduce immune system activity

GLOSSARY OF TECHNICAL TERMS

"CRO"	contract research organization
"Cutibacterium acnes"	a member of the skin microbiota found predominantly in regions rich in sebaceous glands
"cytokine"	a broad category of small proteins that are important in cell signaling, whose release has an effect on the behavior of cells expressing corresponding receptors
"D^3-PK"	Deep Skin Pharmacokinetics
"dermatology"	the branch of medicine that is concerned with the diagnosis and treatment of diseases of the skin, hair, and nails in both children and adults
"dermis"	the layer of the skin between the epidermis and subcutaneous tissue
"dihydrotestosterone"	a male sex hormone which is the active form of testosterone, formed from testosterone in bodily tissue
"epidermis"	the outermost layer of the skin
"ERP"	enterprise resource planning
"ESG"	Environmental, Social and Governance
"FDA"	the United States Food and Drug Administration
"finasteride"	a 5α-reductase inhibitor used for the treatment of benign prostatic hyperplasia and androgenetic alopecia in men
"first-line"	with respect to any disease, the first-line therapy, which is the therapy regimen or regimens that are generally accepted by the medical establishment for initial therapy
"GCP"	Good Clinical Practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"generic drug"	a pharmaceutical that contains the same active ingredients as an original formulation and is comparable in dosage form, strength, quality, performance and intended use
"GMP"	Good Manufacturing Practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
"GSP"	Good Supply Practice, guidelines and regulations to provide quality assurance and ensure that pharmaceutical distribution companies distribute pharmaceutical products in compliance with the guidelines and regulations
"hydrochloride"	a chemical substance that is a combination of a metal or base with hydrochloric acid
"hypertrichosis"	a condition with excessive hair growth anywhere on the body in either males or females
"IL-13"	interleukin-13
"IL-4"	interleukin-4
"immune-inflammatory dermatoses"	a category of skin disorders driven by dysregulated immune activation and chronic inflammatory pathways, encompassing conditions such as psoriasis, atopic dermatitis, vitiligo and other immune-mediated dermatoses

GLOSSARY OF TECHNICAL TERMS

"in vitro"	Latin for "within the glass," referring to studies that are performed with microorganisms, cells, or biological molecules outside their normal biological context
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the United States
"indication"	a sign, symptom, or medical condition that leads to the recommendation of a treatment, test, or procedure
"inhibitor"	a substance that binds to and decreases the activity of a specific enzyme or protein, thereby regulating biological processes; often used therapeutically to block disease-related pathways
"IPL"	Intense Pulsed Light
"IQ"	Installation Qualification, a documented verification activity that ensures equipment is installed correctly according to manufacturer specifications, engineering requirements and regulatory standards
"IVPT"	in vitro permeation test, the test that estimates the degree to which a dosage form promotes or inhibits the permeation of its ingredients across a physiological barrier
"IVRT"	in vitro release test, an in vitro release testing parameter which determines the release of drug from the topical dosage form
"LC-MS/MS"	liquid chromatography-tandem mass spectrometry, an analytical method used to quantify drug concentrations in biological matrices
"MAH"	marketing authorization holder, an individual or entity that holds the license/legal authorization to market and distribute a pharmaceutical product in a specific jurisdiction
"mechanism of action"	the specific biochemical interaction through which a drug substance produces its pharmacological effect
"melasma"	a common acquired hyperpigmentation disorder characterized by symmetrical brown to gray-brown patches, typically on sun-exposed areas of the face, commonly associated with pregnancy, oral/patch contraceptives or hormone replacement therapy
"minoxidil"	the most commonly used topical active pharmaceutical ingredient for hair loss
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"MSI"	mass spectrometry imaging, a spatially-resolved mass spectrometry technique that acquires molecular information across biological tissues or materials and reconstructs the distribution of analytes at each location, enabling label-free visualization of drugs, metabolites, lipids and other biomolecules on tissue sections
"NDA"	new drug application
"onychomycosis"	fungal infection of nails caused by dermatophytes, yeasts or non-dermatophyte molds
"OQ"	Operational Qualification, a functional verification process that confirms equipment operates as intended across defined operating ranges and conditions

GLOSSARY OF TECHNICAL TERMS

"OTC"	over-the-counter, referring to medications and health products that can be purchased without a prescription
"PDE-4"	phosphodiesterase-4, an enzyme belonging to the phosphodiesterase family that specifically hydrolyzes cyclic adenosine monophosphate (cAMP) into its inactive form. By regulating intracellular levels of cAMP, PDE-4 plays a key role in controlling inflammatory and immune responses, as well as various cellular signaling pathways. Inhibition of PDE-4 has been shown to have anti-inflammatory effects and is a therapeutic strategy for treating certain inflammatory diseases, including COPD, psoriasis, and AD
"pharmacokinetics"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Phase I clinical trial"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition to test for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness
"Phase II clinical trial"	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product for specific targeted diseases, and determine dosage tolerance and optimal dosage
"pigmentation disorders"	a dermatologic category encompassing conditions characterized by abnormal increase or decrease of melanin in the skin, including hyperpigmentation, hypopigmentation and depigmentation disorders arising from melanocyte dysfunction, inflammation or external stimuli
"PQ"	Performance Qualification, a performance validation activity that demonstrates equipment consistently performs under actual or simulated production conditions to meet predefined acceptance criteria
"pre-IND"	pre-investigational new drug, a regulatory communication with the relevant authority before submission or resubmission of an IND application
"prescription drug"	a drug which may only be prescribed by qualified medical practitioners
"psoriasis"	a chronic, immune-mediated inflammatory skin disease characterized by recurrent episodes of erythematous, scaly plaques
"PV"	Pharmacovigilance, the science and activities relating to the detection, assessment, understanding, and prevention of adverse effects or any other drug-related problem
"R&D"	research and development
"receptor"	a protein molecule usually found on the surface of a cell that receives chemical signals from outside the cell
"retinoid"	a group of vitamin A-based drugs used on skin for acne treatment
"rosacea"	a chronic inflammatory facial skin disorder characterized by persistent erythema, episodic flushing, telangiectasia and inflammatory papules or pustules, commonly associated with dysregulated vascular and immune responses
"SCM"	Supply Chain Management

GLOSSARY OF TECHNICAL TERMS

"sebum"	an oily substance produced by sebaceous glands that protects and hydrates the skin and scalp
"steroid"	a large class of natural or synthetic organic compounds characterized by a nucleus of 17 carbon atoms
"superficial fungal infection"	a fungal infection limited to the outer layers of the skin, hair or nails, typically caused by dermatophytes, yeasts or molds, and presenting with localized scaling, erythema, pruritus or nail changes without systemic involvement
"tacrolimus ointment"	a prescription ointment for moderate to severe atopic dermatitis
"TCI"	topical calcineurin inhibitor
"TCS"	topical corticosteroids, a class of steroid medications used to reduce inflammation and treat various skin conditions such as eczema, psoriasis, dermatitis, and other inflammatory skin disorders
"TNF-α"	tumor necrosis factor alpha, a pro-inflammatory cytokine involved in inflammatory responses
"Vascular Endothelial Growth Factor"	a protein that stimulates the formation of blood vessels
"vitiligo"	a chronic autoimmune disorder that causes patches of skin to lose pigment or color
"WMS"	warehouse management system

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements and information that relate to our current expectations and views of future events. These forward-looking statements are contained principally in "Summary," "Risk Factors," "Industry Overview," "Business," "Financial Information" and "Future Plans and Use of [**REDACTED**]." These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in "Risk Factors," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may," "might," "ought to," "project," "seek," "will," "would," "expect," "anticipate," "aim," "estimate," "intend," "could," "should," "consider," "plan," "believe," "predict," "potential," "continue," "outlook," "schedule," "going forward," "is/are likely to" or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- our financial condition and performance;
- our capital expenditure plan;
- our ability to maintain good relationships with our business partners;
- future developments, trends and conditions (including economic, political and business conditions) in the industries and markets in which we operate or plan to operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the actions and developments of our competitors;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our ability to control or reduce costs;
- our ability to control our risks;
- our financial condition and performance, debt levels and capital needs;
- our dividend policy;
- various business opportunities that we may pursue;
- our business strategies, objectives and plans and our ability to achieve these strategies;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors."

FORWARD-LOOKING STATEMENTS

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this document, statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any of these intentions may change in light of future development.

An [**REDACTED**] *in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the* [**REDACTED**] *of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth prospects rely on industry development and consumer demand for our products. If we fail to achieve and further promote our brand recognition and the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.

We operate in an industry that is subject to rapid changes in consumer demand and trends. The success of our business depends significantly on the continued demand for our products, which in turn depends on the level of acceptance of, and satisfaction with, our products among mass consumers, medical institutions and pharmacies within China's therapeutic dermatology and medical-grade skincare market. The industry and market for such products have been developing rapidly in recent years. However, the prospects of the industry and the market depend on factors beyond our control.

A number of factors could affect the market acceptance of our products and, in turn, our business success, including but not limited to the following: our ability to identify and address the evolving needs and preferences of our customers and consumers, part of which could in turn be impacted by the changing regulatory environment; the progress of our R&D efforts, as well as when our products commence commercialization relative to competing products; the safety and efficacy of our products and product candidates, including but not limited to the prevalence and severity of adverse drug reactions, if any; pricing and cost-effectiveness of our products relative to competing products; public perception, perceived advantages and brand recognition of our products over competing products; and effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products relative to competing products.

If our products fail to achieve or maintain widespread market acceptance, particularly among mass consumers, medical institutions and pharmacies, or if we fail to maintain good relationships with them, our prospects may be adversely affected. Market demand for our products may also decline if competing products are perceived more favorably, more cost-effective, or otherwise render our products obsolete. Further, our brand recognition and product acceptance depend largely on our ability to anticipate and respond to changes in consumer demand and offer high-quality products. If we fail to anticipate and respond appropriately to such changes, or if consumer preferences shift away from the products we develop, manufacture, and sell, our brand recognition, results of operations and financial condition will be materially and adversely affected. We cannot assure you that our brand promotion activities and R&D efforts will be successful and will contribute to our business growth, and the resulting benefits may not always justify the relevant expenditure. In the event the demand for our products fails to grow as rapidly as anticipated, our business and results of operations may also be materially and adversely affected.

We operate in a competitive industry, and if we fail to compete successfully against our existing or potential competitors in therapeutic dermatology and medical-grade skincare industry, our sales and operating results may be negatively affected.

The therapeutic dermatology and medical-grade skincare industry is highly competitive and is characterized by evolving consumer preferences, rapid product innovation, extensive marketing efforts, and increasing acceptance of new products, therapies and solutions. We face competition from domestic and international competitors in a number of dimensions, and competition from these existing players and new market entrants is expected to continue and intensify. These dimensions of competition include but are not limited to the efficacy, functionality, quality, safety and prices of products; the availability and costs of raw materials; brand recognition, sales and marketing capabilities; R&D capabilities; ability to secure timely regulatory approvals for new products; and manufacturing capabilities. Some of our competitors may discover, develop or commercialize competing products or treatments earlier or more successfully than we do, as they may have stronger R&D and technological capabilities, products with more advanced or appealing features, a broader variety of products, more extensive or effective sales networks, or greater financial and other resources. If we fail to continuously develop, effectively promote our products, or respond to shifting consumer preferences, we cannot assure you that we will be able to compete effectively, maintain our market position, or achieve our growth objectives.

In addition, the consumer needs and preferences in China's therapeutic dermatology and medical-grade skincare market have been rapidly evolving. Existing competitors and new market entrants may be faster in identifying and capturing market trends and developing new products or updating existing products that better address market demand or industry trend, and obtain a more advantageous market position than we do, which could significantly dampen the demand for our products and cause our products to become obsolete. As a result, we cannot assure you that our endeavors in researching and developing new products and enhancing our technological capabilities will enable us to gain or maintain our competitive advantage. The intensified competition may result in increased pricing pressure, increased sales and marketing expenses, reduced profitability, and loss of market share, any of which could have an adverse effect on our prospects, business, results of operations and financial condition.

We rely on sales and marketing activities to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell our products through both online sales and offline sales. In 2023, 2024 and 2025, and for the three months ended March 31, 2026, we generated 46.4%, 57.4%, 58.0% and 61.8% of our revenue from sales of products through online sales, and 52.5%, 41.2%, 40.8% and 36.6% of our revenue from sales of products through offline sales. We aim to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential customers, which will depend to a significant extent on the successful execution of the effective sales and marketing strategy. Our sales and marketing initiatives primarily include academic promotion activities, online marketing campaigns and offline marketing efforts, through which we convey scientific product knowledge, enhance brand reputation and expand customer reach. If we are unable to hire, develop and retain qualified sales and marketing personnel, if our new sales and marketing personnel are unable to achieve desired performance levels, or if we cannot maintain or strengthen our relationships with third-party industry players such as large-scale pharmaceutical commercial companies, medical institutions, pharmacies and our engagement with e-commerce platforms, we may not be able to execute our sales and marketing strategies or achieve our goals. Failure to engage in sales and marketing activities in a cost-effective manner or achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and thereby materially harm our business, results of operations and financial condition.

We rely on third-party e-commerce platforms and social media platforms to sell our products online.

We have relied on third-party e-commerce platforms including shelf-based e-commerce platforms such as Ali Health (阿里健康) and JD Health (京東健康), as well as interest-based social commerce platforms such as Douyin (抖音), for online sales of our products. Specifically, Ali Health not only is one of our major online wholesalers but also acts as a customer and a promotional partner, which amplifies our reliance on it as both a wholesale and marketing platform. The future growth of our online operations depends on our ability to continue attracting online customers and generating new purchases from various online channels, as well as our ability to retain visitors to our websites and social media platforms. See "Business — Sales and Marketing" for more details of our approach to maintaining online presence.

If the services or operations of such platforms are interrupted, if such platforms fail to provide satisfactory customer experience and fail to attract new users and retain existing users, if our cooperation with such third-party e-commerce platforms terminates, deteriorates or becomes more costly, or if we fail to incentivize such platforms to drive traffic to our online stores on these platforms or promote the sale of our products, our business and results of operations may be materially and adversely affected. We cannot assure you that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce industry. Furthermore, any negative publicity about such third-party platforms, or any public perception of or claims against such platforms, whether meritorious, proven or otherwise, may deter visits to the platforms and result in a decline in sales of our products, which may negatively impact our business and results of operations.

In addition to our ability to maintain relationships across various third party platforms, the success of these platforms also depends on a number of factors relating to the online marketing industry and consumer behavioral patterns, including, without limitation: consumer traffic on e-commerce platforms and our ability to increase consumer traffic on our online stores and the e-commerce platforms we engage; our ability to respond to the changes in the online marketing and e-commerce industry in China; influence of online influencers on consumer preferences and our cooperation with such influencers; the reliability of the e-commerce and social media platforms; and the availability of the relevant network infrastructure, such as online or mobile payment platforms. Any negative publicity about such third-party e-commerce and social media platforms, decline in the popularity of online shopping in general or failure to identify and respond to market trends and consumer requirements in the online channels could result in decline of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our prospects, business, results of operations and financial condition.

Failure to maintain effective pricing strategies and any downward changes in the pricing of our products may have a material adverse effect on our business and results of operations.

We generally price our products by considering various factors, including but not limited to the market demand for our products, our costs and expenses, different positioning of product lines, prices of competing products or treatments, the overall competitive landscape, the level of local economic development, national or other third-party reimbursement practices, healthcare reform initiatives, and governmental pricing regulations. However, our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our products, which may affect our ability to capture market demand and generate revenue. With the introduction of our new products or competing products, or with voluntary price cuts by our competitors, we may be forced to lower the prices for our products. Our customers may gain more bargaining power and may demand a lower price from us, which reduces our profitability. In addition, if certain downstream customers seek to lower the prices of our products and reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors. If the PRC Government issues pricing guidance for our products, it may negatively affect the price at which we can sell our products. Although a certain portion of our products are included in the National Reimbursement Drug List ("**NRDL**"), and one of our major products was subject to national centralized procurement as of the Latest Practicable Date, we cannot assure you that the proportion of our products listed in the NRDL or subject to national centralized procurement will not change, and the price of our commercialized

products may therefore be affected by related governmental regulation or pricing limitation in the future. Any negative developments in respect of the above could result in a decline in the pricing of our products, thus materially and adversely affecting our business, financial condition, and results of operations. If we are unable to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, our net profit margin may decrease accordingly. Our adjusted net profit margin (non-IFRS measure) was 14.2%, 6.4%, 13.7% and 9.3% in 2023, 2024 and 2025, and for the three months ended March 31, 2026, respectively. If our products experience downward pricing pressures, we cannot assure you that we can sustain our gross profit margin levels. Any such decrease could materially and adversely affect our business, profitability, financial condition and results of operations.

Our investment in R&D may not generate expected outcomes. In addition, we may fail to realize the anticipated benefits of licensing or collaboration arrangements, which may lead to disputes with our partners.

The process of R&D activities is inherently time-consuming, costly and uncertain. Since our inception, we have been committed to the R&D relating to indication expansion, dosage-form development and specification expansion of our marketed products and pipeline candidates specialized in topical dermatology formulation science. As of the Latest Practicable Date, our R&D organization comprised over 100 professionals dedicated to topical dermatology product development. Our research and development costs were RMB48.8 million, RMB59.5 million, RMB71.0 million, RMB11.5 million and RMB10.8 million in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively. Of these research and development costs, clinical trial and technical service fees accounted for over 30% on an aggregate basis over the Track Record Period, and we plan to continue investing substantial amounts in R&D in the future. See "Financial Information — Key Components of Consolidated Statements of Profit or Loss — Research and Development Costs" and "Future Plans and Use of [**REDACTED**]" for more details. If we are unable to build stronger clinical trial R&D capabilities in the future, or if technical service R&D fails to deliver the expected results, our pipeline expansion may be constrained. We cannot assure you that our R&D efforts will deliver the intended results, including the identification of new technological opportunities, the development and adaptation of new technologies, or the timely introduction of more advanced products. Our current pipeline includes multiple products, and the success of these products primarily depends on demonstrating consistent quality and efficacy with originator drugs in the case of generics, and on ensuring clear efficacy, controllable safety and stable quality in the case of innovative drugs. Our planned pipeline will cover multiple product candidates, and the success of certain of these products may depend on our ability to initiate patent challenges or otherwise circumvent originator patents. We may also fail to obtain sufficient intellectual property protection, secure necessary regulatory approvals in a cost-effective manner, or upgrade and adopt new technologies to mitigate substitution risks. Any such shortcomings could materially harm our prospects, business, financial condition and results of operations.

We may from time to time establish or seek to enter into collaborations, primarily in R&D, such as by building strategic partnerships with multiple institutions, or by maintaining collaborations with global industry leaders and other third parties that we believe will enhance our development and commercialization of our current and future product candidates. See "Business — Research and Development" for more details. We face significant competition in seeking appropriate strategic partners, and the negotiation process is time-consuming and complex; moreover, other companies with greater resources or capabilities may outcompete us, and any collaborations we do establish may ultimately fail to deliver the anticipated benefits. The third parties we collaborate with may also fail to properly perform their contractual obligations, protect their intellectual property rights, comply with applicable regulatory requirements or ultimately yield the anticipated economic benefits. Such relationships may also require us to incur significant costs and increase our near- and long-term expenditures. Our licensing or other collaboration arrangements with partners also involve numerous risks, and are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. Even if we eventually achieve the expected benefits of our licensing or collaboration arrangements, they may not be realized within the anticipated timeframe, and disputes with partners may arise. Such disputes may delay or terminate R&D or further commercialization activities or result in costly litigation or arbitration that diverts management attention and resources, adversely affecting our business development.

We may not be able to develop or commercialize new products that are competitive or successful in the markets we have entered or plan to enter in a timely manner or at all.

We are dedicated to continuously developing and commercializing new products that meet consumer demands, which are essential to our success. The success of any product candidate will depend on our ability to anticipate industry trends and market demand, complete the product development and commercialization process efficiently, minimize the costs and time for obtaining required regulatory approvals, optimize our manufacturing and procurement process, manufacture and deliver new products in a timely and commercially viable manner, anticipate and compete with our competitors, and increase customer awareness and acceptance of our new products. We cannot assure you that we can predict industry trends and market demand and be successful in developing and commercializing new products, or that we will be able to identify viable product development or commercialization opportunities. We may experience delays or terminations in any stage of product development, manufacturing, product registration and marketing.

In particular, our product pipeline includes several preclinical and clinical-stage candidates targeting therapeutic dermatology sector, all of which require relevant approval, such as IND approval and drug registration certification from NMPA or other relevant regulatory approvals. Before obtaining such regulatory approval, we must conduct clinical trials to demonstrate the safety and efficacy of the aforementioned pipeline assets. Failure to obtain regulatory approvals or registration certificates for these pipeline assets in a timely manner would hinder us from penetrating into the therapeutic dermatology and medical-grade skincare industry, which may adversely affect our business and financial performance. We may collaborate with third parties to develop new products. If we are unable to reach agreements with suitable collaborators on acceptable terms in a timely manner, or at all, we may have to curtail the product development, reduce or delay its development program or commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. We cannot assure you that we will be able to launch new products as anticipated, or that consumers will be receptive to our new products. Even if we are able to launch new products, it may take time for the new products to gain market acceptance. Our prospects, business, results of operations and financial condition could thus be adversely affected.

Our profitability may be adversely affected by fluctuations in our cost of sales and operating expenses.

We primarily procure active pharmaceutical ingredients ("**APIs**"), excipients, and packaging materials used for production from third-party suppliers, and the price and availability of these inputs are subject to fluctuations driven by supplier capacity, energy prices, and logistics disruptions. In recent years, the price of such materials used in the therapeutic dermatology and medical-grade skincare industry has fluctuated, driven by factors such as inflation, market demand and supply fluctuations. We cannot assure you that there will be no further increase in cost of materials in the future. If there is a significant increase in our cost of materials, our operations, gross profit margin and overall profitability may be adversely affected. We may not have long-term or fixed-price supply arrangements for certain key inputs, and even where such arrangements exist, they may be subject to adjustments or renewal on less favorable terms. We cannot assure you that we will be able to procure sufficient qualified materials on commercially acceptable terms, or pass any increase in input costs on to customers without adversely affecting demand. In addition, supplier quality issues, yield loss, or delivery delays could increase our material consumption and inventory holding costs, disrupt production schedules, compress gross margins and materially and adversely affect our business, results of operations and financial condition.

We expect that our results of operations will be affected by fluctuations in our cost of sales and operating expenses. Our cost of sales consists primarily of cost of materials, transportation costs, manufacturing overhead and labor costs. A significant component of our cost of sales is cost of materials, and fluctuations in the price or availability of raw materials may directly affect our operations and profitability. We have devoted significant efforts to continuously improve our production efficiency, including through upgrading our production facilities to achieve increased automation in our production processes. However, we cannot assure you that our cost-control measures will be effective or sufficient to offset potential increases in raw material, labor or other production costs, and any failure to do so could materially and adversely affect our business and results of operations.

Selling expenses are a significant component of our operating expenses. The effectiveness of our sales and marketing activities is critical to our financial performance, and our spending on sales and marketing activities has affected and is expected to continue to affect our performance. We communicate with consumers through various channels and touchpoints through online and offline marketing activities. As we increase our sales and promotion activities, we expect that our selling expenses will further increase in the future.

To continue our commitment to develop and expand our product portfolio and pipeline candidates, we have invested in R&D. As the clinical development of our product candidates progresses, we expect that we will continue to incur research and development expenses. With our expanding scale of operations, we also expect to incur additional administrative expenses. If we fail to effectively manage our cost of sales and operating expenses, there may be a material and adverse effect on our results of operations and financial condition.

Our historical business growth, revenue and profitability may not be indicative of future performance.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB1,030.6 million in 2023 to RMB1,125.7 million in 2024, and further to RMB1,323.7 million in 2025. Our revenue increased from RMB293.2 million for the three months ended March 31, 2025 to RMB336.8 million for the three months ended March 31, 2026. Moreover, our gross profit amounted to RMB740.0 million, RMB776.3 million, RMB884.1 million, RMB199.4 million and RMB222.7 million in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively, with gross profit margins of 71.8%, 69.0%, 66.8%, 68.0% and 66.1% during the same periods. However, our historical growth and profitability may not be indicative of our future performance, and we cannot assure you that this level of significant growth and profitability will be sustainable, or achievable at all, in the future.

Our ability to achieve or maintain growth and profitability will largely depend on our ability to successfully execute our development strategies, which in turn depends on a number of factors, including but not limited to our ability to: innovate and develop new technologies and products to address market demand, preferences and changes; increase market acceptance of our products; improve our reputation and brand recognition among consumers, retail pharmacies and medical institutions; assess and review our channel strategy; enhance our manufacturing capacity and efficiency; and maintain adequate control of our costs and expenses.

We may also encounter unforeseen expenses, difficulties, delays and other unknown events. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies effectively, and failure to do so will adversely affect our business, results of operations and financial condition.

We rely on our in-house sales and marketing team, which primarily supports our online sales, to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell our products through both online and offline sales, and our sales team is primarily dedicated to supporting our online sales. We aim to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential customers, which will depend to a significant extent on the successful execution of effective sales and marketing strategy. However, we cannot assure you that we will be able to attract, motivate and retain qualified and professional employees with requisite expertise and communicate with them effectively. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals. See "Business — Sales and Marketing — Our Sales Network" for more details.

In addition, both our relationships with third parties such as large-scale pharmaceutical commercial companies, medical institutions and pharmacies and our engagement with e-commerce and social media platforms play an important role in our sales and marketing activities. We cannot assure you that we will be able to maintain or strengthen our relationships with these industry players. These industry players may leave the market, change their business or practice focus, cease to collaborate with us, or collaborate with our competitors for any reason. As a result, our marketing strategy and efforts may not be successful in promoting our products. If we are unable to generate returns from our relationships with these industry players as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we have limited experience in the sales and marketing of certain of our product candidates, which include products that operate in different sub-markets to our marketed products. Upon the commercialization of our product candidates, we may fail to build a corresponding commercial team, conduct comprehensive market analysis, obtain licenses and approvals, or manage the related distributors and sales force. As a result, commercialization of our product candidates may involve more inherent risks, take comparatively longer time, and cost more. There may be circumstances during the actual sales of our future products that we did not anticipate prior to commercialization that may require us to adjust our sales and marketing strategy, recruit additional personnel or incur unforeseen costs and expenses. In such event, our business prospects and sales of the relevant products could be materially and adversely affected.

Failure to engage in sales and marketing activities in a cost-effective manner and failure to achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and materially harm our business, results of operations and financial condition.

We depend on our distributors for a large portion of our total revenue and have limited control over them, which exposes us to significant concentration risk.

We manage a broad sales and distribution network and sell a substantial majority of our products to third-party distributors under a buy-out sales model. The distributors we engaged are offline distributors, which are primarily large-scale pharmaceutical commercial companies. We typically enter into short-term framework agreements with our distributors. We cannot assure you that any of our existing distributors will renew such framework agreements upon expiration or continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all. Should any of the distributors substantially reduce their demand for our products or terminate their business relationship with us, we may not be able to secure replacements for the lost customers or purchase orders in a timely manner or at all and may experience a decline in our sales performance. Any unexpected cessation of, or substantial reduction in, the volume of orders from any of our major distributors may have a material and adverse impact on our business, financial condition and results of operations.

As of March 31, 2026, we had 234 distributors. See "Business — Sales and Marketing" for more details. Due to the large number of our distributors, it is difficult to monitor their compliance with regulatory requirements and business practices. Non-compliance by any of our distributors with the relevant licensing requirements under applicable regulations may adversely affect the sales and distribution of our products. Further, as we rely on our distributors to manage their sales practices, we have limited control over the ultimate sales by these distributors. We cannot assure you that they will at all times comply with our sales policies, including our pricing guidance and territorial restrictions, or that they will not compete with each other for market share in respect of our products. If any of our distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions that are inconsistent with our business strategy, it may affect our future sales. Any occurrence of the aforementioned non-compliance may in turn materially and adversely affect our business, financial condition, results of operations and prospects. There were no material disputes or litigations between the terminated distributors and us during the Track Record Period and up to the Latest Practicable Date.

Additionally, some of our distributors may engage sub-distributors to further distribute our products. We do not enter into direct agreements with these sub-distributors, nor do we maintain a direct relationship with them. Any misconduct by a sub-distributor, such as violations of local laws, misleading promotional activities, or poor customer service, could harm our brand reputation, lead to customer dissatisfaction, and potentially result in legal or regulatory liabilities.

During the Track Record Period, a certain portion of our products were sold to distributors. During the Track Record Period, our revenue from sales of products by offline distributors was RMB539.7 million, RMB462.5 million, RMB540.1 million and RMB123.4 million, which approximately accounted for 52.4%, 41.1%,40.8% and 36.6% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, respectively. The performance of our distributors, including their ability to sell our products, uphold our brands and expand their sales networks, is crucial to the future growth of our business and may directly affect our sales volume and profitability. We expect our sales to distributors will, in aggregate, continue to account for a large portion of our sales for the foreseeable future. However, we cannot assure you that we can maintain our relationship with any major distributors in the future, which exposes us to significant concentration risk in relation to our total revenue. If our distributors reduce their orders from us or terminate their business relationships with us, we may not be able to secure alternative distributors with similar sales performance on terms and conditions commercially acceptable to us in a timely manner, which consequently may materially and adversely affect our results of operations and financial condition.

We are exposed to concentration risk of reliance on our major customers.

During the Track Record Period, we generated a majority portion of our revenue from our major customers. Revenue generated from our five largest customers was RMB667.8 million, RMB599.3 million, RMB706.5 million and RMB159.9 million, accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue in 2023, 2024 and 2025, and for the three months ended March 31, 2026, respectively. Our reliance on these major customers subjects us to concentration and counterparty risk from these customers. We cannot assure you that we will be able to maintain our relationships with our major customers in the future. Moreover, we cannot assure you that our major customers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operations or financial condition of our major customers may result in a material adverse impact on their business with us. For example, if our major customers cease to purchase our products, we may not be able to find new customers with similar levels of demand within a reasonable time period, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected. See "Business — Our Customers" for more details.

If we fail to implement the plan to upgrade our manufacturing capabilities as planned, our business and prospects could be materially and adversely affected.

We intend to meet the growing demand for our products by expanding our manufacturing base and upgrading production lines. For example, we are simultaneously in the process of constructing our new production base in Wuxi. Such initiatives may result in an increase in our capital expenditures and depreciation costs, and thus may adversely affect our profitability, financial condition and results of operations. See "Business — Manufacturing" for more details.

We cannot assure you that our capacity upgrade plan will be successfully implemented without delays or at all. Our ability to implement our capacity upgrade plan is subject to a number of factors. Upgrading production lines may require extensive time to establish and test, and if the provider of new production lines delays their delivery, our expansion plan may be delayed. We may not be able to recruit sufficient qualified staff or establish sufficient quality control to support the increase in manufacturing capacity in a timely manner. Any failure or delay in implementing any part of our capacity upgrade plan may result in a lack of manufacturing capacity to support our growth, market expansion, and the commercialization of product candidates, which in turn could adversely affect our business, results of operations and financial condition.

Our business and reputation may be adversely affected by negative publicity involving us, the industry we operate in, our brands and products, our Shareholders, Directors, officers or employees, as well as customers, suppliers or other parties we collaborate with.

We primarily operate in the therapeutic dermatology and medical-grade skincare industry, which has from time to time been subject to negative media coverage or other negative publicity. Such negative publicity concerning the industry, whether or not directly related to us, could affect our reputation and the confidence in our brands and products. For instance, the manufacturing, sales, or use of suboptimal-quality, unlicensed or otherwise non-compliant products may have negative implications for the industry as a whole, which could adversely affect our reputation and business. In addition, we, our Shareholders, Directors, officers and employees, as well as distributors, suppliers, or other parties we collaborate with may be subject to negative media coverage and publicity or be non-compliant with laws or regulations, which could also threaten our reputation and disrupt our business operations. We may be required to devote significant time and resources and incur substantial costs to defend against such negative publicity. As a result, our business and results of operations could be materially and adversely affected.

Any negative publicity concerning us, our affiliates or any entity that we may authorize to use our brand name or that is otherwise associated with us, as well as our Shareholders, Directors, officers, employees and business partners, management, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us or our Shareholders or our affiliates would not damage our brand image, and such unauthorized use of our brand names by any third parties may adversely affect the value of our brand names, reputation and business. In addition, any legal actions including litigation to enforce our rights to our brand names may involve significant costs and divert our limited resources, which may result in a material adverse effect on our business, results of operations and financial condition.

Economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations may expose us to potential compliance risks.

We are subject to economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. Any violation of these laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and significant defense costs and other professional fees.

The United States and other jurisdictions or organizations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions or export control restrictions on certain countries or jurisdictions, persons or organizations within these countries or jurisdictions, or targeted industry sectors, groups of companies, or persons. There can be no assurance that we will be able to prevent or detect all inadvertent business dealings with sanctioned parties or the dispatch of freight to higher-risk or prohibited end-uses. We cannot predict the interpretation or implementation of government policies in the United States at the federal, state or local levels or any policy of other applicable jurisdictions with respect to any current or future activities by us or our business partners in countries subject to international sanctions or otherwise sanctioned, or our business activities subject to export control restrictions. As a result, we cannot assure you that our future business will be free of risk under sanctions or export control restrictions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the United States or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions or export control restrictions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the United States or any other government or organization were to determine that any of our activities constitutes a violation of the sanctions or export control restrictions they impose or provide a basis for a sanctions designation of or other restrictions on us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in additional compliance risks.

Our performance depends on our ability to retain and motivate our key personnel and employees.

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members. All executive Directors and other key personnel possess industry expertise, know-how or experience in areas such as R&D, manufacturing, sales, marketing, financial management, human resources or risk management. Any loss of such personnel could materially and adversely affect our ability to sustain and develop our business. We cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts.

We manufacture substantially all of our commercialized products at our wholly-owned manufacturing facilities. Our operations and financial performance may be materially adversely affected if we experience any major disruptions, damage or destruction, including as a result of fire or other disruptions at our manufacturing facilities.

As of the Latest Practicable Date, we developed and manufactured our products at our manufacturing facilities in Wuxi, Jiangsu Province, and Chongqing. While we conduct regular checks and maintain measures to prevent disruptions, damage or destruction to our manufacturing plants, unforeseen events may occur from time to time, and the risk of any occurrence in the future cannot be completely eliminated. The level of disruption to our business may be higher if such disruption affects some, or all parts of Wuxi and Chongqing. See "Business — Manufacturing — Manufacturing Facilities" for more details. Significant unscheduled downtime at our manufacturing facilities due to equipment breakdowns, power failures, weather conditions, fire or other natural disasters could cause disruptions in our operations or delay our delivery schedules. Certain of the materials that we use for our manufacturing are highly flammable, and we are therefore subject to the risk of fire. Our current insurance coverage may not be sufficient to cover all of our potential losses, including those due to fire. If any manufacturing plant were to be damaged or cease operations, including those due to fire or other disruptions, it would temporarily reduce our manufacturing capacity and affect our ability to provide our products to our customers, which could adversely affect our sales, business, financial condition and results of operations.

We also source a portion of finished products from qualified third-party manufacturers and engage contract manufacturers to produce a portion of our products. This enables us to integrate resources and strengthen our product portfolio while maintaining flexibility and avoiding significant upfront investment in new production lines. While we apply strict selection criteria towards third-party manufacturers and ensure that all third-party manufacturers obtain valid Drug Manufacturing Certificates and GMP Certificates, the possibility of unforeseen events cannot be fully eradicated due to the inherently unpredictable nature of the future. Manufacturing facilities at third-party manufacturers may experience disruptions which lead to delay in our operation or delivery schedules.

Failure to meet or maintain compliance with relevant manufacturing standards and any other disruption or suspension of manufacturing activities may affect our revenue and profitability materially and adversely.

Our manufacturing facilities are subject to regular and unscheduled inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses, certificates and other regulatory filings required for our business and operations. Such inspections require us to comply with, among other things, GMP regulations of pharmaceutical products. We cannot assure you that we will be able to adequately follow and document our adherence to such GMP requirements for pharmaceutical products or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may identify deficiencies according to GMP requirements of pharmaceutical products or other regulatory requirements. Remediating deficiencies can be laborious, time-consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facilities to determine whether the deficiency was remediated to its satisfaction, and may note further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations. If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories, or use different sites or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all. As a result of disruption to our manufacturing site or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be materially and adversely affected. Advances in manufacturing techniques may

render our facilities and equipment inadequate or obsolete, and as a result, we may also need to develop and implement advanced manufacturing techniques and process controls in order to fully utilize our facilities, or we may need to modify our facilities or establish new facilities. If we are unable to do so, our results of operations may be adversely affected.

We have engaged and expect to continue to engage third parties to supply certain raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices.

During the Track Record Period, we primarily procure raw materials for our products to support product development and delivery. In 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, our cost of materials amounted to RMB238.5 million, RMB271.8 million, RMB341.9 million, RMB76.0 million and RMB91.4 million, respectively. The principal raw materials for our marketed products include APIs, excipients, and packaging materials. We have established a systematic raw material procurement management regime to ensure consistent and adequate quality of our raw materials and secure favorable supply prices over the long run. See "Business — Manufacturing — Raw Materials Suppliers and Procurement" for more details.

Despite the precautionary measures we have taken, our reliance on third-party suppliers for raw materials could lead to supply disruptions if these suppliers face operational issues, financial instability, or other unforeseen circumstances. Additionally, we have limited control over the quantity and quality of raw materials supplied by third parties. Should there be any temporary or emergent shortage in the supply of raw materials or prolonged lead times, our production could be impacted, which may result in a delay in delivery of our products, resulting in insufficient supply or reputational damage. Any compromise in the quality of these materials could impact the quality of our products, leading to potential reputational damage and loss of customer trust. Furthermore, changes in the cost of raw materials could impact our operational costs and profit margins, further materially and adversely affecting our business, financial condition and results of operations.

In addition, our suppliers may also elect to terminate our business relationship due to various reasons, including regulatory, commercial or competitive considerations. We may also have contractual or other disputes with our suppliers. Moreover, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot assure you that we will be able to detect all quality issues in the supplies we use, that our suppliers can meet our specifications, requisite standards, attributes and other parameters and requirements that we may impose on our raw materials and other supplies, or that our suppliers will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. We may not be able to find alternative materials or suppliers that meet our needs or secure approval for their use in a timely manner on favorable terms or at all, which could cause delays in the supply of raw materials and interruptions to our manufacturing.

Our products and product candidates face lengthy and uncertain regulatory approval processes and remain subject to ongoing compliance obligations, which may materially and adversely impact our business and prospects.

Our products and product candidates are subject to extensive and evolving regulatory requirements, both prior to and following approval, and the process of obtaining and maintaining such approvals is lengthy, costly and unpredictable. Legislative and regulatory changes may affect the approval of our pipeline assets, regulate post-approval activities, and impact our ability to profitably commercialize our products. To secure approvals, we must conduct clinical trials to demonstrate safety and efficacy, yet clinical development is inherently uncertain and may encounter unexpected events that delay or preclude approval. Even if approvals are obtained, they may be subject to limitations on indicated uses, conditions such as costly post-marketing studies, or restrictions on pricing and labeling, all of which could adversely affect commercial prospects.

We face risks of failing to meet regulatory requirements at various stages, including disagreements with authorities on trial design, insufficient or suboptimal data, failure to pass GCP or GMP inspections, or changes in approval policies that render our data inadequate. Regulatory authorities may also require additional information, or may not accept clinical trials conducted in other jurisdictions, meaning approval in one jurisdiction does not guarantee approval elsewhere.

Approved products remain subject to ongoing obligations relating to manufacturing, labeling, packaging, storage, advertising, marketing, promotion, record-keeping, and submission of post-market data. Failure to comply could result in investigations, administrative proceedings or penalties. In addition, our products are sold directly or through distributors to retail pharmacies and medical institutions, which have been under increasing scrutiny for compliance with anti-corruption and anti-bribery laws, as well as regulations on false advertising and misleading efficacy claims. Heightened enforcement in the consumer healthcare industry may increase compliance costs, expose us to liabilities and reputational risks, and negatively affect sales.

Furthermore, as we do not closely monitor or directly participate in medical treatments conducted by institutions and practitioners using our products, we may be exposed to risks associated with improper use or administration by third parties. Regulatory authorities may also revoke approvals, restrict indications to narrower populations, or impose labeling requirements that limit commercialization. Any failure to obtain or maintain approvals in a timely manner, or at all, could materially and adversely affect our business, financial condition, results of operations and prospects.

If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed.

We are exposed to the risk that our employees, distributors, customers, suppliers, or other business partners we have contracted may engage in illegal, fraudulent, improper or unethical conduct. Misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations, including those requiring the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality, efficacy claims and manufacturing standards, and other relevant laws and regulations in China. Such misconduct could also involve fraud, corruption, bribery (such as offering or accepting kickbacks and rebates that may constitute bribery), tax evasion and other illegal practices. In addition, our business partners such as medical institutions and distributors may be subject to greater regulatory scrutiny in their sales and operations, in particular, their compliance with applicable anti-bribery and tax laws and regulations.

In particular, sales, marketing and other business arrangements in our industry are subject to extensive laws and regulations intended to prevent fraud, bribery, misconduct, kickbacks, self-dealing and other abusive practices. In recent years, regulatory scrutiny and enforcement in sales, marketing and other business arrangements involving medical institutions, such as hospitals, have increased, and regulations in our industry or those of our business partners may further tighten in the future. We could be potentially liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries as well as suffer from negative publicity associated with these actions, over which we may not have full control. Our employees or other third parties may fail to comply with such laws and regulations, and the relevant government authorities may interpret the laws and regulations in a manner inconsistent with our understanding, both of which may expose us to potential risks and penalties. Although we had not been subject to fines or penalties for any breach of such laws and regulations in the past, we cannot assure you that there will not be any such fines or penalties imposed on us in the future. The risk of breaches by our employees, distributors, customers, suppliers or other business partners, whether intentionally or inadvertently, may also increase in light of the recent regulatory scrutiny. We may not be able to identify and deter any misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could severely disrupt our business operations, or result in failure to continue the marketing and sales of our products and obtain regulatory approval for our product candidates. The government authorities may seize the products involved in any illegal or improper conduct by our employees and other third parties, and we may be subject to claims, fines or suspension of our operations. Our brands and reputation, business, results of operations and

financial condition could be adversely affected if we are associated with any potential liabilities as well as negative publicity as a result of illegal, fraudulent, improper or unethical conduct, or allegations of such, by our employees and other business partners.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure prompt delivery when required. Our distributors and customers typically order our product on an order-by-order basis. We project demand for our products based on our marketing plan, our sales reports, our internal database of historical customer orders and our inventory levels. As such, we are required to maintain an appropriate level of inventory for our commercial production. In 2023, 2024, 2025 and for the three months ended March 31, 2026, our inventories were RMB98.1 million, RMB105.1 million, RMB129.6 million and RMB137.4 million, respectively. Our inventory turnover days was 116 days, 105 days, 96 days and 105 days, respectively, for the same periods. See "Financial Information — Selected Items from the Consolidated Statements of Financial Position — Inventories" for more details.

However, we maintain our inventory levels based on our internal forecasts which are inherently uncertain. If our demand forecast is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. See "Business — Logistics and Inventory Management" for more details.

We cannot assure you that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

Any delivery delays, improper handling or increase in transportation costs of third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of our products to customers. The logistics services provided by these providers may be suspended, in which case the supply of our products could be interrupted. Delayed or even lost deliveries may occur for various reasons beyond our control, including improper handling by our logistics service providers. In addition, improper handling of our products could also result in product contamination or damage, which may in turn lead to product exchanges, product liability, increased costs and damage to our reputation. Any of these circumstances would materially and adversely affect our business, financial condition and results of operations.

Our delivery and return policies for our customers may adversely affect our results of operations.

We have adopted delivery policies that do not necessarily pass the full cost of logistics onto our customers. We have also adopted customer-friendly policies, allowing customers to return products, subject to various conditions, laws and regulations. We may also be legally required to adopt new or amend existing return policies from time to time. These policies improve customers' experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses. If such policies are misused by a significant number of customers or if the return rates increase beyond historical records or otherwise substantially, our costs may increase significantly, thereby materially and adversely affecting our results of operations. If we revise these policies, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We are subject to risks relating to the warehousing of our products.

Before dispatching products to customers or distributors, we temporarily store our products in our own warehouses or those provided by third-party warehousing providers. If we or any third-party warehousing provider we engage fails to store the products under optimal conditions, such as at optimal temperatures and humidity levels, the quality and shelf-life of our products may be adversely affected. We do not maintain insurance policies covering damages to our warehouse. To ensure safety and quality of materials and products, we separate our warehouse into different segments and store materials and products separately according to their properties and uses to prevent mix-ups. However, if any accident were to occur, causing damages to the products stored in our own warehouses, we might not be able to supply products to customers or distributors in a timely manner or at all, which would adversely affect our results of operations.

We may not be able to maintain or renew necessary permits, licenses, certificates and other regulatory filings required for our business and operations.

Major aspects of our operations, including product registration or filing, manufacturing, packaging, sales and distribution, pricing, environmental protection, among other things, are regulated by comprehensive local, regional and national regulatory regimes. Such permits, licenses, certificates and other regulatory filings are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and renewals may develop from time to time. Although we had obtained all licenses, permits, certificates and other regulatory filings necessary to conduct our operations in all material respects from the relevant government authorities in China as of the Latest Practicable Date, we cannot assure you that such authorities will approve the application for such licenses, permits, certificates and other regulatory filings or their renewal in the future.

The process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations in different jurisdictions requires significant time and financial resources. Failure to comply with applicable regulatory requirements in the jurisdictions where we operate or target to operate in the future, at any time during the drug development, approval or post-approval stages, may subject us to administrative or judicial sanctions. Any occurrence of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with PRC laws and regulations relating to social insurance and housing provident fund contributions may adversely affect our business and financial performance.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations, and a few of our PRC entities engaged third-party human resources agencies to handle social insurance and housing provident fund payments for their employees. During the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. However, we cannot assure you that any new PRC laws and regulations or any changes in the implementation of the existing PRC laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us, thereby adversely affecting our results of operations and financial condition.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business and financial performance.

As of the Latest Practicable Date, one property leased for staff dormitory purposes had not obtained the real property ownership certificate, and we had not completed lease registration filing with the relevant housing administrative authorities in respect of this property. In addition, we had not completed lease registration filings with the relevant housing administrative authorities for two other leased properties. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities; however, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply. If any government action is taken, we may be required to rectify any non-compliance or relocate our operations, which could adversely affect our financial position and results of operations.

We may be involved in lawsuits, claims, governmental investigations or administrative proceedings, which could adversely affect our business, results of operations, financial condition and reputation.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our own employees, suppliers, customers, contractors, consumers, licensors, business partners and other third parties that we engage for our business operations, whether they are directly related or attributable to us. As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that might materially affect our business operations. Pending or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs, and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake, and the parties involved. If we are alleged to have infringed the intellectual property rights of our business partners or any third parties, we may be subject to injunctions or other temporary orders pending the resolution of such allegations, which could delay or even prevent us from the development and commercialization of affected products or product candidates, despite the outcome of the litigation. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities, and even suspend or terminate the affected business projects. Disputes with our business partners, including those relating to the R&D, intellectual property rights and commercialization of our product candidates, could also lead to the loss of rights relating to the affected products or product candidates and deterioration or termination of business relationships. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect our brand image. Consequently, our business, results of operations and financial condition may be materially and adversely affected. In addition, any quality issues related to our products could result in a loss of customers and sales and may subject us to product liability claims.

We may not be able to adequately protect our intellectual property rights. Infringement or misappropriation of intellectual property rights, including the breach of confidentiality obligations, could harm the value of our brands and adversely affect our business.

Our success depends partially on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We rely on trademarks and patents we use to protect our brands and proprietary information, technologies and processes. Establishing and maintaining protection of our intellectual property rights and other intangible assets is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a

timely manner. We may also fail to timely identify patentable aspects of our R&D output, consequently losing patent protection to prevent competitors from developing and commercializing competitive products in all such fields and territories. Any loss of patent protection could have a material adverse impact on one or more of our major products and technologies and our business. As of the Latest Practicable Date, we owned 238 registered patents in China and one registered patent in the United States, and 130 patent applications in China and two patent applications in the United States. We owned three patent applications in Europe and nine PCT patent applications. As of the same date, we had 1,231 registered trademarks globally. See "Business — Intellectual Property" for more details.

Obtaining and maintaining our patent protection depends on compliance with various procedural requirements imposed by government patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements or changes in patent law of China, or other jurisdictions. Any non-compliance event could result in abandonment or lapse of a patent or patent application. We did not experience any material failure to comply with these requirements during the Track Record Period. However, we cannot assure you that such non-compliance will not occur, in which case our competitors might be able to enter the market, which would have a material adverse effect on our business.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or including such undertakings in the agreement with parties such as our employees and collaborators. However, parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim against a party that illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming with unpredictable outcome.

Our trademarks are valuable assets that support our brands and consumers' perception of our products. Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion.

In addition, we or our licensing partners may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, patent applications, trade secrets or other intellectual property. If we or our licensing partners are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which our owned or the in-licensed intellectual properties are subject, or otherwise if we or our licensing partners breached licensing agreements, we may lose valuable intellectual property rights through the loss of one or more patents or patent applications, or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensing partners are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we or our licensing partners are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our product candidates. The loss of exclusivity or the narrowing of our or our licensing partners' patent claims could limit our ability to stop others from using or commercializing similar or identical product candidates. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in any disputes relating to priority rights, validity, ownership or inventorship, such proceedings could result in substantial costs and divert the attention of our management and employees.

Our efforts to enforce or protect our proprietary rights may be ineffective and we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. As of the Latest Practicable Date, we were not involved in any material proceeding where a third party challenged the validity or enforceability of our patents that had or was expected to have any material impact on our business. However, we cannot assure you that we will not be subject to such proceedings in the future.

Any discontinuation, reduction or delay in payment of any government grants, or preferential tax treatments may have an adverse impact on our business.

During the Track Record Period, we benefited from certain government grants and preferential tax treatments. In 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, we recorded government grants in other income of RMB13.7 million, RMB14.4 million, RMB24.9 million, RMB3.4 million and RMB5.1 million in the same periods, respectively. During the Track Record Period, our PRC subsidiaries were subject to the PRC enterprise income tax ("**EIT**") at a rate of 25%, except that under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulation of the EIT Law, certain subsidiaries were accredited as "High and New Technology Enterprises" and were therefore entitled to a preferential income tax rate of 15% during the Track Record Period, and certain subsidiaries were entitled to a preferential EIT at a rate of 5% as they were accredited as small and micro business. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations. We cannot assure you that we will continue to receive government grants, or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be adversely affected.

We are exposed to credit risks related to our trade receivables.

We generally grant a credit period to counterparties of 30 to 90 days from the date of billing. Our trade receivables as of December 31, 2023, 2024, 2025 and March 31, 2026 amounted to RMB57.1 million, RMB69.3 million, RMB38.6 million and RMB60.0 million, respectively. In 2023, 2024, 2025 and for the three months ended March 31, 2026, our trade receivables turnover days were 22 days, 20 days, 15 days and 13 days, respectively. We recognized impairment losses on trade and bills receivables in 2024 and for the three months ended March 31, 2026. Our senior management regularly reviews the recoverability of overdue balances of trade receivables and may make impairment provision when needed. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

The possible impairment losses on goodwill and intangible assets may adversely affect our results of operations and financial condition.

As of December 31, 2023, 2024, and 2025 and March 31, 2026, we had goodwill of RMB28.2 million, RMB1.3 million, RMB1.3 million and RMB1.3 million, respectively. Our goodwill mainly arose from the acquisition undertaken to advance our strategic layout. Our goodwill is tested annually for impairment, or more frequently when there is indication that it might be impaired. In addition, we make certain assumptions when assessing the value of our goodwill, including assumptions on impairment testing. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to revalue our goodwill, which may in turn result in impairment losses. Significant impairment losses on goodwill may have a material adverse effect on our financial condition and results of operations and may in turn limit our ability to obtain financing in the future.

Our intangible assets mainly consisted of our capitalized development costs, patents, licenses and other intellectual property rights. Our intangible assets amounted to RMB79.4 million, RMB74.6 million, RMB82.0 million and RMB82.0 million as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the

use of these assets. Our management will revise the amortization charges where useful lives are different from those previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. In addition, if any of the estimates does not materialize, or if the performance of our business is not consistent with such estimates, we may be required to have a significant write-off of our other intangible assets and record an impairment loss, which could in turn adversely affect our results of operations and financial condition.

Our business may be subject to risks associated with seasonality.

In line with China's therapeutic dermatology and medical-grade skincare industry, our products generally experience higher customer demand in the second and fourth quarters of the calendar year. As a result, our revenue, results of operations and financial condition may fluctuate significantly from period to period, and the operating and financial results for any reporting period may not be indicative of our overall performance. In addition, our costs and expenses do not necessarily correspond with the timing of our revenue recognition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition in the future.

Our information technology systems are critical to our business. System integration, implementation issues or security breaches could disrupt our operations.

We rely on the efficient and uninterrupted operation of information technology systems. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. We expect to continue to make significant investments in maintaining, protecting and upgrading our technology infrastructure.

Since information systems, networks and other technologies are critical to many of our operating activities, system shutdowns or service disruptions and information leakage affecting our Company or suppliers that provide information systems, networks, or other IT services to us pose increasing risks. Such events may be caused by computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and confidential information, damage to our IT systems, a disruption of our operations, damage to our reputation or loss of revenue. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

If a material breach of our information technology systems or those of our suppliers occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

The increasing awareness of ESG matters may lead to the adoption of more stringent laws and regulations and increase our compliance costs.

We are subject to numerous environmental, health, and safety laws and regulations. Our operations produce solid waste and certain other pollutants. We generally enter into contracts with qualified third-party institutions to collect, transfer or dispose of relevant waste and pollutants. However, we cannot completely eliminate the risk of accidental contamination or personal injury from the use, storage, or disposal of such materials. In the event of such an accident, we could be held liable for any resulting damages, and incur costs associated with civil or criminal fines and penalties.

As awareness of ESG issues continues to grow, there is a potential for the introduction of stricter laws and regulations relating to waste, greenhouse gas emissions and environmental protection. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. See "Business — Environmental, Social and Governance" for more details of our measures to ensure our compliance with the ESG-related laws and regulations. However, we cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including clinical trial liability insurance, safety production liability insurance, and property all risks insurance. See "Business — Insurance" for more details. In line with industry practice in China, we have elected not to maintain certain types of insurances such as business interruption insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Our business is affected by changes in economic, political or social conditions or government policies of jurisdictions where we operate.

Our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in jurisdictions where we operate, primarily China. See "Regulatory Overview" for more details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, complying with which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be affected.

We operate in an industry that is strictly regulated and evolving in China. Developments in such regulations may affect the approval and commercialization of our product candidates or cause us to be subject to new or more stringent policies.

The therapeutic dermatology and medical-grade skincare industry in China is subject to comprehensive government regulation and supervision, which include strict policies that govern and encompass the approval, registration, manufacturing, packaging, licensing and marketing processes for the relevant products within these industries.

We are subject to laws and regulations relating to drugs, which mainly include the Drug Administration Law (《藥品管理法》), the Drug Registration Regulation (《藥品註冊管理辦法》), Good Laboratories Practice for Non-Clinical Laboratory Studies of Drugs (《藥物非臨床研究質量管理規範》), the Drug Administration Law and Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》), the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》), the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), and the Measures for the Supervision and Administration of Drug Supply and Usage (《藥品經營和使用質量監督管理辦法》). See "Regulatory Overview — Laws and Regulations Relating to Drugs" for more details.

We currently conduct our R&D and commercialization activities in China, which regulates these activities in great depth and detail and makes regulatory compliance complex and costly. The process of obtaining regulatory approvals and complying with appropriate laws and regulations requires substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or post-approval process, such as manufacturing, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, voluntary or mandatory product recalls, product seizures, total or partial suspension of manufacturing or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Failure to comply with these regulations may cause us to incur additional compliance costs. We cannot assure you that we, our customers and other business partners will always be able to comply with the laws and regulations in a timely manner or at all. Our customers and other business partners may not be able to comply with the regulatory requirements, and we may have to terminate our collaboration with them. They may also terminate collaborations with us if we fail to comply with relevant requirements. As a result, we may experience a decline in revenue, incur higher expenditures, and be subject to negative publicity, all of which will adversely affect our business, results of operations and financial condition.

Failure to comply with or adapt to changes in laws in relation to data protection could materially and adversely harm our business.

The access, collection, use, storage, sharing, transfer, disclosure and security of data are highly regulated in China. Any failure to comply with these laws, regulations or policies may result in inquiries and other proceedings or actions against us by government authorities or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose customers. For example, on December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a Critical Information Infrastructure Operator (the "**CIIO**") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. Although there has been no further explanation or interpretation for "foreign listing" under the aforementioned regulation, based on the interview position of the China Cybersecurity Review, Certification and Market Regulation Big Data Center (the "**CCRC**"), listing in Hong Kong does not fall under the category of "foreign listing." In addition, the revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Therefore, we cannot rule out the possibility that the relevant government authorities may conduct cybersecurity review on us accordingly. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

On September 30, 2024, the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) (the "**Data Security Regulations**") was published by the State Council, which took effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In particular, the Data Security Regulations provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations. However, the Data Security Regulations provide no further explanation or interpretation for the criteria on determining the risks that "affect or may affect national security." Also, since the Data Security Regulations are still relatively new, the interpretation and implementation of these regulations may further evolve and develop.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "Security Assessment Measures"), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding a certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of important data or large amounts of personal data during our daily business operations that may warrant a security assessment by regulatory authorities. However, we cannot assure you that relevant regulatory authorities will take the same view. In the event that the regulatory authorities deem certain of our activities to constitute cross-border data transfers, we will be subject to the relevant requirements. To the extent new laws and regulations are enacted or promulgated, or new interpretations and applications of existing privacy and data protection laws or regulations are adopted, our access to and use of certain data could be further restricted, and we may be required to implement new or enhanced security measures. As a result, we may be subject to additional filing, assessment or corporate governance requirements, which may incur additional costs and be time-consuming. Failure to meet such requirements may lead to consequences such as discontinuation of our products, penalties, liabilities or negative publicity. Any additional enactment or promulgation of such laws or regulations may, among other things, substantially escalate our compliance costs.

We also outsource a certain portion of clinical trials to reputable third parties in China. If such institutions or personnel divulge the subjects' private or medical records without their consent, they will be held liable for damage caused by such action. Any leakage or abuse of subjects' data by our third-party partners may be perceived by the subjects as a result of our failure. Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our clinical trial practices. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure or perceived failure by us to comply with privacy policies, laws or regulations could have a negative impact on our business.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Most of our operating subsidiaries and their respective assets and a substantial portion of our assets are located within Chinese Mainland. As a result, it may not be possible to effect service of process outside Chinese Mainland upon all our operating subsidiaries and officers, or enforce judgments against our operating subsidiaries or officers located in Chinese Mainland. In particular, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan, or many other countries.

On July 14, 2006, Hong Kong and Chinese Mainland entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Chinese Mainland. Similarly, a party with a final judgment rendered by a Chinese Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese Mainland court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong SAR and Chinese Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement, and the New Arrangement has superseded the Arrangement.

The Arrangement was superseded upon the effectiveness of the New Arrangement on January 29, 2024 but remained applicable to a "written choice of court agreement" entered into before the New Arrangement taking effect. However, the New Arrangement does not apply to certain judgments of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

We are required to comply with the drug advertising laws and regulations applicable to our business.

We advertise our brands and products through various online and offline channels, primarily including e-commerce platforms and large-scale pharmaceutical commercial companies, which is subject to the applicable PRC laws and regulations. See "Business — Sales and Marketing — Offline Sales — Sales to Distributors" for more details. The Interim Administrative Measures for the Review and Management of Advertisements for Drugs, Medical Devices, Functional Foods and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) provide that advertisements for drugs shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes.

If we are found to be in violation of any of such laws and regulations in the future, we may face serious penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising. Furthermore, if our employees or the third-party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced revenue, and negatively affect our results of operations.

We are a Chinese Mainland enterprise and we are subject to Chinese Mainland tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to Chinese Mainland income taxes.

Under applicable PRC tax laws and regulations, including the EIT Law, the IIT Law and their implementation rules, and subject to any applicable tax treaty or similar arrangement, dividends paid by PRC resident enterprises to non-PRC resident investors and gains realized by such investors from the transfer of shares of PRC resident enterprises may be subject to PRC income tax. Certain preferential withholding tax treatments may apply to non-PRC resident individual holders of H Shares. See "Regulatory Overview" for more details. As of March 31, 2026, PRC tax rules had not expressly provided that individual income tax would be imposed on gains derived by non-PRC resident individuals from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident [**REDACTED**], the value of your [**REDACTED**] in our H Shares may be adversely affected. In addition, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment in the process of our business operations. See "Regulatory Overview" for more details. In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in China or certain other jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our production in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations.

Regulations on currency conversion may adversely affect the value of your [REDACTED], and payment of dividends is subject to restrictions under PRC law and regulations.

The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of Chinese Mainland, are subject to restrictions under the relevant laws and regulations. A substantial majority of our future revenue is expected to be denominated in Renminbi, and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations.

Under existing foreign exchange regulations, payments of current account items, including the payment of dividends, interest payments, and expenditures from the transaction, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of Chinese Mainland to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. Further, there may be government policies that restrict access to foreign currencies for current account transactions. If the foreign exchange regulation system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due or to pay dividends in foreign currencies.

Dividends payable by us to our foreign [REDACTED] and gains on the sale of our H Shares may become subject to withholding taxes under PRC tax law.

Under the EIT Law and its implementation regulations issued by the Standing Committee of the National People's Congress, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (those enterprises established under foreign law with its respective effective place of management outside of the PRC, but have an establishment or place of business within the PRC, or those that do not have an establishment or place of business in the PRC but have income originating from the PRC) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% EIT if such gain is regarded as income derived from sources within the PRC. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on December 8, 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the

PRC company. If we are required under the EIT Law to withhold EIT on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your H Shares, the value of your [**REDACTED**] in our H Shares may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

No [REDACTED] currently exists for our Shares; an active [REDACTED] for our Shares may not develop and the [REDACTED] for our Shares may decline or become volatile.

Prior to the [**REDACTED**], there has been no [**REDACTED**] for our Shares. The initial [**REDACTED**] for our Shares was the result of negotiations between our Company, the [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our Shares on the Hong Kong Stock Exchange. We cannot assure you that the [**REDACTED**] will result in the development of an active, liquid [**REDACTED**] for our Shares.

The [**REDACTED**] and [**REDACTED**] of our Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the [**REDACTED**] and [**REDACTED**] at which our Shares will [**REDACTED**].

In addition, the Hong Kong Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Hong Kong Stock Exchange. As a result, [**REDACTED**] in our Shares may experience volatility in the [**REDACTED**] of their Shares and a decrease in the [**REDACTED**] of their Shares regardless of our operating performance or prospects.

The [REDACTED] and [REDACTED] of our Shares may be volatile, which could lead to substantial losses for [REDACTED].

The [**REDACTED**] and [**REDACTED**] of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaged in similar business may affect the [**REDACTED**] and [**REDACTED**] of our Shares. In addition to market and industry factors, the [**REDACTED**] and [**REDACTED**] of our Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the therapeutic dermatology and medical-grade skincare industry and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in [**REDACTED**] not directly related to our performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

In order to expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. [**REDACTED**] of the Shares may experience dilution in the net tangible asset value per share of their Shares if we [**REDACTED**] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may [**REDACTED**] Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you that we will declare and distribute any amount of dividends in the future.

We cannot assure you when and in what form dividends will be paid on our Shares after the [**REDACTED**]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make dividend payments on our Shares in the future. See "Financial Information — Dividends and Dividend Policy" for more details.

If we retain most, or all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and commercialization of our pipeline product candidates, we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

Future sales or perceived sales of substantial amounts of our Shares in the [REDACTED] could materially adversely affect the prevailing [REDACTED] of our Shares and our ability to raise capital in the future.

Prior to the [**REDACTED**], there has not been a [**REDACTED**] for our Shares. Future sales or perceived sales by our existing Controlling Shareholders of our Shares after the [**REDACTED**] could result in a significant decrease in the prevailing [**REDACTED**] of our Shares. Only a limited number of the Shares currently outstanding will be available for [**REDACTED**] or [**REDACTED**] immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the [**REDACTED**] or the perception that these sales may occur could significantly decrease the prevailing [**REDACTED**] of our Shares and our ability to raise equity capital in the future.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [**REDACTED**] from the [**REDACTED**] for purposes including funding the R&D activities for our pipeline products, expanding our manufacturing capacities and capabilities, expanding our marketing network and strengthening our brand image, and investing in digitalizing our operations and information systems. See "Future Plans and Use of [**REDACTED**]" for more details. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

Facts, forecasts and statistics in this document relating to the PRC economy and the industry that we operate in may not be fully reliable.

Facts, forecasts and statistics in this document relating to the industry in which we operate are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, [**REDACTED**] nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the markets we operate in may be inaccurate, and you should not place undue reliance on them. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risks and uncertainties, are subject to change based on various factors, and should not be unduly relied upon.

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decisions as to whether to [**REDACTED**] in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

Forward-looking information in this [REDACTED] document may prove inaccurate.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would," and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. See "Forward-looking Statements" for more details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [**REDACTED**] should not place undue reliance on such forward-looking statements and information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, the arrangements for maintaining regular communication with the Stock Exchange.

Our management, business operations and assets are primarily based outside Hong Kong. Our headquarters and our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Stock Exchange and us:

(i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives (the "**Authorized Representatives**"), namely Mr. Xie and Ms. Au Wing Han (區泳嫻), who will act as our Company's principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange.

(ii) when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. In the event that any Director expects to travel or otherwise be out of office, he/she will provide a contactable phone number to the Authorized Representatives. Pursuant to Rule 3.20 of the Listing Rules, each of our Directors shall provide their telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and correspondence address to the Stock Exchange. To the best of our knowledge and information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

(iii) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor (the "**Compliance Advisor**") upon the [**REDACTED**] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. The Compliance Advisor will serve as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available and will have access at all times to the Authorized Representatives, the Directors and the senior management who will provide such information and assistance as our Compliance Advisor may reasonably request in connection with the performance of its duties as set out in Chapter 3A of the Listing Rules; and

(iv) we will appoint other professional advisors (including legal advisor in Hong Kong) after the [**REDACTED**] to assist us in dealing with any questions which may be raised by the Hong Kong Stock Exchange and to ensure that there will be prompt and effective communication with the Hong Kong Stock Exchange.

We will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives and/or the Compliance Advisor in accordance with the Listing Rules.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(i) whether the applicant has principal business activities primarily outside Hong Kong;

(ii) whether the applicant is able to demonstrate the need to appoint a person who does not have the acceptable qualification nor relevant experience as a company secretary; and

(iii) why the directors consider the proposed company secretary to be suitable to act as the issuer's company secretary.

Further, pursuant to Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(ii) the waiver will be revoked if there are material breaches of the Listing Rules by the applicant.

Our Group's principal business operations are in the PRC. We consider that apart from being able to meet the professional qualification or the relevant experience requirements under the Listing Rules, its company secretary also needs to have (i) experience relevant to our Company's operations; (ii) nexus to the Board; and (iii) close working relationship with the management of our Company, in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who is familiar with our business and affairs as a company secretary.

Our Company has appointed Ms. Wu Lin (吳琳) ("**Ms. Wu**"), as one of the joint company secretaries. Our Company has appointed her as a joint company secretary due to her extensive experience in board and corporate management matters. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to appoint Ms. Wu, who has the relevant experience of our Group's board and corporate management matters as a joint company secretary. Since Ms. Wu presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, she may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Au Wing Han (區泳嫻) ("**Ms. Au**"), an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Wu for an initial period of three years from the [**REDACTED**]

to enable Ms. Wu to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. For biographical details of Ms. Wu and Ms. Au, see "Directors and Senior Management."

Given Ms. Au's professional qualification and experience, she will be able to explain to both Ms. Wu and our Company the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Au will also assist Ms. Wu in organizing Board meetings and Shareholders' general meetings as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Au is expected to work closely with Ms. Wu and will maintain regular contact with Ms. Wu, the Directors and the senior management of our Company. Ms. Wu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. We will further ensure that Ms. Wu will also be assisted by our Compliance Advisor and our legal advisor as to Hong Kong law on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Ms. Wu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wu may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [**REDACTED**] on the conditions that (i) Ms. Wu must be assisted by Ms. Au, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver will be revoked immediately if and when Ms. Au ceases to provide such assistance to Ms. Wu as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the expiration of the initial three-year period, the qualifications of Ms. Wu will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Stock Exchange to enable it to assess whether Ms. Wu, having benefited from the assistance of Ms. Au for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xu Jun (徐軍)	Room 402, Block 39 Sanjiu Garden Yinhu Community Qingshuihe Subdistrict Luohu District Shenzhen Guangdong Province PRC	Chinese
Mr. Xie Hongwei (謝宏偉)	Unit 1B, Building 2 Yincui Garden No. 49, Jinhu 1st Street Luohu District Shenzhen Guangdong Province PRC	Chinese
Mr. You Bin (尤斌)	Room 703, Unit 1 Baihe International Garden Dongxiang Road Xishan District Wuxi Jiangsu Province PRC	Chinese
Dr. Cai Beilei (蔡蓓蕾)	Room 303, Building 807 Tongyuan New Village Haimen Town Haimen Jiangsu Province PRC	Chinese
Non-executive Directors		
Mr. Xu Dacheng (徐大成)	Room 1101, No. 9 Lane 188, Mingyue Road Pudong New Area District Shanghai PRC	Chinese
Mr. Yang Xiaolong (楊小龍)	RM184, 15/F 180 Hennessy Road Wanchai Hong Kong	Chinese

Independent Non-executive Directors

Dr. Zhang Weijiong (張維炯)	Room 905, No. 35 Tianlin No. 14 Village Xuhui District Shanghai PRC	Chinese
Dr. Ng Lai Ping Angela (吳麗萍)	Flat A, 2/F, Fung Wah Court 11-13 Sau Chuk Yuen Road Kowloon Hong Kong	Chinese (Hong Kong)
Dr. Xia Lijun (夏立軍)	No. 777 Guoding Road Yangpu District Shanghai PRC	Chinese

See "Directors and Senior Management" for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Sole Sponsor-Overall Coordinator, Overall Coordinator, [REDACTED]	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Legal Advisors to our Company	*As to Hong Kong and United States law:* **Cooley HK** 35/F, Two Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law:* **Zhong Lun Law Firm** Floors 10, 11, 16, and 17 Phase II, International Finance Center 8 Century Avenue Pudong New District Shanghai PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and United States law:* **Jones Day** 31/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **DeHeng Shanghai Law Office** 22-23/F, Sinar Mas Plaza No. 501 East Da Ming Road Hongkou District Shanghai PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting Accountants and Independent Auditor	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Shanghai PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered Office, Headquarters and Principal Place of Business in the PRC	No. 35, Jingxin Road, Xibei Town Industrial Park Xishan District Wuxi Jiangsu Province PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	[**www.ziyondpharma.com**] *(The information contained on this website does not form part of this document)*
Joint Company Secretaries	Ms. Wu Lin (吳琳) No. 35, Jingxin Road, Xibei Town Industrial Park Xishan District Wuxi Jiangsu Province PRC Ms. Au Wing Han (區泳嫻) *(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Xie Hongwei (謝宏偉) No. 35, Jingxin Road, Xibei Industrial Park Xishan District Wuxi Jiangsu Province PRC Ms. Au Wing Han (區泳嫻) 40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Dr. Xia Lijun (夏立軍) *(Chairperson)* Dr. Zhang Weijiong (張維炯) Dr. Ng Lai Ping Angela (吳麗萍)
Nomination Committee	Dr. Zhang Weijiong (張維炯) *(Chairperson)* Mr. Xu Jun (徐軍) Dr. Ng Lai Ping Angela (吳麗萍)

CORPORATE INFORMATION

Remuneration and Appraisal Committee	Dr. Zhang Weijiong (張維炯) *(Chairperson)* Mr. Xu Jun (徐軍) Dr. Xia Lijun (夏立軍)
Strategy and ESG Committee	Mr. Xu Jun (徐軍) *(Chairperson)* Mr. Xie Hongwei (謝宏偉) Dr. Cai Beilei (蔡蓓蕾) Mr. Xu Dacheng (徐大成) Dr. Zhang Weijiong (張維炯)
Compliance Advisor	**UOB Kay Hian (Hong Kong) Limited** 6/F, Harcourt House 39 Gloucester Road Hong Kong

[**REDACTED**]

Principal Banks	**Bank of Ningbo Co., Ltd. Wuxi Branch** No. 6 Third Financial Street Taihu New Town Wuxi City Jiangsu Province PRC **China Merchants Bank Co., Ltd. Wuxi Branch** No. 6-107 & 6-108, First Financial Street Binhu District Wuxi City Jiangsu Province PRC

The information and statistics set out in this section and other sections of this document were extracted from official government publications and other publicly available sources as well as from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). The Company engaged Frost & Sullivan to prepare the Frost & Sullivan Report in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, any of the Sole Sponsor,* [**REDACTED**]*, any of their respective directors and advisors, or any other persons or parties involved in the* [**REDACTED**] *and no representation is given as to its accuracy. For discussion of risks related to the Group's industry, see "Risk Factors — Risks Relating to Our Business and Industry" for more details.*

CHINA THERAPEUTIC DERMATOLOGY AND MEDICAL-GRADE SKINCARE MARKET

The therapeutic dermatology and medical-grade skincare market in China comprises two synergistic segments: therapeutic dermatology and medical-grade skincare. Together, they form a comprehensive ecosystem addressing the diverse needs of skin health management, ranging from the treatment of acute diseases to long-term barrier repair and daily maintenance.

Therapeutic dermatology refers to pharmaceutical interventions, including prescription and over-the-counter ("**OTC**") drugs, specifically developed to treat, relieve, or manage diseases of the skin, hair, and nails. These products rely on evidence-based medical interventions and are designed with precision-targeted actions to interact with specific pathological pathways. Due to their medicinal nature, they are subject to strict regulations and rigorous clinical trials to validate safety and efficacy.

In contrast, medical-grade skincare refers to skincare products formulated with active ingredients whose efficacy is supported by medical evidence. Unlike general cosmetics, these products are characterized by targeted efficacy, addressing specific skin concerns such as sensitivity, acne-prone skin, and aging with clearly defined benefits based on scientific research into skin biology. While therapeutic dermatology serves as the core medical intervention addressing disease etiology, medical-grade skincare plays a vital complementary role in skin barrier maintenance and recurrence prevention.

Market Size of China's Therapeutic Dermatology and Medical-Grade Skincare Market

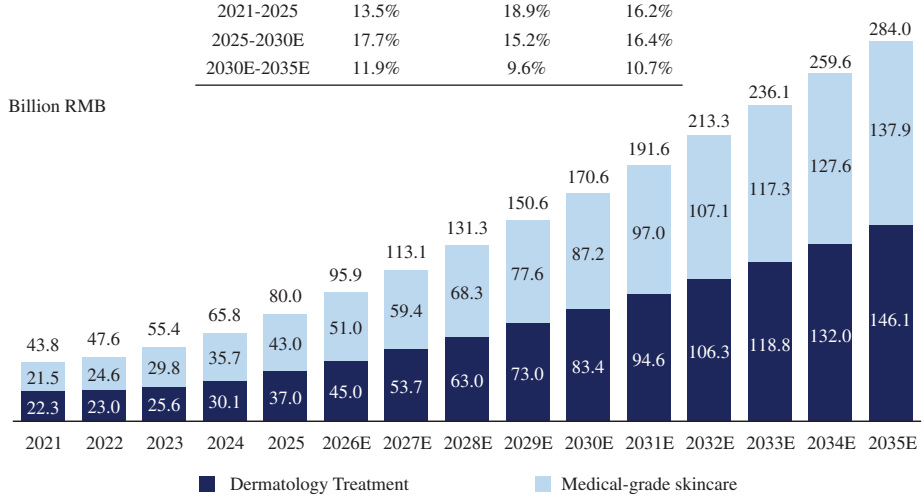
China's therapeutic dermatology and medical-grade skincare market has experienced rapid growth and is expected to maintain a strong upward trajectory. Driven by the increasing burden of skin diseases, continuous improvements in diagnosis rates, and rising consumer demand for medical-grade skincare products, and a growing public desire for overall skin health and aesthetic improvement, the combined market size in terms of retail sales value is expected to increase from RMB43.8 billion in 2021 to RMB80.0 billion in 2025, representing a CAGR of 16.2%. Looking ahead, the market is projected to enter a phase of sustained expansion. The total market size is expected to nearly double from 2025 to 2030, reaching RMB170.6 billion at a CAGR of 16.4%. By 2035, the market is projected to reach RMB284.0 billion.

Within this landscape, the medical-grade skincare segment has demonstrated exceptional vitality, outpacing the growth of therapeutic treatments with a CAGR of 18.9% from 2021 to 2025, driven by the population's rising attention in skin appearance, and heightened awareness of skin barrier health. Concurrently, the therapeutic dermatology segment also maintained robust growth with a CAGR of 13.5% during the same period, supported by the standardization of diagnosis and treatment pathways for chronic skin conditions.

Overall, China's therapeutic dermatology and medical-grade skincare market is evolving from a single-disease treatment model toward an integrated ecosystem encompassing standardized therapy, long-term disease management, skin barrier repair, daily skincare, and online accessibility. Therapeutic dermatology products and medical-grade skincare products address the treatment and management ends respectively, and are jointly benefiting from rising patient awareness, increasing demand for the management of chronic and recurrent skin conditions, the expansion of online channels, and ongoing innovation in dosage forms.

Market Size of Therapeutic Dermatology and Medical-Grade Skincare in China, 2021-2035E

CAGR	Therapeutic dermatology	Medical-grade skincare	Total
2021-2025	13.5%	18.9%	16.2%
2025-2030E	17.7%	15.2%	16.4%
2030E-2035E	11.9%	9.6%	10.7%



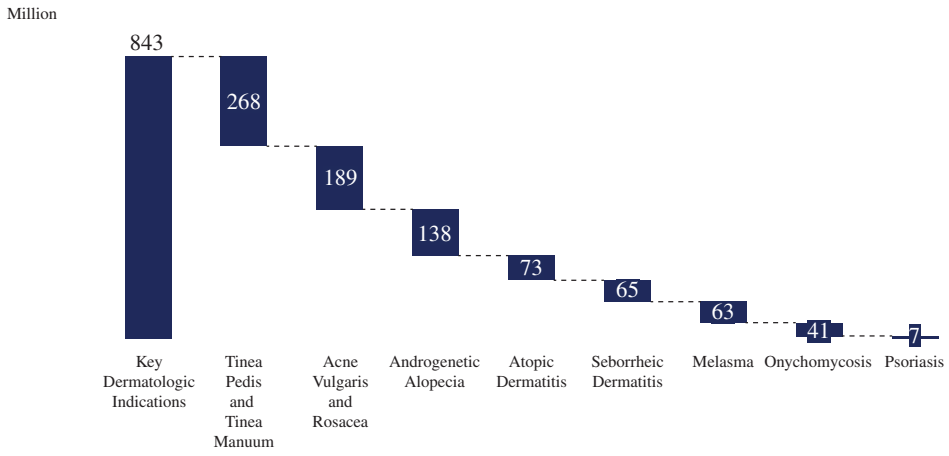
Source: Frost & Sullivan Analysis

CHINA TOPICAL DERMATOLOGY DRUG MARKET

Topical dermatological drugs represent a fundamental therapeutic modality in the management of skin diseases, offering the advantage of targeted action at the lesion site with relatively limited systemic adverse effects. Compared with certain systemic therapies, selected topical dermatology drugs have been relatively less affected by centralized procurement under China's current healthcare framework, allowing for relatively stable revenue expansion driven by market competition and product differentiation. To address the diverse pathophysiological characteristics, lesion locations, and clinical presentations of dermatologic conditions, a wide range of topical dosage forms has been developed. Each dosage form exhibits distinct characteristics in terms of skin penetration, coverage, ease of application, and patient compliance, making them suitable for different types and stages of skin diseases.

Skin diseases in China encompass a broad spectrum of conditions with a massive patient base. Epidemiological data indicates a high overall burden of skin diseases among the general population in China, with the incidence estimated at 53.78%. The burden of skin diseases in China is substantial. According to Frost & Sullivan, the eight major dermatologic indications in China collectively affected an estimated 843 million prevalent cases, with possible overlap, in 2025. The following diagram illustrates the prevalence cases of major skin diseases in China as of 2025.

Prevalence Cases of Major Skin Diseases in China, 2025



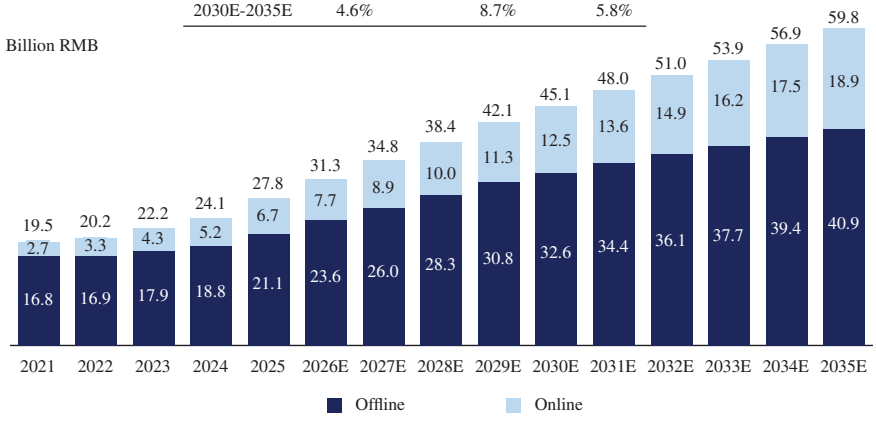
Source: Frost & Sullivan Analysis

Market Size of Topical Dermatology Drugs for Skin Diseases in China

Driven by the rising prevalence of skin diseases, increasing patient awareness, and the convenience of self-medication, China's topical drug market for skin diseases has witnessed robust growth. Specifically, the market growth is characterized by a structural shift towards online channels. The following diagram illustrates the market size of topical medications for skin diseases in China from 2021 to 2035E.

Market Size of Topical Medications for Skin Diseases in China: Online and Offline Channels, 2021-2035E

CAGR	Offline Market	Online Market	Total
2021-2025	5.8%	25.7%	9.2%
2025-2030E	9.1%	13.4%	10.2%
2030E-2035E	4.6%	8.7%	5.8%



Source: Frost & Sullivan Analysis

Barriers to Entry to Topical Dermatology Drug Market

Regulatory Approval and Clinical Compliance Requirements. In China, topical dermatology drugs are subject to stringent regulatory approval requirements, including formulation consistency, quality control validation, and clinical efficacy and safety evaluation. Because topical dermatological drug products are intended to act locally rather than through systemic exposure, conventional pharmacokinetic bioequivalence methods are often not applicable, necessitating more complex approaches to demonstrate bioequivalence. Therefore, topical dermatological drug products are classified as complex products by the FDA. China's regulatory framework is progressively aligning with this international standard. Regulatory authorities increasingly emphasize standardized clinical data and compliance with technical guidelines. For topical innovative drugs, modified new drugs, and generic drugs, enterprises are generally required to conduct local clinical trials, bridging studies or other supportive research, which lengthens development timelines and increases upfront investment. The associated R&D capabilities and clinical platforms constitute a meaningful entry barrier for new market participants.

Formulation Technology and Manufacturing Capability. Topical dermatology drugs require sophisticated formulation design to ensure drug stability, skin penetration, bioavailability, and patient tolerability. Advanced delivery systems necessitate specialized know-how and manufacturing infrastructure. Furthermore, consistency in large-scale production and long-term quality assurance raise technical thresholds, limiting successful entry to companies with proven formulation expertise and robust manufacturing systems.

Clinical Acceptance and Physician Prescribing Habits. Market entry is heavily influenced by dermatologist prescribing behavior and clinical recognition. Physicians tend to favor products with established clinical evidence, clear differentiation, and predictable treatment outcomes, particularly for chronic or recurrent conditions. New entrants must invest significantly in medical education, academic promotion, and real-world clinical validation to build trust and shift prescribing patterns, creating a substantial commercialization barrier.

Distribution Channels and Brand Recognition. Access to both hospital and retail pharmacy channels, including internet hospitals and e-pharmacies, requires established distribution networks, channel compliance capabilities, and brand credibility. In the topical dermatology segment, patient adherence and repeat use are closely linked to brand recognition and perceived efficacy. New entrants without existing channel relationships or consumer awareness face higher customer acquisition costs and slower uptake.

Key Growth Drivers of China's Topical Dermatology Drug Market

Rapid development of online healthcare channels improves patient access. China's expanding digital healthcare ecosystem, including e-pharmacies, internet hospitals, and dermatologist-led online consultation platforms, has significantly improved patient access to topical dermatology drugs. These models effectively reduce geographic barriers, improve treatment initiation efficiency, and enhance medication adherence, thereby providing sustained support for demand growth.

Rising prevalence and awareness of dermatologic diseases among patients. The prevalence of conditions such as acne, rosacea and pigmentary disorders continues to increase, driven by lifestyle changes and environmental factors. At the same time, public understanding of chronic and recurrent skin diseases has increased through medical education initiatives and professional content dissemination, leading to greater acceptance of standardized treatment and management approaches.

Increasing willingness among patients to seek timely dermatologic treatment. Chinese patients are becoming more proactive in seeking timely medical treatment. Rising income levels, broader coverage of dermatology resources, and improved access to professional guidance contribute to higher acceptance of both prescription and OTC topical therapies. This trend toward earlier intervention supports stable demand growth across multiple topical drug categories.

Topical dermatology drugs are relatively less affected by pricing policy. Compared with systemic therapies, they are used less frequently and over shorter treatment courses, resulting in lower aggregate per-patient expenditure and a smaller overall budget impact — making them a lower priority for medical insurance and price control policies. While competition may intensify for certain mature products, many topical formulations, particularly OTC products and differentiated dosage forms, continue to have pricing primarily determined by market competition. This environment allows companies to achieve relatively stable revenue growth through product differentiation and channel optimization.

Future Trends of China's Topical Dermatology Drug Market

Innovation in concentrations, formulations, and combinations. Innovation in topical dermatology is increasingly centered on optimizing drug concentrations, diversifying dosage forms, and developing combination products. Advanced delivery systems are being adopted to improve skin penetration efficiency, enhance tolerability, and reduce irritation. Combination therapies integrating multiple active ingredients are also gaining traction for conditions requiring multimodal management.

Transition from short-term symptom management to long-term skin disease management. Driven by greater disease awareness, stronger follow-up management habits, and the broader adoption of evidence-based treatment, Chinese patients are increasingly using topical dermatology drugs not only for short-term symptom relief but also for relapse prevention, maintenance therapy and long-term management. For chronic or recurrence-prone conditions such as acne, atopic dermatitis, psoriasis, onychomycosis and pigmentary disorders, patients are placing growing emphasis on safety, tolerability, ease of use and long-term adherence. This trend is shifting demand from one-off treatment toward more sustained, recurring usage, while encouraging dosage form optimization, combination therapy, and the development of complementary skincare regimens.

Online sales driving overall market expansion. Online channels have become a key growth engine for the topical dermatology drug market. Supported by online healthcare infrastructure including e-commerce platforms, internet hospitals and e-pharmacies, patients can access dermatology consultations, drug purchases and follow-up medication management more conveniently under China's compliant e-prescription circulation and pharmaceutical retail regulatory framework. The development of online OTC sales and compliant prescription-fulfillment channels enhances purchasing convenience, repeat-purchase efficiency and long-term treatment adherence, while enabling companies to broaden product coverage and reach wider regional markets more effectively.

Growing synergy between topical dermatology drugs and skincare. As skin disease management concepts continue to deepen, patient demand for post-treatment barrier repair, irritation relief, relapse prevention and daily maintenance has been rising steadily. In conditions such as acne, atopic dermatitis, rosacea, pigmentary disorders and scalp-related disorders, topical drugs are typically used for disease control and symptom improvement, while medical-grade skincare products play a greater role in adjunctive care, tolerability enhancement and long-term maintenance. This trend is driving topical dermatology drugs and skincare products to form complementary use cases, and supports the coordinated development of prescription drugs, OTC products and medical-grade skincare categories.

Competitive Landscape of China's Topical Dermatology Drug Market

The topical dermatology drug market in China features a mix of established multinational corporations and leading domestic pharmaceutical companies. In 2025, the market remained competitive, with top players differentiating themselves through brand recognition, channel coverage, and diverse product portfolios.

Our Company is a leading player in this sector. According to Frost & Sullivan, our Company ranked sixth among all manufacturers of topical dermatology drugs in China based on ex-factory prices in 2025, with a revenue of approximately RMB0.96 billion. The following table sets forth the top 8 manufacturers of topical dermatology drugs in China by revenue on ex-factory prices in 2025:

Rank	Company (English/Chinese)	Revenue (RMB billion)
1	Company A	1.43
2	Company B	1.36
3	Company C	1.29
4	Company D	1.23
5	Company E	1.00
6	Ziyond Pharmaceutical (知原藥業)	0.96
7	Company F	0.87
8	Company G	0.80

Source: Frost & Sullivan Analysis

ACNE AND ROSACEA MARKET

Overview

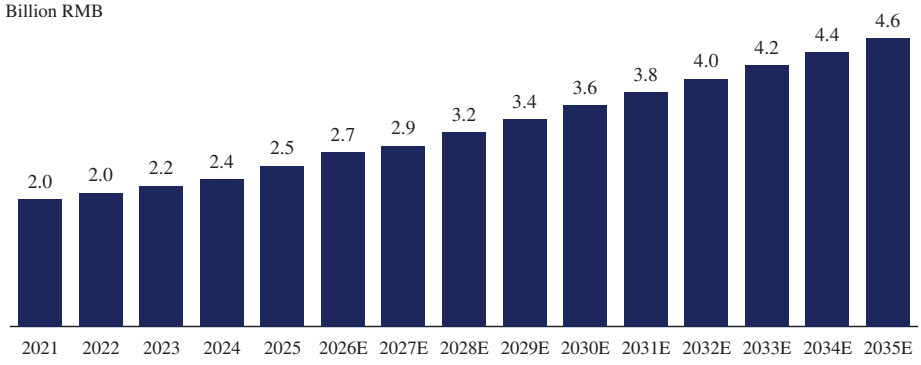
Acne vulgaris and rosacea represent the two major chronic inflammatory facial dermatoses affecting facial skin, significantly impacting patient appearance and psychological well-being. Acne vulgaris primarily affects adolescents and young adults. It has established a massive and stable patient pool in China. According to Frost & Sullivan, the number of acne patients in China reached approximately 121.8 million in 2025. In contrast, rosacea predominantly affects middle-aged adults. Due to improved diagnostic criteria, the identified cases of rosacea has surged. The number of rosacea patients in China was approximately 67.2 million in 2025 and is projected to expand rapidly to 81.2 million by 2030.

Market Size of Topical Medications for Acne and Rosacea

Driven by the rising demand for scientific skin health management, the market for topical acne and rosacea medications has demonstrated strong growth. Looking forward, as the diagnosis rate of rosacea continues to climb and the concept of "long-term maintenance" for acne becomes mainstream, the market is expected to accelerate. The following diagram illustrates the market size of topical medications for Acne Vulgaris and Rosacea in China from 2021 to 2035E.

Market Size of Topical Medications for Acne Vulgaris and Rosacea in China, 2021-2035E

Period	CAGR
2021-2025	6.2%
2025-2030E	7.5%
2030E-2035E	5.2%



Source: Frost & Sullivan Analysis

FUNGAL SKIN INFECTIONS MARKET

Overview

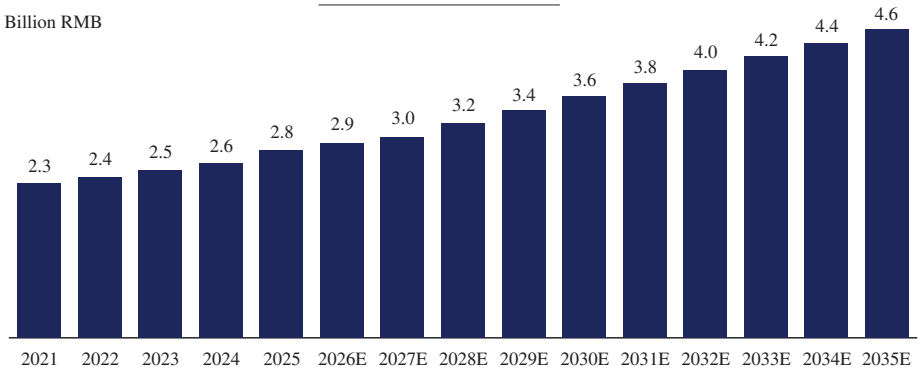
Tinea pedis and tinea manuum are common superficial fungal infections caused by Dermatophytes, characterized by pruritus, scaling, vesicles, and fissures. These conditions are highly prevalent in China, driven by risk factors including hyperhidrosis, occlusive footwear, and warm, humid environments. Reflecting these disease characteristics, the patient population in China is large and relatively stable, providing sustained underlying demand for topical antifungal therapies. According to Frost & Sullivan, the combined number of patients with tinea pedis and tinea manuum in China was approximately 268.5 million in 2025. The prevalence is expected to remain stable with a slight upward trend, reaching an estimated 269.1 million by 2030.

Market Size of Topical Medications for Tinea Pedis and Tinea Manuum

Topical antifungal agents remain the first-line standard of care for the vast majority of superficial fungal infections due to their efficacy and safety profile. The highly recurrent nature of these fungal infections has driven the sustained steady growth of the market for topical medications for tinea pedis and tinea manuum. The following diagram illustrates the market size of topical medications for Tinea Pedis and Tinea Manuum in China from 2021 to 2035E. Looking forward, the market is expected to accelerate as several demand-side factors converge. Rising public awareness of superficial fungal infections and their recurrent nature has translated into a growing willingness among patients to seek active and sustained treatment, thereby improving diagnosis and treatment rates. Concurrently, the continued growth of household disposable income has enhanced patients' affordability and willingness to pay for effective therapies, supporting a gradual shift toward premium and higher-value formulations. Together with the ongoing demand for convenient and fast-acting solutions, these factors are expected to drive both volume expansion and value growth across the topical antifungal segment.

Market Size of Topical Medications for Tinea Pedis and Tinea Manuum in China, 2021-2035E

Period	CAGR
2021-2025	4.6%
2025-2030E	5.2%
2030E-2035E	5.4%



Source: Frost & Sullivan Analysis

ONYCHOMYCOSIS MARKET

Overview

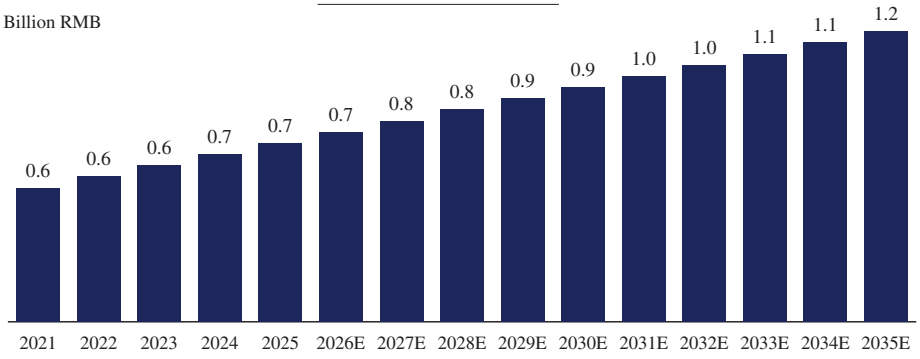
Onychomycosis is a chronic fungal infection of the nail unit leading to thickening, discoloration, and brittleness. It is more common among the elderly population, with prevalence significantly increasing with age due to reduced peripheral circulation, slower nail growth, and comorbidities. Driven by the rapidly aging population in China, the prevalence of onychomycosis is exhibiting a structural upward trend. According to Frost & Sullivan, the number of onychomycosis patients in China increased from 40.8 million in 2025 to an estimated 43.8 million in 2030. As the demographic shift intensifies, the patient pool is projected to further expand to 46.6 million by 2035.

Market Size of Topical Medications for Onychomycosis

Driven by the clinical preference for topical treatments over systemic antifungals among the elderly population to mitigate potential drug-drug interactions and systemic safety concerns, the topical onychomycosis drug market is poised for long-term expansion. The following diagram illustrates the market size of topical medications for Onychomycosis in China from 2021 to 2035E.

Market Size of Topical Medications for Onychomycosis in China, 2021-2035E

Period	CAGR
2021-2025	3.9%
2025-2030E	6.4%
2030E-2035E	5.1%



Source: Frost & Sullivan Analysis

IMMUNE-MEDIATED DERMATOSES MARKET

Immune-mediated dermatoses refer to a group of chronic, relapsing inflammatory skin diseases driven by the dysregulation of the immune system. These conditions, represented primarily by psoriasis and atopic dermatitis, are characterized by persistent inflammation, skin barrier defects, and distinct immunological signatures.

Psoriasis

Overview

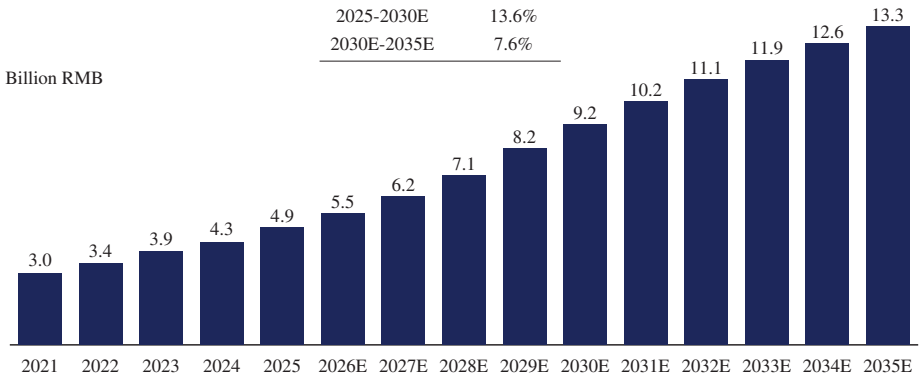
Psoriasis is a chronic, immune-mediated, non-communicable dermatological disease characterized by the rapid overproduction of skin cells, leading to localized or widespread scaling and inflammation. The most common form is plaque psoriasis. Beyond its physical manifestations, psoriasis is associated with significant comorbidities including psoriatic arthritis and cardiovascular diseases. According to Frost & Sullivan, psoriasis affects a substantial and stable population in China. The prevalence was approximately 6.7 million in 2025 and is projected to reach 6.8 million by 2030.

Market Size of Topical Medications for Psoriasis

Topical corticosteroids ("**TCS**") and compound formulations continue to represent the mainstay of treatment for controlling acute flares in mild-to-moderate psoriasis, with the market for topical psoriasis medications driven by the need for potent and fast-acting solutions. Beyond this established base, the market is being further expanded by the deepening understanding of psoriasis pathogenesis, which has led to the discovery and validation of novel therapeutic targets. In particular, the emergence of non-steroidal topical agents acting on newly identified mechanisms — such as the aryl hydrocarbon receptor and phosphodiesterase-4 ("**PDE-4**") — has broadened the range of available treatment options and helped address the long-standing limitations of prolonged corticosteroid use, including skin atrophy and tachyphylaxis. Coupled with rising patient awareness and diagnosis rates, these innovations are expected to drive both treatment penetration and value growth across the topical segment. The following diagram illustrates the market size of topical medications for Psoriasis in China from 2021 to 2035E.

Market Size of Topical Medications for Psoriasis in China, 2021-2035E

Period	CAGR
2021-2025	12.5%
2025-2030E	13.6%
2030E-2035E	7.6%



Source: Frost & Sullivan Analysis

Atopic Dermatitis

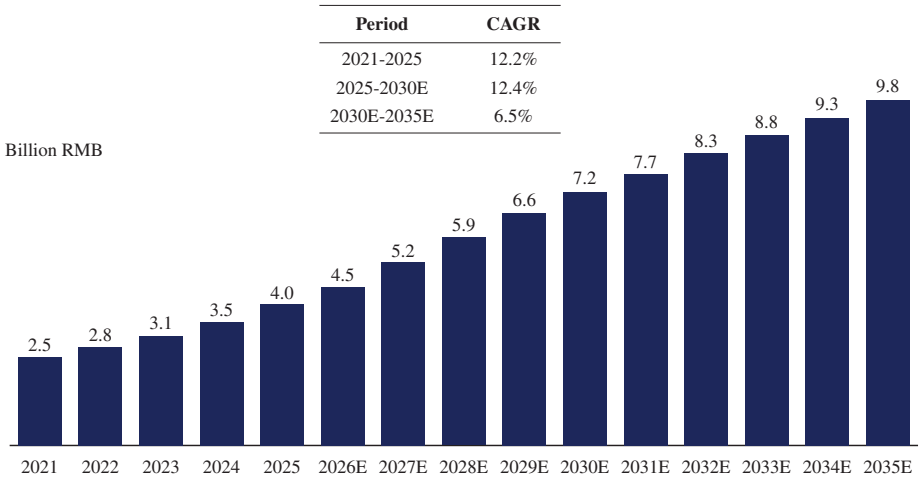
Overview

Atopic dermatitis, also known as atopic eczema, is the most common chronic inflammatory skin disease characterized by intense pruritus, xerosis, and recurrent eczematous lesions. It disproportionately affects infants and children. The prevalence of AD in China is rising driven by factors such as urbanization, lifestyle changes, evolving environmental exposures, and the increasing incidence of allergic diseases. According to Frost & Sullivan, the patient population was 73.0 million in 2025. A significant portion of these patients are children, creating a highly sensitive market where safety and steroid-sparing properties are the primary decision factors.

Market Size of Topical Medications for AD

Driven by the rising diagnosis rate in children and the increasing adoption of safer, non-steroidal options, the AD topical market is witnessing rapid expansion. This high growth rate is largely fueled by the penetration of the increasing use of steroid-sparing options such as topical calcineurin inhibitors ("**TCIs**") alongside TCS therapy. The following diagram illustrates the market size of topical medications for Atopic Dermatitis in China from 2021 to 2035E.

Market Size of Topical Medications for Atopic Dermatitis in China, 2021-2035E



Source: Frost & Sullivan Analysis

PIGMENTARY DISORDERS MARKET

Pigmentary disorders involve the abnormal distribution of melanin in the skin, manifesting as either hyperpigmentation (excessive melanin) or hypopigmentation (loss of melanin). These conditions, mainly anchored by melasma and vitiligo, respectively, pose significant social distress and profound psychosocial burdens for patients.

Melasma

Overview

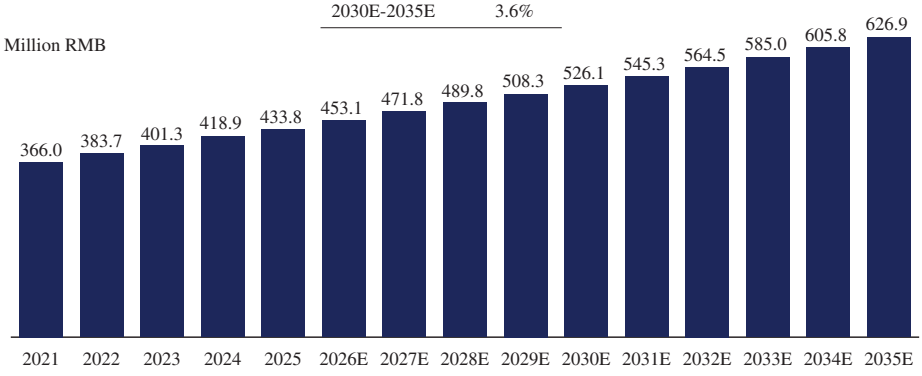
Melasma is a common acquired pigmentary disorder characterized by symmetrical, hyperpigmented macules on sun-exposed areas, particularly the face. It typically affects young to middle-aged adults and exhibits a striking gender disparity, with females accounting for approximately 90% of the patient population. Melasma is closely linked to hormonal fluctuations (e.g., pregnancy, oral contraceptives), ultraviolet exposure, and genetic predisposition. As a chronic and recurrent condition affecting facial appearance, it imposes a significant psychological burden on patients. According to Frost & Sullivan, the patient population reached 62.9 million in 2025.

Market Size of Melasma Drugs

Underpinned by the comprehensive management approach combining systemic regulation (e.g., oral tranexamic acid) with topical care, the market for melasma medications and care products in China shows a growth trend. The following diagram illustrates the market size of medications for melasma in China from 2021 to 2035E.

Market Size of Melasma Drug Market in China, 2021-2035E

Period	CAGR
2021-2025	4.3%
2025-2030E	3.9%
2030E-2035E	3.6%



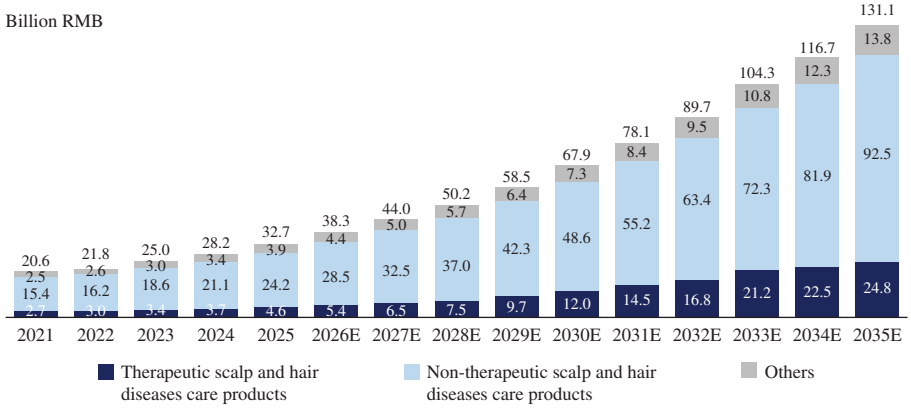
Source: Literature Search, Frost & Sullivan Analysis

SCALP AND HAIR DISEASES CARE MARKET

Scalp and hair diseases encompass a diverse group of dermatological conditions affecting the scalp skin and hair follicles, which significantly impact patients' appearance and quality of life. The market is predominantly driven by androgenetic alopecia ("**AGA**"), a progressive hair loss disorder shaped by hormonal and genetic factors, and scalp conditions such as seborrheic dermatitis and dandruff-related disorders). This market can be further segmented into therapeutic scalp and hair diseases care products, non-therapeutic scalp and hair diseases care products and other products. Supported by rising awareness of hair loss treatment, growing consumer focus on scalp health and appearance management, improved accessibility through online consultation and pharmacy channels, and the continued penetration of evidence-based therapeutic products together with complementary scalp care offerings, the scalp and hair diseases care segment is exhibiting accelerated growth. The following diagram illustrates the market size of scalp and hair diseases care in China from 2021 to 2035E.

Market Size of Scalp and Hair Diseases Care in China, 2021-2035E

Period	CAGR			
	Therapeutic scalp and hair diseases care products	Non-therapeutic scalp and hair diseases care products	Others	Total
2021-2025	13.9%	11.9%	12.0%	12.2%
2025-2030E	21.2%	15.0%	13.3%	15.8%
2030E-2035E	15.7%	13.7%	13.6%	14.1%



Source: Frost & Sullivan Analysis

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on China's topical dermatology drug industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB600,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data and considered the key industry drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating critical market elements investigated during the research phase of the project. These elements primarily include forecasting methodology based on expert opinions, integration of market drivers and restraints, market challenges, market engineering measurement trends and econometric variables.

Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

REGULATORY AUTHORITIES

In the PRC, the National Medical Products Administration (the "**NMPA**") is the primary regulatory agency for pharmaceutical products and businesses and regulates almost all of the key stages of the life-cycle of pharmaceutical products. The CDE, which is a subsidiary under the NMPA, conducts the technical evaluation on each drug and biologic application to assess the safety and efficacy of each candidate.

The National Health Commission (the "**NHC**", formerly known by names of the Ministry of Health and National Health and Family Planning Commission), is the primary healthcare regulatory agency in PRC. It is responsible for overseeing the operation of medical institutions, some of which also serve as clinical trial sites.

Also, the Ministry of Commerce (the "**MOFCOM**"), and the State Administration for Market Regulation (the "**SAMR**"), are the main regulatory authorities on our PRC subsidiaries with regard to the foreign investment activities and business supervision.

LAWS AND REGULATIONS RELATING TO DRUGS

Introduction

The PRC Drug Administration Law (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") was promulgated by the Standing Committee of the NPC (the "**SCNPC**") on September 20, 1984 and latest amended on August 26, 2019, and took effect as of December 1, 2019. The State Council issued the Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), which was promulgated on August 4, 2002 and latest amended on January 16, 2026 and became effective on May 15, 2026, to further implement the Drug Administration Law. The NMPA also has its own set of regulations for the Drug Administration Law, and the primary one governing clinical trial applications, marketing approval, and post-approval amendment and renewal is known as the Drug Registration Regulation (《藥品註冊管理辦法》), which was latest amended by the SAMR on January 22, 2020 and effective from July 1, 2020.

Application for Drug Registration

In accordance with the Drug Registration Regulation (《藥品註冊管理辦法》), drugs registration refers to activities that a drug registration applicant files an application and other supplementary applications for clinical trials of drugs, approval for drug marketing, and re-registration, among others, under the legal procedures and according to the relevant requirements, and that the medical products administrative department examines the safety, effectiveness, and quality controllability based on the laws and regulations, and the existing scientific cognitions, to decide whether to agree with the activities applied for. A drug registration certificate shall be valid for five years. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

Non-Clinical Research

The NMPA requires preclinical data to support registration applications for imported and domestic drugs. According to the Drug Registration Regulation, non-clinical safety studies shall be carried out in an institution that has passed the certification of the Good Laboratories Practice for Non-clinical Laboratory and comply with the Good Laboratory Practice for Non-Clinical Laboratory Studies of Drugs (《藥物非臨床研究質量管理規範》), which was issued by the former China Food and Drug Administration (the "**CFDA**") on August 6, 2003 and revised on July 27, 2017.

Clinical Trials Approval

To start the clinical trial, a sponsor needs to apply for clinical trial approval first. All clinical trials conducted in PRC for new drug registration purposes must be approved and conducted at pharmaceutical clinical trial institutions filed according to the Regulations on the Administration of Pharmaceutical Clinical Trial Institutions (《藥物臨床試驗機構管理規定》) promulgated by NMPA and NHC on November 29, 2019, and came into effect on December 1, 2019.

Drug Clinical Trial Registration

Upon obtaining the clinical trial approval and before commencing a clinical trial, the sponsor shall register the scheme on the clinical trial and other information on the Drug Clinical Trial Registration and Information Platform (藥物臨床試驗登記和信息公示平台) for clinical trials of drugs. During the clinical trial of drugs, the sponsor shall update registration information continuously, and register information on the outcome of the clinical trial of drugs upon completion of the clinical trial of drugs. The registration information shall be published on the platform and the sponsor shall be responsible for the veracity of such information.

Clinical Trial Process and Good Clinical Practices

Typically, pursuant to the Drug Registration Regulation, drug clinical trials in PRC shall go through four phases — phase I clinical trial, phase II clinical trial, phase III clinical trial, and phase IV clinical trial. The NMPA requires that the different phases of clinical trials in PRC shall receive ethics committee approval respectively and comply with the relevant requirements of quality management standards for clinical trial of drugs in PRC. The sponsor shall submit safety update reports on the CDE website regularly during the research and development period. The sponsor shall promptly report to the CDE regarding suspicious and unexpected serious adverse reaction and other potential serious safety risks arising in the course of the clinical trial.

Drug Marketing Authorization Application

After completing the pharmaceutical research, pharmacological and toxicological research, drug clinical trial, and other research supporting the marketing registration of a drug, determining the quality standards, completing the verification of commercial large-scale production process, and making sound preparation for the acceptance of drug registration inspection and examination, an applicant shall file an application for drug marketing authorization Where a generic drug, in vitro diagnostic reagent managed as a drug, or any other eligible circumstance assessed by an applicant to be unnecessary or impossible for conducting drug clinical trials and meeting the conditions for exempting drug clinical trials, the applicant may directly file an application for drug marketing authorization.

The CDE shall organize pharmaceutical, medical and other technical personnel to evaluate the accepted applications for drug marketing authorization as required. Where the comprehensive evaluation conclusion is adopted, the drug shall be approved for marketing, and a drug registration certificate shall be issued.

Drug Manufacturing

According to the Drug Administration Law and Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》) which was promulgated by the former CFDA on December 11, 2002 and last amended by SAMR on January 22, 2020 and effective on July 1, 2020, all enterprises that manufacture drugs in PRC must apply for a Drug Manufacturing License which is issued by the drug supervision and administration department of the province, autonomous region or municipality directly under the central government where it is domiciled. The Drug Manufacturing License is valid for five years and shall be renewed six months before the expiry date. The drug marketing authorization holder who entrusts another party to produce preparations shall meet the requirements as specified in Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), sign an

entrustment agreement and a quality agreement with a qualified drug producer, and submit the relevant agreements and the application materials of the actual production site to provincial drug administrative departments where the drug marketing authorization holder is located to apply for the Drug Manufacturing License.

The Good Manufacturing Practice (GMP) for Pharmaceutical Products (《藥品生產質量管理規範》), promulgated by the Ministry of Health of China (now the National Health Commission) in March 1988, most recently revised in January 2011, and effective from March 1, 2011, provides systematic regulations for pharmaceutical manufacturing enterprises across multiple dimensions. The regulation establishes comprehensive requirements to ensure compliance with pharmaceutical quality standards throughout the product lifecycle.

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》), which was issued by the former CFDA in August 2014, a drug manufacturer in PRC that holds a drug marketing authorization but temporarily lacks manufacturing conditions due to technology upgrades or insufficient manufacturing capabilities can entrust the production of that drug to another drug manufacturer in PRC. Such contract manufacturing arrangements require approval by the provincial branch of the NMPA. The Administrative Regulations for the Contract Manufacturing of Drugs prohibit the contract manufacturing of certain special drugs, including but not limited to narcotic drugs, psychoactive drugs, pharmaceutical precursor chemicals and their compound preparations, toxic pharmaceuticals for medical treatment, biological products, multi-component biochemical drugs, traditional Chinese medicine injections, and active pharmaceutical ingredients.

Drug Distribution

According to the Drug Administration Law, the operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Distribution License. A Drug Distribution License shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period.

According to the Measures for the Supervision and Administration of Drug Distribution and Usage (《藥品經營和使用質量監督管理辦法》) took into effect on January 1, 2024, a Drug Distribution License is valid for five years. Each holder of the Drug Distribution License must apply for an extension of its license six months to two months prior to expiration.

The Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) (the "**GSP Rules**") was last amended and came into effect on July 13, 2016. The GSP Rules set forth the basic standards in management of drug distribution and apply to enterprises engaged in drug distribution in the PRC, which require drug suppliers to implement strict controls. Under the Drug Administration Law, the GSP certification is no longer required for drug distributors, but drug suppliers are still required to comply with the GSP Rules.

Drug Advertisements

For advertisement of drugs, the advertisement contents shall be examined by the relevant authorities prior to the publishing. Pursuant to the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated by SAMR on December 24, 2019 and effective from March 1, 2020, advertisements for drugs shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes.

REGULATIONS RELATING TO COSMETICS

According to the Measures for the Administration of the Registration and Recordation of Cosmetics (《化妝品註冊備案管理辦法》), which became effective on May 1, 2021, a registrant or recordation entity of cosmetics and new cosmetic ingredients shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, be responsible for the veracity and scientificity of the materials submitted. The registrants and recordation entity of cosmetics and new cosmetic ingredients shall perform the obligations of product registration or recordation formalities in accordance with the laws and be responsible for the quality and safety of cosmetics and new cosmetic ingredients.

According to the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), which came into effect on January 1, 2021, special cosmetics may only be manufactured or imported after registration with the drug regulatory department under the State Council. Domestic ordinary cosmetics shall be filed with the drug regulatory department of the people's government of the province, autonomous region or municipality directly under the central government where the filing entity is located before being placed on the market.

According to the Safety and Technical Specification for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》), which became effective on December 1, 2016, cosmetics produced and operated within the PRC shall meet the safety and technical requirements for cosmetics stipulated in the Specification, which include general requirements, requirements for prohibited and restricted ingredients, requirements for permitted ingredients and inspection and evaluation methods. Cosmetics shall undergo safety risk assessment to ensure that they do not cause harm to human health under normal, reasonable and foreseeable conditions. The production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics. Cosmetics shall meet the relevant requirements for product quality and safety, and are allowed to leave the production base after passing the examination.

According to the Good Manufacturing Practice for Cosmetics (《化妝品生產質量管理規範》), which became effective on July 1, 2022, the registrant, the recordation entity and the entrusted manufacturer of cosmetics shall exercise good faith and self-discipline, establish a production quality management system in accordance with the requirements of the regulations, and realize the control and traceability of the whole process of cosmetic ingredient procurement, production, inspection, storage, sale and product recall, etc., to ensure the sustainable and stable production of cosmetics that meet the quality and safety requirements.

LAWS AND REGULATIONS RELATING TO OPERATION OF MEDICAL DEVICES

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》), promulgated by the SAMR on March 10, 2022 and came into effect on May 1, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. An enterprise engaging in the operation of Class III medical devices shall submit an application to the municipal-level drug regulatory authorities and obtain a Medical Device Operation License. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level drug regulatory authorities and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while no licensing or filing requirements are imposed on the operation of Class I medical devices.

LAWS AND REGULATIONS RELATING TO E-COMMERCE AND ONLINE TRANSACTION

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on August 31, 2018 and came into effect on January 1, 2019, E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses.

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), enacted by the SAMR on March 15, 2021, and amended on March 18, 2025 with the amendments effective from May 1, 2025, regulate all business activities involving sales of commodities or provision of services through the internet and other information networks as well as the supervision and administration thereof by market regulatory departments within the territory of Chinese Mainland. No online transaction business may engage in business operations without a license or permit in violation of any law, regulation or decision of the State Council. In addition, an online transaction business shall disclose commodity or service information in a comprehensive, truthful, accurate and timely manner, and protect consumers' right to know and right to choose.

On April 16, 2021, the Cyberspace Administration of China (the "**CAC**"), Ministry of Public Security, the Ministry of Commerce, Ministry of Culture and Tourism, the State Taxation Administration, the SAMR, the National Radio and Television Administration jointly issued the Measures for the Administration of Live Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》), which came into effect on May 25, 2021. Whoever engages in live streaming marketing activities shall abide by laws and regulations, follow public order and good morals, observe business ethics, adhere to correct orientation, and carry forward socialist core values, so as to create a sound network ecology.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 respectively by SCNPC, if a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and coming into effect on January 1, 2021, where a patient suffers damage due to defects in drugs, he may seek compensation from the drug marketing authorization holder or also from the medical institution.

The Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

On March 12, 2026, the NPC promulgated the Code of the PRC on the Ecological Environment (《中華人民共和國生態環境法典》). The Code of the PRC on the Ecological Environment will take effect on August 15, 2026 and supersede 10 existing environmental protection laws, serving as the comprehensive and unified fundamental law governing ecological and environmental protection in the PRC.

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and came into effect on January 1, 2015, outlines the authorities and duties

of various environmental protection regulatory agencies. The Ministry of Ecology and Environment (the "**MEE**") is authorized to issue national standards for environmental quality and emissions and to monitor the environmental protection scheme of the PRC.

Environmental Impact Appraisal

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file an environmental impact registration form.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, came into effect on September 1, 2003 and latest amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact statement or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pollutant Discharge Licensing

Pursuant to the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》) promulgated on April 1, 2024 and effective on July 1, 2024 by the MEE, enterprises and public institutions as well as other producers and operators subject to the administration of pollutant discharge permits shall apply for pollutant discharge license. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the MEE on December 20, 2019 and effective on the same day, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

The State Council issued the Regulation on Pollutant Discharge Permit Administration (《排污許可管理條例》) on January 24, 2021 which came into effect on March 1, 2021 to further enhance the pollutant discharge administration.

Hazardous Chemicals

The Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) (the "**Hazardous Chemicals Regulation**") was promulgated by the State Council on January 26, 2002, latest amended on December 7, 2013 and effective therefrom. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC Government exerts strict control over implementing overall planning and rational layout for the production and storage of hazardous chemicals and examine safety conditions of construction projects concerning manufacturing or storing hazardous chemicals.

Regulations on Work Safety

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated by the SCNPC on June 29 2002 and last amended on June 10 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide the employees with protective equipment that meets the national standards or industrial standards.

LAWS AND REGULATIONS RELATING TO LAND, PLANNING AND CONSTRUCTION OF PROJECTS

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 and latest amended on August 26, 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on January 4, 1991 and latest revised on July 2, 2021, the land in the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms.

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and latest amended on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and latest amended on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination.

LAWS AND REGULATIONS RELATING TO LEASING

On December 1, 2010, the Ministry of Housing and Urban-Rural Development of the PRC promulgated the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), which came into effect on February 1, 2011. According to these measures, the parties to a housing lease shall go to the competent construction (real estate) department of the municipality directly under the Central Government, city, or county where the leased housing is located to handle the registration and filing of the housing lease within 30 days after the conclusion of the housing lease contract.

According to the Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Disputes over Urban Housing Lease Contracts (2020 Amendment) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》) promulgated by the Supreme People's Court on December 29, 2020 and effective on January 1, 2021, where the ownership of the leased housing changes during the period when the lessee possesses the housing in accordance with the lease contract, and the lessee requests the transferee of the housing to continue to perform the original lease contract, the PRC court shall support such request, except where a mortgage right has been established on the housing before renting and the change of ownership occurs due to the realization of the mortgage right by the mortgagee.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), issued by the SCNPC on July 5, 1994, effective on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012, and the Regulation on the Implementation of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on September 18, 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages.

Social Securities and Housing Provident Fund

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Interim Regulations on Levying Social Insurance Premiums (《社會保險費徵繳暫行條例》), an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% or 0.2% per day, as the case may be. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

Pursuant to the Interpretation II of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the PRC court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and claims economic compensation pursuant to Article 38 Paragraph 3 of the Labor Contract Law, the PRC court shall support such claims in accordance with the law. In the circumstances described in the preceding paragraph, if the employer subsequently pays the social insurance premiums in accordance with the law and requests the employee to return the compensation already paid for the social insurance premiums, the PRC court shall support such requests in accordance with the law.

According to the Regulations on Management of Housing Fund (《住房公積金管理條例》), an enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which was issued by the SCNPC on March 12, 1984, and latest revised on October 17, 2020 and came into effect on June 1, 2021. Invention patent refers to new technical solutions for a product, method or its improvement. Utility model patent refers to new technical solutions for the shape, structure or the combination of both shape and

structure of a product, which is applicable for practical use. Design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, shape and pattern of a product with aesthetic feeling and industrial application value. Invention patent, utility model and design patent shall be valid respectively for 20 years, 10 years and 15 years commencing from the date of application.

Trademarks

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was issued by the SCNPC on August 23, 1982, came into effect on March 1, 1983 with last but one amended on April 23, 2019, and became effective on November 1, 2019, whilst the latest amended on June 6, 2026 and will become effective on January 1, 2027, and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》), which was issued by the State Council on August 3, 2002, came into effect on September 15, 2002, amended on April 29, 2014 and came into effect on May 1, 2014. The trademark bureaus under the SAMR are responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and last revised on November 11, 2020 and came into effect on June 1, 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

On January 29, 1996, the State Council promulgated the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which issued by the SAFE on June 9, 2016 and became effective on the same day, as partially amended by the Circular of the State Administration of Foreign Exchange on Further Deepening Reform and Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued and implemented on December 4, 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. That the foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of domestic institutions for business operations has been clearly implemented in relevant policies.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was implemented by the SAFE on October 23, 2019 and most recently amended on December 4, 2023, the relevant policies have expressly facilitated the payment and use of equity transfer proceeds under domestic reinvestment of foreign-invested enterprises and funds raised through overseas listings, and adjusted the capital account liquidation account to a capital account settlement account. The domestic equity transferor (including institutions and individuals) receiving equity transfer consideration funds paid in foreign currency by domestic entities may directly have such funds, as well as foreign exchange funds raised by domestic enterprises through overseas listings, remitted into the capital account settlement account, and the funds in the capital account settlement account may be voluntarily settled and used.

On December 26, 2025, the PBOC and the SAFE jointly issued the Notice on Issues Concerning the Administration of Funds of Domestic Enterprises Listed Overseas (the "Notice"), which came into effect on April 1, 2026. The Notice: (i) unifies RMB and foreign-currency fund management, allowing overseas listing proceeds and domestic shareholders' post-listing share-disposal proceeds to be repatriated in RMB or foreign currency, and requiring RMB-denominated domestic dividend payments under the H-share "Full Circulation" program; (ii) facilitates domestic use of proceeds and exchange-rate risk management by permitting freely convertible repatriated funds and autonomous hedging arrangements within the PRC; (iii) streamlines administration by authorizing banks to handle registration procedures and extending relevant filing time limits; and (iv) strengthens fund supervision by requiring, in principle, the repatriation of proceeds and uncompleted transaction funds, while allowing qualified enterprises to retain funds overseas under prescribed conditions.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), promulgated by the NPC (全國人民代表大會) on March 16, 2007, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, as well as Regulation on the Implementation of the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Implementation Rules**"), promulgated by the State Council on December 6, 2007, which came into force on January 1, 2008 and were amended on April 23, 2019 and December 6, 2024, are the principal law and regulation governing enterprise income tax in the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such incomes are obtained outside the PRC but have an actual connection with the set-up institutions or sites in the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Value-Added Tax

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》) promulgated by the SCNPC on December 25, 2024 and effective as of January 1, 2026, entities and individuals that sell goods, services, intangible assets or real estate within the territory of the PRC, as well as import goods, shall be taxpayers of VAT and shall pay VAT in accordance with the provisions thereof. Where a taxpayer conducts one taxable transaction involving two or more VAT rates or levy rates, the VAT rate or levy rate applicable to the principal business of such taxable transaction shall apply.

Taxation on Dividends

Pursuant to the EIT Law and the EIT Implementing Rules, if a non-resident enterprise has not set up an organization or establishment in the PRC or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. According to the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Arrangement**") issued by State Taxation Administration on August 21, 2006 and effective from December 8, 2006, dividends repatriated from a PRC entity to its Hong Kong shareholder owning more than 25% of the capital would be entitled to a reduced withholding tax rate of 5% subject to certain conditions.

The State Administration of Taxation, issued the Administrative Measures on Entitlement of Non-residents to Treatment under Treaties (《非居民納税人享受協定待遇管理辦法》) was issued by State Taxation Administration on October 14, 2019 and effective on January 1, 2020, which applies to non-resident taxpayers who have tax liability in China and claim treaty benefits. Non-resident taxpayers enjoying tax treaty benefits shall adopt the method of "self-assessment, claims by declaration and retention of the relevant materials for future inspection". Non-resident taxpayers who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and materials as required, and simultaneously collect and retain the relevant materials for future inspection. Also, tax authorities at any level shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties accurately and prevent risks of indiscriminate application of tax treaties, tax evasion and tax avoidance.

Pursuant to the Arrangement, the PRC Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol of the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), which effective on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits.

LAWS AND REGULATIONS RELATING TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Company Law of the PRC

Pursuant to the PRC Company Law (《中華人民共和國公司法》) promulgated by the SCNPC on December 29, 1993, which was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023 respectively and the latest amendment came into effect on July 1, 2024, the Company Law shall apply to all companies established in the PRC. The Company Law, which regulates the establishment, corporate structure and management of companies, also applies to foreign-invested companies.

Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), which was promulgated by the MOFCOM and the NDRC on September 6, 2024 and took effect on November 1, 2024, sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Catalog of Industries for

Encouraging Foreign Investment (2025 version) (《鼓勵外商投資產業目錄(2025年版)》), which was promulgated by the MOFCOM and the NDRC, on December 15, 2025 and took effect on February 1, 2026, sets out the encouraged industries for foreign investment.

Foreign-Invested Enterprises

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), promulgated by the NPC on March 15, 2019 and came into effect as of January 1, 2020, The Foreign Investment Law establishes the basic framework for the foreign investment access, promotion, protection and administration in view of investment protection and fair competition.

REGULATIONS RELATED TO CYBERSECURITY AND DATA PROTECTION

In November 2016, the SCNPC promulgated the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the "Cyber Security Law"), which took effect since June 1, 2017 and was last amended on October 28, 2025, and became effective on January 1, 2026. The Cyber Security Law requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data.

The Measures for Cybersecurity Review (《網絡安全審查辦法》) was issued by thirteen government departments including the CAC on December 28, 2021, and became effective on February 15, 2022. According to the Measures for Cybersecurity Review, (i) a critical information infrastructure operator (關鍵信息基礎設施運營者), shall pre-assess the national security risks that may arise after the products and services are put into use, and if such products and services will or may affect national security, the operator shall apply for cyber security review with the cyber security review office; (ii) an operator who possesses personal information (網絡平台運營者) of more than 1 million users shall apply for cyber security review before listing of the operator's securities in a foreign country; and (iii) the relevant governmental authorities may initiate cyber security review if such governmental authorities consider an operator's cyber products or services, data processing or potential listing of its securities in a foreign country affect or may affect national security.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which was promulgated by the SCNPC on August 20, 2021 and implemented on November 1, 2021, emphasizes the obligations and responsibilities of processors for the protection of personal information and requires higher levels of protection measures for the processing of sensitive personal information.

On September 24, 2024, the State Council issued the Regulations on Network Data Security Management (《網絡數據安全管理條例》), which came into effect on January 1, 2025. The Regulations on Network Data Security Management aim to implement the general requirements for data security management set forth in the Cyber security Law, the Data Security Law, and the Personal Information Protection Law. The regulations reiterate the general provisions on data processing activities, personal information protection rules, important data security protection, cross-border network data security management, and the obligations of online platform service providers.

REGULATIONS RELATED TO OVERSEAS LISTING

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") together with 5 supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either by direct or indirect means, are required to file the required documents with the CSRC within three working days after their application for overseas listing is submitted.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"), which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing.

OVERVIEW

Our history can be traced back to March 1999 when our Company's predecessor, Jiangsu Shengbaoluo Pharmaceutical Co., Ltd. (江蘇聖寶羅藥業有限公司) (later renamed as Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業有限公司)) was established under the PRC Company Law. Led by Mr. Xu, our chairman of the Board and executive Director, and Mr. Xie, our executive Director, chief executive officer and general manager, we have, over years of development, become a specialized topical dermatology pharmaceutical company in China, with products across multiple therapeutic areas, providing "head-to-toe" coverage across dermatological pharmaceuticals and medical-grade skincare products. On November 27, 2020, our predecessor was converted into a joint stock limited company, Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司). As of the Latest Practicable Date, the registered capital of our Company was RMB138,168,000.00, divided into 138,168,000 Shares with a nominal value of RMB1.00 each.

KEY MILESTONES

The following is a summary of key development milestones of our Group:

Year	Milestone
1999	The predecessor of our Company, Jiangsu Shengbaoluo Pharmaceutical Co., Ltd. was established (later renamed as Ziyond Pharmaceutical Co., Ltd.).
2019	We established Wuxi Langrun Pharmaceutical Co., Ltd. (無錫朗潤醫藥有限公司) to further enhance our pharmaceutical sales and channel management.
	We refined our strategic focus on topical dermatological medicines.
2020	Our Company was converted into a joint stock limited company.
2021	We established Wuxi Zhiyan Biotechnology Co., Ltd. (無錫知妍生物科技有限公司) ("**Zhiyan Biotechnology**") to expand our medical-grade skincare products.
2022	We were designated as a National Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprise.
2023	Our Lifu Pimecrolimus Cream was launched and subsequently ranked first in China in terms of online sales in the same year.
	We ranked first in China in terms of topical dermatology drug applications.
2024	We were designated as a National Key Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprise.
2025	We completed the 2025 capital increase in December.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had 16 subsidiaries. The following table sets forth certain information of our major subsidiaries which are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

No.	Name of Subsidiary	Date and Place of Establishment	Principal Business Activities	Registered Capital	Ownership as of the Latest Practicable Date
				(RMB)	
1	Wuxi Langrun Pharmaceutical Co., Ltd.	March 29, 2019, PRC	Primarily engaged in the sale of pharmaceutical products	25,000,000.00	100.00%
2	Zhiyan Biotechnology	July 5, 2021, PRC	Primarily engaged in R&D and the sale of medical-grade skincare products	20,000,000.00	80.00%
3	Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. (重慶市藥研院製藥有限公司)	November 13, 1986, PRC	Primarily engaged in R&D, production and the sale of traditional Chinese medicines	28,000,000.00	84.29%
4	Wuxi Zhiyan E-commerce Co., Ltd. (無錫知妍電子商務有限公司)	May 30, 2019, PRC	Primarily engaged in the online sale of medical-grade skincare products	5,000,000.00	80.00%
5	Chongqing Zhiyuan Pharmacy Co., Ltd. (重慶知原大藥房有限公司)	November 29, 2022, PRC	Primarily engaged in the online sale of dermatological medicines	10,000,000.00	100.00%

DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Major Shareholding Changes Before Conversion into Joint Stock Limited Company

Establishment of our Company and Early Development

On March 11, 1999, the predecessor of our Company was established in Wuxi with an initial registered capital of RMB5.00 million by Wuxi Fangqian Real Estate Development Co., Ltd. (無錫市坊前房地產開發公司) ("**Fangqian Real Estate Co., Ltd.**"), Mr. Guo Jianyang (過建陽) and twelve other early-stage individual investors, all being independent third parties, with Fangqian Real Estate Co., Ltd. holding 51.00% of our Company's then registered capital and Mr. Guo Jianyang together with the twelve other early-stage individual investors collectively holding the remaining 49.00%.

There had been a series of equity transfers and capital increases from the establishment of our Company to November 2014. As of January 29, 2015, our Company was held as to 66.67% by Wuxi Zhiyuan Pharmaceutical Investment Co., Ltd. (無錫知原醫藥投資有限公司) (formerly known as Ningbo Zhiyuan Pharmaceutical Investment Co., Ltd. (寧波知原醫藥投資有限公司)) ("**Wuxi Zhiyuan Investment**"), 20.00% by Mr. Guo Jianyang and 13.33% by Treasure Boulevard Investment Limited (珍寶路投資有限公司) ("**Treasure Boulevard**"), with registered capital of RMB42.0 million.

Mr. Xu Obtaining Control of our Company

Mr. Xu became acquainted with Mr. Guo Jianyang through his prior industry experience. Recognizing our Company's development potential, Mr. Xu subsequently obtained control of our Company and led his management team to drive our Company's strategic development. After the completion of industrial and commercial registrations on February 9, 2015, Wuxi Zhonghe, which was controlled by Mr. Xu, acquired a 59.38% equity interest in Wuxi Zhiyuan Investment. Through controlling Wuxi Zhiyuan Investment, Mr. Xu obtained actual control over our Company. Leveraging Mr. Xu and his team's extensive industry experience and resources, as well as their solid operational capabilities and market insight, our Company strengthened its strategic planning and execution following the change in control, with a clearer focus on the dermatology segment.

On March 31, 2021, for the purpose of strengthening our Company's corporate governance structure and stabilizing its control, Mr. Xu and Mr. Xie entered into the Acting-in-Concert Agreement confirming their concerted actions in Wuxi Zhonghe and our Company. Pursuant to the Acting-in-Concert Agreement, Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company. As of the Latest Practicable Date, Mr. Xu and Mr. Xie were entitled to collectively exercise approximately 64.89% of the voting rights in the issued share capital of our Company.

Acquisition of Langrun Tech through Share Swap

Established in August 2012, Langrun Tech principally engaged in pharmaceutical promotion and was then indirectly controlled by Wuxi Zhonghe.

Pursuant to the capital contribution agreement dated November 6, 2015, the seven then shareholders of Langrun Tech subscribed for an additional registered capital of RMB60,666,710.00 of our Company. The consideration for such subscription was satisfied by their respective equity interests in Langrun Tech, which were valued at RMB60,666,710.00 following arm's length negotiations with reference to an appraised net asset value of RMB61,012,200.00 determined by an independent valuer. Upon completion, the registered capital of our Company increased from RMB42,000,000.00 to RMB102,666,710.00.

Capital Increase in 2020

Pursuant to a capital contribution agreement dated August 3, 2020 entered into among our Company, Mr. Xu, Mr. Xie, the investors set forth below and certain of our then Shareholders, such investors agreed to subscribe for the increased registered capital of our Company (the "**Capital Increase in 2020**"). Details of the Capital Increase in 2020 are as below:

Investor	Registered Capital Subscribed for	Consideration
	(RMB)	*(RMB)*
Jiangsu Sino-German Service Trade Industry Investment Fund (Limited Partnership) (江蘇中德服貿產業投資基金(有限合夥)) ("**Jiangsu Sino-German**")[1]	2,933,335.00	30,000,000.00
Hubei Tongying Equity Investment Fund Partnership (Limited Partnership) (湖北通瀛股權投資基金合夥企業(有限合夥)) ("**Hubei Tongying**")[1]	1,466,668.00	15,000,000.00

Investor	Registered Capital Subscribed for	Consideration
	(RMB)	*(RMB)*
Wuxi Jinling Medical Venture Investment Partnership (Limited Partnership) (無錫金靈醫養創業投資合夥企業(有限合夥)) ("**Wuxi Jinling**")	1,271,112.00	13,000,000.00
Wuxi Jincheng Venture Capital Co., Ltd. (無錫市金程創業投資有限公司) ("**Wuxi Jincheng**")(2)	782,223.00	8,000,000.00

Notes:

(1) Pursuant to the Shareholders' resolution dated January 27, 2025 and due to commercial considerations of certain of our investors, we repurchased (i) 2,950,237 Shares from Jiangsu Sino-German at a consideration of RMB38,327,125.48 and (ii) 1,475,119 Shares from Hubei Tongying at a consideration of RMB19,163,562.30. Upon completion of the share repurchase, Jiangsu Sino-German and Hubei Tongying ceased to be our Shareholders. All repurchased Shares were canceled and the registered capital of our Company was correspondingly reduced upon completion of the share repurchase.

(2) Pursuant to a share transfer agreement dated March 21, 2022 and due to internal shareholding restructuring within the investment group, Wuxi Jincheng transferred 786,730 Shares to Wuxi Jincheng Hefeng Venture Capital Partnership (Limited Partnership) (無錫金程和風創業投資合夥企業(有限合夥)) ("**Wuxi Jincheng Hefeng**") at a consideration of RMB8.00 million, which was fully settled on March 29, 2022.

Conversion into Joint Stock Limited Company and Major Shareholding Changes After Conversion

Conversion into a Joint Stock Company

On November 27, 2020, our Company was converted into a joint stock company. Upon the completion of the conversion, the registered capital of our Company became RMB124,500,000.00 which was divided into 124,500,000 Shares with a nominal value of RMB1.00 each. Upon the completion of the conversion, the shareholding structure of our Company was as follows:

No.	Shareholder	Number of Shares	Shareholding (%)
(1)	Wuxi Zhonghe	35,132,378	28.22
(2)	Wuxi Langming	16,240,955	13.04
(3)	Wuxi Langwei	12,476,416	10.02
(4)	Harbour Avenue Limited (港甬有限公司) ("**Harbour Avenue**")	9,701,587	7.79
(5)	Wuxi Langxing	8,684,691	6.98
(6)	Wuxi Langyi	8,659,647	6.96
(7)	Wuxi Jinrunyang	8,448,400	6.79
(8)	Treasure Boulevard	5,632,267	4.52
(9)	Wuxi Zhiwen	4,455,525	3.58
(10)	Peaceful Harbour Holdings Limited (港寧控股有限公司) ("**Peaceful Harbour**")	3,496,232	2.81
(11)	Jiangsu Sino-German	2,950,237	2.37
(12)	Wuxi Boyi Investment Management Partnership Enterprise (Limited Partnership) (無錫博頤投資管理合夥企業(有限合夥)) ("**Wuxi Boyi**")	2,394,855	1.92
(13)	Shenzhen Jinyi Equity Investment Enterprise (Limited Partnership) (深圳市金易股權投資企業(有限合夥)) ("**Shenzhen Jinyi**")	1,851,743	1.49
(14)	Hubei Tongying	1,475,119	1.18
(15)	Wuxi Jinling	1,278,436	1.03

No.	Shareholder	Number of Shares	Shareholding (%)
(16)	Wuxi Zhiyue Pharmaceutical Investment Partnership Enterprise (Limited Partnership) (無錫知越醫藥投資合夥企業(有限合夥)) ("**Wuxi Zhiyue**")	834,782	0.67
(17)	Wuxi Jincheng	786,730	0.63
	Total	**124,500,000**	**100.00**

Historical Nominee Arrangements and Their Termination

In April 2005, following the Shareholders' resolutions passed on January 19, 2004 and February 28, 2005, Fangqian Real Estate Co., Ltd. transferred its equity interests in our Company to Mr. Guo Jianyang, together with a series of equity transfers among early-stage individual investors. As part of these transfers, certain registered individual shareholders began holding equity interests in our Company on behalf of the ultimate beneficial owners, thereby establishing the historical nominee arrangements (the "**Historical Nominee Arrangements**"). The investors and our Company agreed to the Historical Nominee Arrangements to reduce the administrative burden of managing the investors.

Between December 2011 and November 2014, our Company underwent a series of capital increases. Mr. Guo Jianyang subscribed for an aggregate registered capital increase of RMB7.40 million, which was funded pro rata by Mr. Guo Jianyang and the respective beneficial owners based on their actual equity interests. Subsequently, pursuant to a share transfer agreement dated October 20, 2017, Mr. Guo Jianyang transferred his registered equity interests, representing RMB8.40 million in registered capital, to a newly established shareholding platform, Wuxi Jinrunyang Investment Partnership Enterprise (Limited Partnership) (無錫金潤陽投資合夥企業(有限合夥)) ("**Wuxi Jinrunyang**"), at a consideration of RMB8.4 million.

From December 2020 to March 2021, in order to formalize the equity ownership and driven by the transferees' confidence in our Company's future prospects, a series of transfers of partnership interest were carried out within Wuxi Jinrunyang to unwind the nominee arrangements. Through these transfers, the relevant transferees acquired partnership interest in Wuxi Jinrunyang to indirectly hold our Shares. As of March 2, 2021, Wuxi Jinrunyang completed all registration of changes regarding the aforementioned transfers. Upon completion of such registration of changes, the Historical Nominee Arrangements were fully unwound and terminated.

Capital Increase in 2021

Pursuant to a capital contribution agreement dated June 10, 2021 entered into among our Company, Mr. Xu, Mr. Xie, the investors set forth below and certain of our then Shareholders, such investors agreed to subscribe for the increased registered capital of our Company (the "**Capital Increase in 2021**"). Details of the Capital Increase in 2021 are as below:

Investor	Shares Subscribed for	Consideration
		(RMB)
Pingtan Wenzhou Ruixi Investment Partnership (Limited Partnership) (平潭文周瑞璽投資合夥企業(有限合夥)) ("**Pingtan Wenzhou**")[1]	3,000,000	45,000,000.00
Wuxi Yunlin Industrial Development Investment Fund (Limited Partnership) (無錫雲林產業發展投資基金(有限合夥)) ("**Wuxi Yunlin**")[1]	1,000,000	15,000,000.00

Investor	Shares Subscribed for	Consideration
		(RMB)
Yangzhou Jiatai Venture Capital Partnership (Limited Partnership) (揚州嘉泰創業投資合夥企業(有限合夥)) ("**Yangzhou Jiatai**")[(1)]	866,667	13,000,000.00
Wuxi Jincheng Xingao Investment Partnership (Limited Partnership) (無錫金程新高投資合夥企業(有限合夥)) ("**Wuxi Jincheng Xingao**")[(1)]	533,333	8,000,000.00

Note:

(1) Pursuant to the Shareholders' resolution dated January 27, 2025 and due to commercial considerations of certain of our investors, we repurchased (i) 3,000,000 Shares from Pingtan Wenzhou at a consideration of RMB55,657,917.81, (ii) 1,000,000 Shares from Wuxi Yunlin at a consideration of RMB18,618,904.11, (iii) 866,667 Shares from Yangzhou Jiatai at a consideration of RMB15,954,027.14 and (iv) 533,333 Shares from Wuxi Jincheng Xingao at a consideration of RMB9,926,575.60. Upon completion of the share repurchase, Pingtan Wenzhou, Wuxi Yunlin, Yangzhou Jiatai and Wuxi Jincheng Xingao ceased to be our Shareholders. All repurchased Shares were canceled and the registered capital of our Company was correspondingly reduced upon completion of the share repurchase.

Capital Increase and Share Transfer in 2025

Pursuant to a capital contribution agreement dated September 28, 2025 entered into among our Company, Mr. Xu, Mr. Xie, the investors set forth below and certain of our then Shareholders, such investors agreed to subscribe for the increased registered capital of our Company (the "**Capital Increase in 2025**"). Details of the Capital Increase in 2025 are as below:

Investor	Shares Subscribed for	Consideration
SDF ZY Investment Limited	6,663,321	US$20,000,000.00
Cathay Chuangmei Future (Shanghai) Private Equity Investment Fund Partnership Enterprise (Limited Partnership) (凱輝創美未來(上海)私募投資基金合夥企業(有限合夥)) ("**Shanghai Cathay Beauty & Innovation**")	4,659,665	RMB100,000,000.00
Yue Investments Capital L.P. ("**Yue Investments**")	799,598	US$2,400,000.00
Jiaxing Haocheng Liyue Venture Capital Partnership (Limited Partnership) (嘉興浩程勵悅創業投資合夥企業(有限合夥)) ("**Jiaxing Haocheng**")	223,664	RMB4,800,000

Pursuant to a share transfer agreement dated December 25, 2025 entered into between Treasure Boulevard and SDF ZY Investment Limited, Yue Investments, Jiaxing Haocheng and Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司) ("**Alibaba Health**") (the "**Share Transfer in 2025**"), Treasure Boulevard transferred an aggregate of 5,632,267 Shares to such transferees. In particular, (i) SDF ZY Investment Limited acquired 2,982,665 Shares at a consideration of approximately US$7.16 million, (ii) Yue Investments acquired 249,875 Shares at a consideration of US$0.60 million, (iii) Jiaxing Haocheng acquired 69,895 Shares at a consideration of RMB1.20 million, and (iv) Alibaba Health acquired 2,329,832 Shares at a consideration of RMB40.00 million.

Share Repurchase for Employee Incentives in 2025

We repurchased, canceled, and issued Shares for employee incentive purposes from December 2024 to November 2025, resulting in a decrease of 4,078,248 Shares. See "Changes in the Share Capital of Our Company" in Appendix V to this document for details.

EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our Group's development, we have adopted the employee incentive plan (the "**Employee Incentive Plan**") through the employee shareholding platforms below. Mr. Xu is the general partner of each of the employee shareholding platforms. The Employee Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of new Shares or options over new Shares of our Company after [**REDACTED**].

Below is the structure of the employee shareholding platforms:

	As of the Latest Practicable Date	
Employee Shareholding Platforms	**Shareholding in our Company**	**Limited Partners**
Wuxi Langxing[(1)]	4.84%	Mr. Xu (an executive Director holding approximately 5.43% of the limited partnership interest), Mr. Xie (an executive Director holding approximately 28.46% of the limited partnership interest), Dr. Cai Beilei (an executive Director holding approximately 3.01% of the limited partnership interest), Mr. Deng Wei (鄧偉) (a senior management member holding approximately 17.98% of the limited partnership interest), and 16 current or former employees of our Group and their assignees
Wuxi Zhiwen[(2)]	3.23%	Mr. Xu (an executive Director holding approximately 33.63% of the limited partnership interest), Dr. Cai Beilei (an executive Director holding approximately 8.82% of the limited partnership interest), Mr. You Bin (尤斌) (an executive Director holding approximately 3.39% of the limited partnership interest), Mr. Deng Wei (a senior management member holding approximately 0.67% of the limited partnership interest), and 34 current or former employees of our Group and their assignees, each of whom holding less than 10.00% of the limited partner interests therein

Notes:

(1) Wuxi Langxing became a Shareholder in November 2015 pursuant to the acquisition of Langrun Tech, under which it contributed its equity interest in Langrun Tech in exchange for equity interests in our Company. Wuxi Langxing subsequently served as an employee shareholding platform of our Group. For details, see "— Acquisition of Langrun Tech through Share Swap" in this section.

(2) Pursuant to the Board's resolution dated November 20, 2017, Wuxi Zhiwen subscribed for RMB4.43 million of the registered capital of our Company at a consideration of RMB15.95 million. Wuxi Zhiwen subsequently served as an employee shareholding platform of our Group.

MATERIAL ACQUISITION, MERGER AND DISPOSAL

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, mergers or disposals that we consider to be material to us.

PRE-[REDACTED] INVESTMENTS

Summary of the Pre-[REDACTED] Investments

The following table sets forth a summary of details of the Pre-[**REDACTED**] Investments[(1)]:

	Capital Increase in 2015	Capital Increase in 2017	Capital Increase in 2020	Capital Increase in 2021	Capital Increase in 2025
Amount of registered capital subscribed for	RMB5,600,000	RMB6,000,000	RMB6,453,338	RMB5,400,000	RMB12,346,248
Amount of consideration paid	RMB8,000,000	RMB21,600,000	RMB66,000,000	RMB81,000,000	RMB264,960,000
Pre-money valuation	RMB52,000,000	RMB386,400,276	RMB1.20 billion	RMB1.87 billion	RMB2.55 billion
Post-money valuation	RMB60,000,000	RMB408,000,276	RMB1.27 billion	RMB1.95 billion	RMB2.82 billion
Date of payment of full consideration	March 5, 2015	November 21, 2017	August 11, 2020	September 2, 2021	November 13, 2025
Cost per Share paid under the Pre-[REDACTED] Investment (approximate)	RMB1.43	RMB3.60	RMB10.23	RMB15.00	RMB21.46
[REDACTED] to the [REDACTED][(2)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Basis of consideration	The consideration for each round of the Pre-[**REDACTED**] Investments was determined based on arm's length negotiations among the relevant parties taking into consideration the timing of the investments, and our development stage and commercialization prospects.				
Use of Proceeds	We utilized the proceeds from the Pre-[**REDACTED**] Investments for the principal business of our Group, including research and development, manufacturing, and replenishment of our working capital. As of the Latest Practicable Date, all of the net proceeds from the Pre-[**REDACTED**] Investments had been utilized.				
Reasons for Increase in Valuation	The successive increases in our valuation from 2015 to 2025 were primarily driven by our strategic business expansion, continued product achievements and increasing recognition from institutional investors. We continuously strengthened our commercialization capabilities, expanded our market presence and achieved key product and R&D milestones, which enhanced our competitive position and growth prospects. Supported by these operational achievements, expected future profitability and favorable market conditions, we attracted increasing participation from sophisticated external investors, contributing to the progressive increase in our valuation.				
Lock-up Period	Pursuant to the applicable PRC laws and regulations, within the 12 months following the [**REDACTED**], no existing Shareholders (including the Pre-[**REDACTED**] Investors) may dispose of any of the Shares held by them.				
Strategic Benefits	The Pre-[**REDACTED**] Investments not only fueled our research and development and business operation, but also demonstrated the investors' confidence in our business operation and strengths, and our growth prospects. Our Group could benefit from the business resources and potential business opportunities that may be provided by the Pre-[**REDACTED**] Investors from time to time. Some of the Pre-[**REDACTED**] Investors are professional investment entities, and they brought us valuable industrial strengths, experience in market expansion and their insight on business strategies, and they also provided us with advice on our corporate governance, financial reporting and internal control.				

Notes:

(1) The above table does not include the Share transfers as the considerations of such transfers were paid to relevant transferors, instead of our Company, by relevant transferees. Such considerations were determined after arm's length negotiations between the parties taking into account various factors, such as our Company's valuation and development stage at the time of the transaction, past or present relationships between the parties and their respective bargaining power in the negotiation when determining the consideration. Former shareholders who transferred their equity interest in our Company to other shareholders and ceased to be our Shareholders are not treated as Pre-[**REDACTED**] Investors.

Share Transfer in 2025: The consideration was fully settled on March 19, 2026. The cost per share of such transfer was RMB17.17. The [**REDACTED**] to the [**REDACTED**] is approximately [**REDACTED**]%.

(2) The [**REDACTED**] to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**]), assuming that the [**REDACTED**] is not exercised.

Special Rights of the Pre-[REDACTED] Investors

The Pre-[**REDACTED**] Investors were granted certain customary special rights, including but not limited to right of first refusal, liquidation preferences right, tag-along right, anti-dilution right, redemption right, and information right. In compliance with paragraph 13 of Chapter 4.2 of the Guide for New Listing Applicants and pursuant to the termination agreement dated May 31, 2026, the redemption right was terminated prior to our first submission of [**REDACTED**] to the Stock Exchange (the "[**REDACTED**]"). The redemption right under which our Company bears the responsibilities shall be automatically reinstated upon the earliest of the following conditions: (a) our Company withdraws the [**REDACTED**] or the [**REDACTED**] lapses, and our Company fails to renew the [**REDACTED**] within six months after the withdrawal or the lapse; (b) the [**REDACTED**] is rejected by the CSRC, Stock Exchange or SFC; or (c) the [**REDACTED**] fails to take place on or before March 31, 2029. The other special rights will be terminated upon the [**REDACTED**].

Sole Sponsor's Confirmation

On the basis that (i) the considerations for the Pre-[**REDACTED**] Investments were all settled more than 28 clear days before the date of the first submission of our first [**REDACTED**] to the Stock Exchange, and (ii) none of the Pre-[**REDACTED**] Investors was granted any special rights, the Sole Sponsor confirms that the Pre-[**REDACTED**] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

Information about Pre-[REDACTED] Investors

Set out below is a description of our principal Pre-[**REDACTED**] Investors, each or in aggregate holding more than 1.00% of our total issued share capital immediately prior to the [**REDACTED**]. To the best knowledge of our Directors, save as disclosed below, each of our Pre-[**REDACTED**] Investors is independent from and not connected with any Director, chief executive or substantial shareholder of our Company, or its subsidiaries, or any of their respective close associates, and each of such Pre-[**REDACTED**] Investors is independent from each other.

Harbour Avenue and Wuxi Boyi

Harbour Avenue is a limited liability company incorporated in Hong Kong on May 31, 2013. Harbour Avenue is owned as to 99.00% by Cai Huiyu (蔡慧瑜). Wuxi Boyi is a limited partnership established in the PRC on April 27, 2017. Its general partner is Xu Dacheng (徐大成), who is our non-executive Director and the spouse of Cai Huiyu. The sole limited partner of Wuxi Boyi is Yang Meidi (楊美娣), a deemed connected person of Xu Dacheng, holding 99.00% of the partnership interest.

SDF ZY Investment Limited

SDF ZY Investment Limited is a limited liability company incorporated in Hong Kong on July 4, 2024. It is an investment vehicle of and controlled by Sinovation Disrupt Fund, L.P. ("**Sinovation Disrupt Fund**"), and no shareholders of Sinovation Disrupt Fund hold 30% or more of its partnership interest. Each of them is an independent third party. Sinovation Disrupt Fund is an investment fund under the brand of Sinovation Ventures. Sinovation Ventures is a technology venture capital established in 2009 by a team led by Dr. Kai-Fu Lee.

Wuxi Jinrunyang

Wuxi Jinrunyang is a limited partnership established in the PRC on September 26, 2017. It is managed by Chen Weiliang (陳偉良) as its general partner. Wuxi Jinrunyang has 16 limited partners and none of them holds 30.00% or more of the partnership interests. Each of them is an independent third party.

Shanghai Cathay Beauty & Innovation

Shanghai Cathay Beauty & Innovation is a limited partnership established under the laws of the PRC. Shanghai Cathay Beauty & Innovation is principally engaged in equity investment, with a focus on investing in skincare, haircare, color cosmetics and medical aesthetics brands, including supply chain, upstream and digital-related solutions. Shanghai Cathay Beauty & Innovation is owned as to (i) 0.40% by Cathay (Quanzhou) Private Equity Fund Management Co., Ltd. (凱輝(泉州)私募基金管理有限公司) ("**Cathay Quanzhou**") as its general partners, which is ultimately controlled by Cai Mingpo (蔡明潑); (ii) 50.00% by Shanghai Meicifang Investment Co., Ltd. (上海美次方投資有限公司), which is ultimately controlled by L'Oréal S.A.; (iii) 32.67% by Shanghai Jing'an Industry Guidance Equity Investment Fund Co., Ltd. (上海靜安產業引導股權投資基金有限公司), which is ultimately controlled by Shanghai Jing'an District State-owned Assets Supervision and Administration Commission; and (iv) the remaining interests by four other limited partners, none of whom holds 30.00% or more of the partnership interest. Each of them is an independent third party.

Peaceful Harbour

Peaceful Harbour is a limited liability company incorporated in Hong Kong on May 27, 2013. Peaceful Harbour is held as to 35.33% by each of Yam Tze Ping Ruby (任芷蘋) and Lee Ling Kwan (李凌君). No other shareholder holds 30.00% or more of the equity interest. Each of them is an independent third party.

Alibaba Health

Alibaba Health is a limited liability company established in the PRC on August 3, 2015. It is indirectly wholly-owned by Alibaba Health Information Technology Limited, a company listed on the Stock Exchange (stock code: 00241). Alibaba Health is the flagship platform of Alibaba Group for integrated online and offline medical and healthcare resources, providing one-stop healthcare solutions. Alibaba Health is primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform business and healthcare and digital services business.

Shenzhen Jinyi

Shenzhen Jinyi is a limited partnership established in the PRC on October 9, 2015. The general partner of Shenzhen Jinyi is Feng Dingqiang (馮定強), an independent third party, holding approximately 73.77% of the partnership interest. Shenzhen Jinyi has four limited partners and each of them is an independent third party.

PREVIOUS A-SHARE LISTING ATTEMPT

In April 2023, our Company submitted an application for the listing of our Shares on the Main Board of Shenzhen Stock Exchange (the "**Previous A-Share Listing Application**"). Subsequently, in October 2024, we voluntarily withdrew the Previous A-Share Listing Application after considering, among others, the prevailing market conditions and regulatory policies at that time. As of the time we withdrew the Previous A-Share Listing Application, there were no outstanding comments received from the Shenzhen Stock Exchange.

Our Directors believe that the Stock Exchange provides a good platform for us to access international capital markets and expand our global business footprint. The [**REDACTED**] will provide us with the funding to increase our competitiveness by assisting us to expand our operations and strengthen our business prospects, and the [**REDACTED**] on the Stock Exchange will raise our profile and market awareness of our brand name and present us with an opportunity to further expand our [**REDACTED**] base. Taking into account, among others, the aforementioned factors and the long-term business development strategies of our Group, our Directors consider the Stock Exchange to be a more suitable venue to access international equity markets, and the [**REDACTED**] will be in the best interests of our Company and our Shareholders as a whole.

Our Directors are not aware of any issues identified during the review process of the Previous A-Share Listing Application that have been brought to their attention and would have a material adverse implication on the [**REDACTED**], or any matters that might materially and adversely affect our Company's suitability for the [**REDACTED**]. Our Directors further confirm that there is no other matter in relation to the Previous A-Share Listing Application that needs to be brought to the attention of the Stock Exchange or potential [**REDACTED**]. Having taken into account the factors above and the independent due diligence work conducted by the Sole Sponsor, nothing material has come to the Sole Sponsor's attention that would reasonably cause them to disagree with the Directors' view above.

PUBLIC FLOAT

Pursuant to Rule 19A.13A(1) of the Listing Rules, assuming that the [**REDACTED**] is not exercised, (i) based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**]), our expected market capitalization upon the [**REDACTED**] is HK$[**REDACTED**], and the minimum prescribed public float percentage applicable to our Shares is [**REDACTED**]%; (ii) based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**]), our expected market capitalization upon the [**REDACTED**] is HK$[**REDACTED**], and the minimum prescribed public float percentage applicable to our Shares is [**REDACTED**]%; and (iii) based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the top end of the [**REDACTED**]), our expected market capitalization upon the [**REDACTED**] is HK$[**REDACTED**], and the minimum prescribed public float percentage applicable to our Shares is [**REDACTED**]%.

Upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares, [**REDACTED**] Unlisted Shares will be converted into H Shares and [**REDACTED**] on the Stock Exchange. The [**REDACTED**] Domestic Shares held by Wuxi Zhonghe as of the Latest Practicable Date will not be considered as part of the public float as those Shares will not be converted into H Shares and [**REDACTED**] on the Stock Exchange upon the completion of the [**REDACTED**].

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares, the H Shares held by certain of our Shareholders, or directly or indirectly controlled by our core connected persons, will not be counted towards the public float. Details of these Shareholders are set out below:

- Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen are a group of Controlling Shareholders and the [**REDACTED**] H Shares held by them will not count towards the public float;

- Harbour Avenue is a limited liability company which is owned as to 99.00% by Ms. Cai Huiyu, the spouse of Mr. Xu Dacheng (our non-executive Director). Therefore, the [**REDACTED**] H Shares held by it will not count towards the public float;

- Wuxi Boyi is a limited partnership managed by its general partner, Mr. Xu Dacheng (our non-executive Director). Therefore, the [**REDACTED**] H Shares held by it will not count towards the public float;

- Mr. You Bin is our executive Director and the [**REDACTED**] H Shares held by him will not count towards the public float; and

- Dr. Cai Beilei is our executive Director and the [**REDACTED**] H Shares held by her will not count towards the public float.

Upon completion of the [**REDACTED**] and conversion of the Unlisted Shares into H Shares, assuming that (i) [**REDACTED**] H Shares being issued in the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised; (iii) [**REDACTED**] Unlisted Shares being converted to H Shares; and (iv) [**REDACTED**] Shares are issued and outstanding in the share capital of our Company upon completion of the [**REDACTED**], [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued Shares, will be counted towards the public float and is in compliance with the requirement under Rule 19A.13A(1) of the Listing Rules.

FREE FLOAT

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.

Taking into consideration the number of issued share capital of our Company, [**REDACTED**] to be issued under the [**REDACTED**], Shares held by the existing Shareholders subject to lock-up requirement under the PRC laws and regulations, the expected market value of the H Shares being held by the public and not subject to any disposal restrictions at the time of [**REDACTED**] under Rule 19A.13C of the Listing Rules would amount to approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low end of the [**REDACTED**], and the [**REDACTED**] is not exercised). Accordingly, our Company will comply with the free float requirement under Rule 19A.13C of the Listing Rules at the time of the [**REDACTED**].

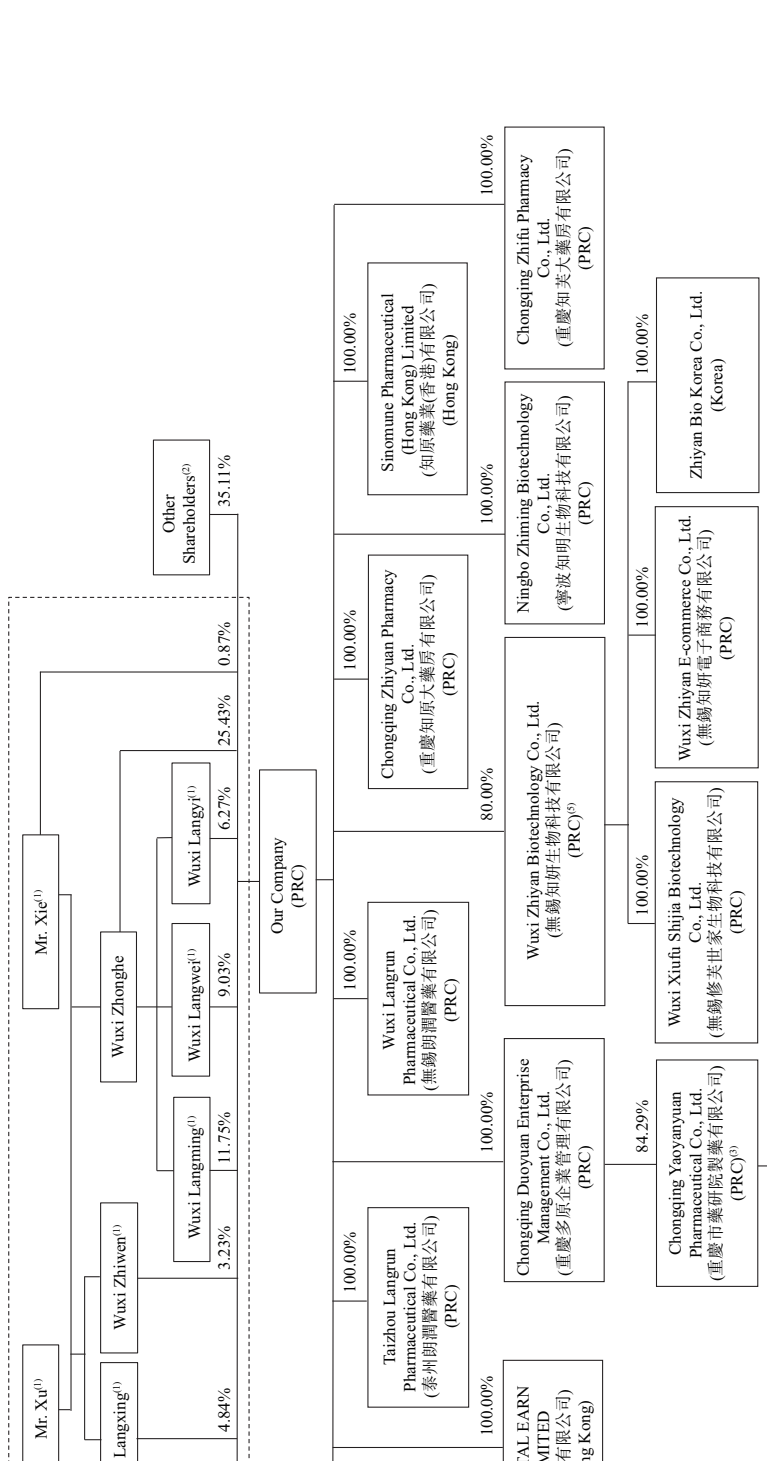
CAPITALIZATION OF OUR COMPANY

The table below sets out the capitalization of our Company as of the Latest Practicable Date and upon the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares (assuming that the [**REDACTED**] is not exercised):

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and conversion of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised)					
No.	Shareholder	Number of Unlisted Shares	Ownership percentage in the total issued Share capital	Number of H Shares	Ownership percentage of shareholding in the H Shares	Number of Domestic Shares	Ownership percentage of shareholding in the Domestic Shares	Number of Total Shares	Ownership percentage of shareholding in the Total issued Share Capital
(1) . .	Wuxi Zhonghe	35,132,378	25.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(2) . .	Wuxi Langming	16,240,955	11.75%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(3) . .	Wuxi Langwei	12,476,416	9.03%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(4) . .	Harbour Avenue	9,701,587	7.02%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(5) . .	SDF ZY Investment Limited	9,645,986	6.98%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(6) . .	Wuxi Langyi	8,659,647	6.27%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(7) . .	Wuxi Langxing	6,684,691	4.84%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(8) . .	Wuxi Jinrunyang	5,515,200	3.99%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(9) . .	Mr. Xu	4,800,308	3.47%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(10) .	Shanghai Cathay Beauty & Innovation	4,659,665	3.37%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(11) .	Wuxi Zhiwen	4,455,525	3.23%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(12) .	Peaceful Harbour	3,496,232	2.53%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(13) .	Wuxi Boyi	2,394,855	1.73%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(14) .	Alibaba Health	2,329,832	1.69%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(15) .	Shenzhen Jinyi	1,851,743	1.34%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(16) .	Wuxi Jinling	1,278,436	0.93%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(17) .	Mr. Tian Zhihui (田志會)	1,240,000	0.90%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(18) .	Mr. Xie	1,200,000	0.87%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(19) .	Yue Investments	1,049,473	0.76%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(20) .	Wuxi Zhiyue	834,782	0.60%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(21) .	Wuxi Jincheng Hefeng	786,730	0.57%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(22) .	Mr. Huang Junnan (黃俊楠)	630,000	0.46%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(23) .	Mr. You Bin	600,000	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(24) .	Dr. Cai Beilei	600,000	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(25) .	Ms. Chueng Yu Lai (張宇麗)	600,000	0.43%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(26) .	Mr. Deng Wei	300,000	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(27) .	Ms. Wu Lin (吳琳)	300,000	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(28) .	Mr. Feng Jie (馮傑)	300,000	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(29) .	Jiaxing Haocheng	293,559	0.22%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(30) .	Ms. Wang Biao (王標)	110,000	0.08%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(31) .	[**REDACTED**] taking part in the [**REDACTED**]	–	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Total	**138,168,000**	**100%**	[REDACTED]	**100%**	[REDACTED]	**100%**	[REDACTED]	**100%**

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE COMPLETION OF THE [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately prior to the completion of the [**REDACTED**] and conversion of the Unlisted Shares into H Shares:



Notes:

(1) Wuxi Langxing and Wuxi Zhiwen are employee shareholding platforms of our Company, with Mr. Xu being the general partner of each. Pursuant to the Acting-in-Concert Agreement, Mr. Xu and Mr. Xie together hold approximately 61.82% of the equity interests in Wuxi Zhonghe. Wuxi Zhonghe is the general partner of Wuxi Langming, Wuxi Langwei and Wuxi Langyi.

(2) See "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments – Information about Pre-[**REDACTED**] Investors" and "History, Development and Corporate Structure – Capitalization of Our Company" for details.

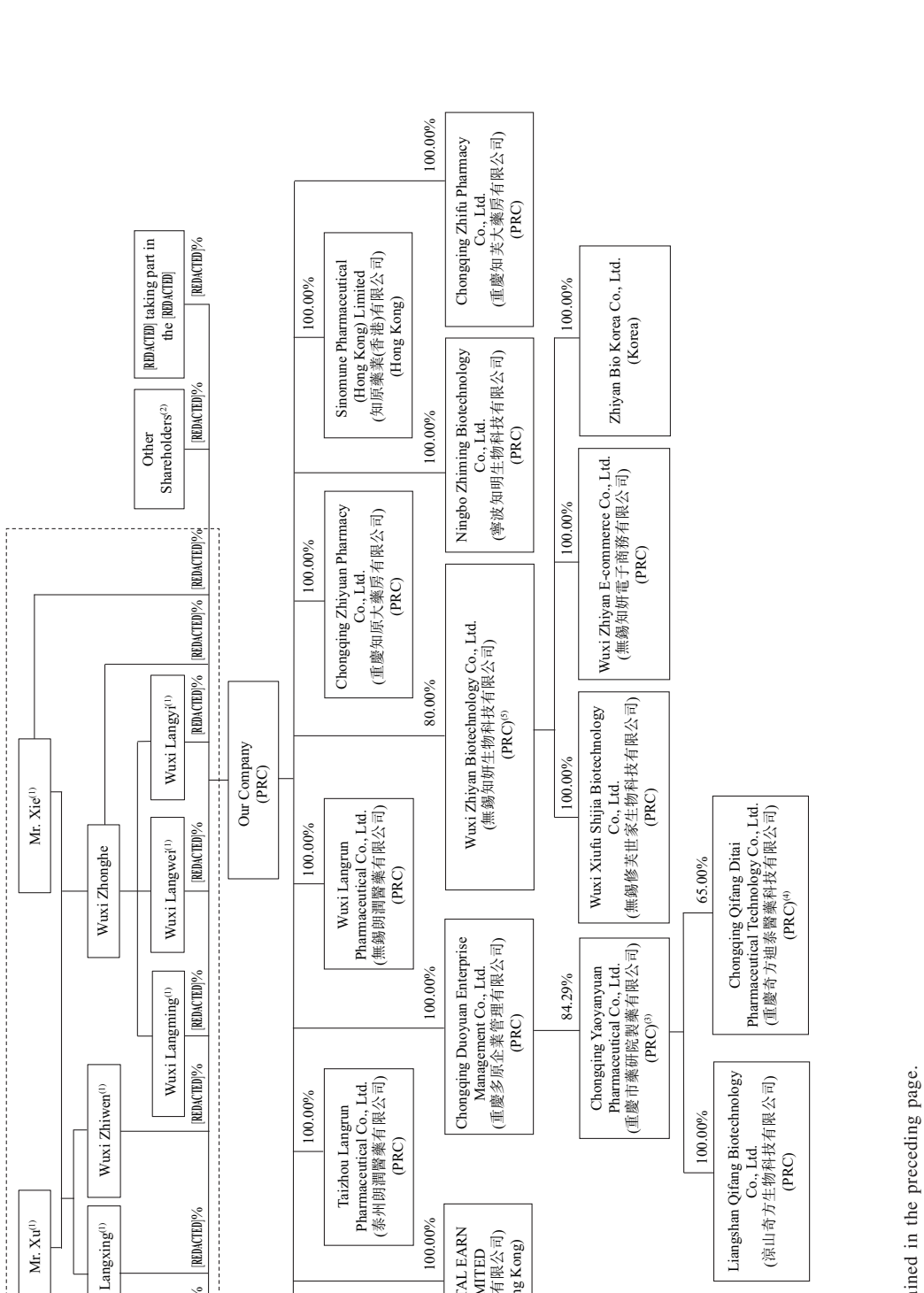
(3) The remaining equity interest in Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. was owned by Chongqing Pharmaceutical Research Institute Technology Development Co., Ltd. (重慶市藥研院科技開發有限公司), an independent third party of our Company.

(4) The remaining equity interest in Chongqing Qifang Ditai Pharmaceutical Technology Co., Ltd. was owned by Chongqing Jiubing Pharmaceutical Co., Ltd. (重慶九秉醫藥有限公司), an independent third party of our Company.

(5) The remaining equity interest in Zhiyan Biotechnology was owned by Wuxi Zhuoyan Enterprise Management Service Partnership Enterprise (Limited Partnership) (無錫卓妍企業管理服務合夥企業(有限合夥)) ("**Wuxi Zhuoyan Enterprise**"). The general partner of Wuxi Zhuoyan Enterprise is Mr. Tian Zhihui, the deputy general manager of our Company, holding 47.50% of the partnership interest. One of the limited partners of Wuxi Zhuoyan Enterprise is Dr. Cai Beilei, who is our executive Director, holding 32.50% of the partnership interest.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately following the completion of the [REDACTED] and conversion of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised):



Note:

(1) – (5) Please see the details contained in the preceding page.

OVERVIEW

Who We Are

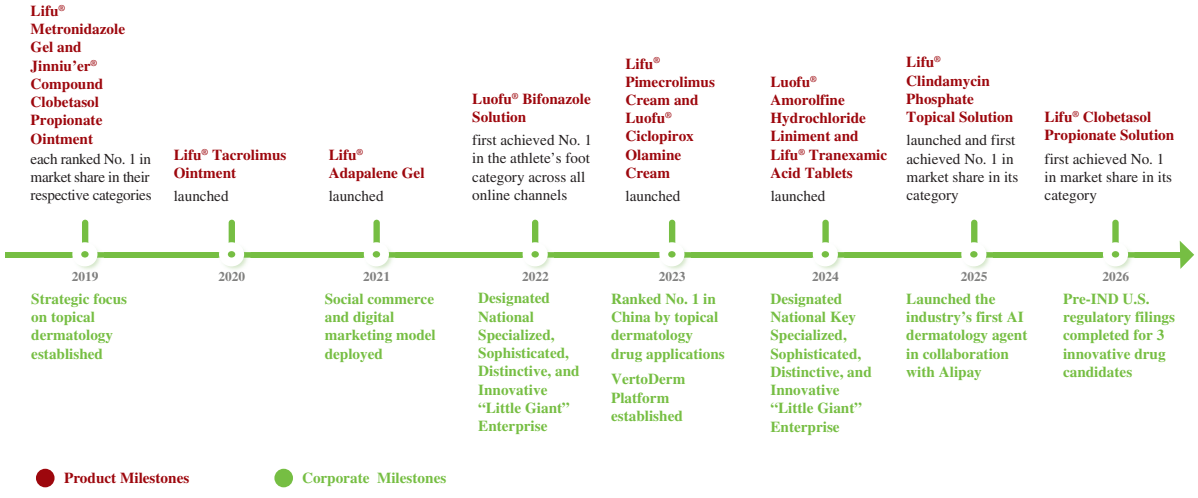
We are a specialized topical dermatology pharmaceutical company in China, with category-leading products across multiple therapeutic areas, providing comprehensive "head-to-toe" coverage across dermatological pharmaceuticals and medical-grade skincare products. Our business is built around a distinctive 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.

According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in China, leading the market in conditions with annual patients exceeding 20 million. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, submitted clinical trial applications for three innovative drug candidates in China, all of which have received IND approval, and have also completed pre-IND U.S. regulatory filings for three candidates. 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. Five of our products — Luofu® Bifonazole Solution, Lifu® Metronidazole Gel, Lifu® Clindamycin Phosphate Topical Solution, Luofu® Ciclopirox Olamine Cream and Jinniu'er® Compound Clobetasol Propionate Ointment — ranked first across all channels, and an additional three — Lifu® Adapalene Gel, Lifu® Pimecrolimus Cream and Lifu® Tranexamic Acid Tablets — ranked first by online sales, in their respective categories in 2025.

We have also demonstrated consistency in the speed with which we can establish category leadership with the products we launch. Among our category-leading products in 2025, those launched during the Track Record Period reached their top positions online with notable speed: Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment each did so within 3 months of launch; Luofu® Ciclopirox Olamine Cream within 5 months; Lifu® Pimecrolimus Cream within 7 months; and Lifu® Tranexamic Acid Tablets within 12 months — while Luofu® Bifonazole Solution and Lifu® Metronidazole Gel were already No. 1 market leaders before the Track Record Period, and Jinniu'er® Compound Clobetasol Propionate Ointment is our proprietary exclusive drug.

Our commitment to clinical innovation focused on serving real user needs has earned us recognition from government authorities and industry bodies alike: we were designated a National Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprise in 2022 and a National Key Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprise in 2024, and were approved in 2024 to establish a post-doctoral research station dedicated to dermatology. We have also established a joint laboratory with the Jiangsu Institute for Drug Control, as well as joint technology development platforms with Lubrizol in dermatological excipients and Logan Instruments, in transdermal analysis.

The following chart sets forth key milestones in the development of our Company and product portfolio:

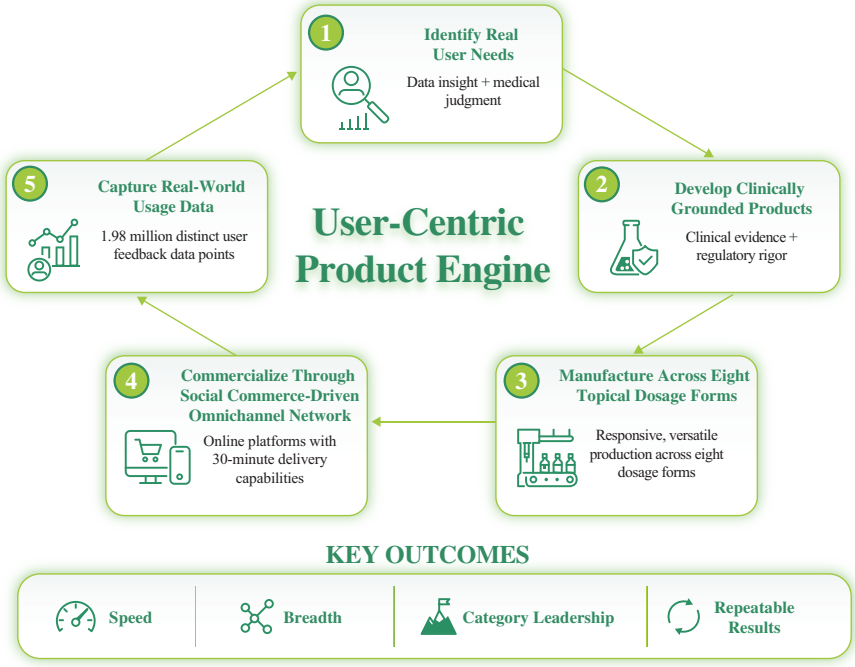


Our User-Centric Product Engine

The user-centric nature of topical dermatology has fundamental implications for how a company in this space must be built. Unlike many pharmaceutical categories where competitive advantage is determined primarily by the underlying active ingredient, topical dermatology is a category in which patients play a critical role in identifying their condition, evaluating available options, making purchase decisions and managing their own long-term treatment with a high degree of autonomy and increasingly conduct each stage of this process through digital channels. This means that the success of a product depends not only on its active ingredient, but also delivery design, skin feel, tolerability, and ease of application, which all directly determine patient adherence, impacting whether a product succeeds clinically and commercially.

These structural realities dictate the architecture of our user-centric product engine, a self-reinforcing cycle that operates across the full dermatology value chain. We combine data-driven user demand insight, clinically grounded product development, versatile topical manufacturing and omnichannel commercialization to move rapidly from the identification of a user need to a market-leading product — and then capture real-world usage data to feed back into the next iteration of the cycle.

The following diagram illustrates how our user-centric philosophy underpins our product engine and supports speed, breadth and category leadership:



Rapid Identification of User Demand. We employ a methodology that simultaneously cross-references clinical guidelines and real-world user behavior to identify unmet needs and formulation gaps ahead of broader market awareness. Our teams monitor disease awareness trends, search intent, content engagement and user feedback across major digital platforms, and we have access to approximately 1.98 million user product reviews that we analyze in real time to generate actionable insight into usage patterns, tolerability signals and evolving user preferences within each therapeutic area. This demand intelligence infrastructure allows us to compress the time between identifying a market gap and initiating a clinical development response, underpinning our track record of reaching category leadership rapidly and consistently across our six therapeutic areas.

Clinical-Oriented Research and Development. Our R&D is anchored in clinical value — identifying where genuine improvement in efficacy, tolerability or patient adherence is achievable, and then engineering formulations to deliver it. The primary vehicle for that engineering is our proprietary VertoDerm Platform, a dosage-form-agnostic, polymer-based topical delivery system. Operating through five functional modules — controlling drug release, retention, permeation, dispersion and stability at the target site — the platform can be adapted to the physicochemical properties of different active ingredients, the barrier characteristics of different anatomical sites and the requirements of different clinical use scenarios. It has been validated across skin, scalp, foot and nail indications, supported by project-level formulation patents and approved clinical trials, and is designed to improve local drug exposure, reduce systemic absorption, extend retention time, enhance formulation stability and address patient adherence — the clinical dimensions where topical drugs most commonly fail to translate laboratory performance into real-world results. Complementing the VertoDerm Platform, our D^3-PK capability enables us to verify drug distribution across skin layers before committing to human clinical trials, screening out formulations that appear equivalent on paper but fail to deliver at the target site, thereby improving the success rate and efficiency of research and development.

Versatile and Responsive Manufacturing. We are vertically integrated across topical manufacturing and produce across eight dosage forms — solutions, gels, creams, ointments, liniments, paints, lotions and sprays — allowing us to match any new user need we identify to an optimal delivery format for the relevant anatomical site and usage scenario, unconstrained by manufacturing limitations. Our facilities employ digitalized process control systems across Supply Chain Management ("**SCM**"), warehouse management, process validation, document management and drug traceability, enabling full lifecycle traceability and consistent quality at commercial scale. Our manufacturing is engineered specifically for the complexity of topical formulations and carries sufficient operational capacity to support our planned launch of 15 to 20 new products over the next three to five years.

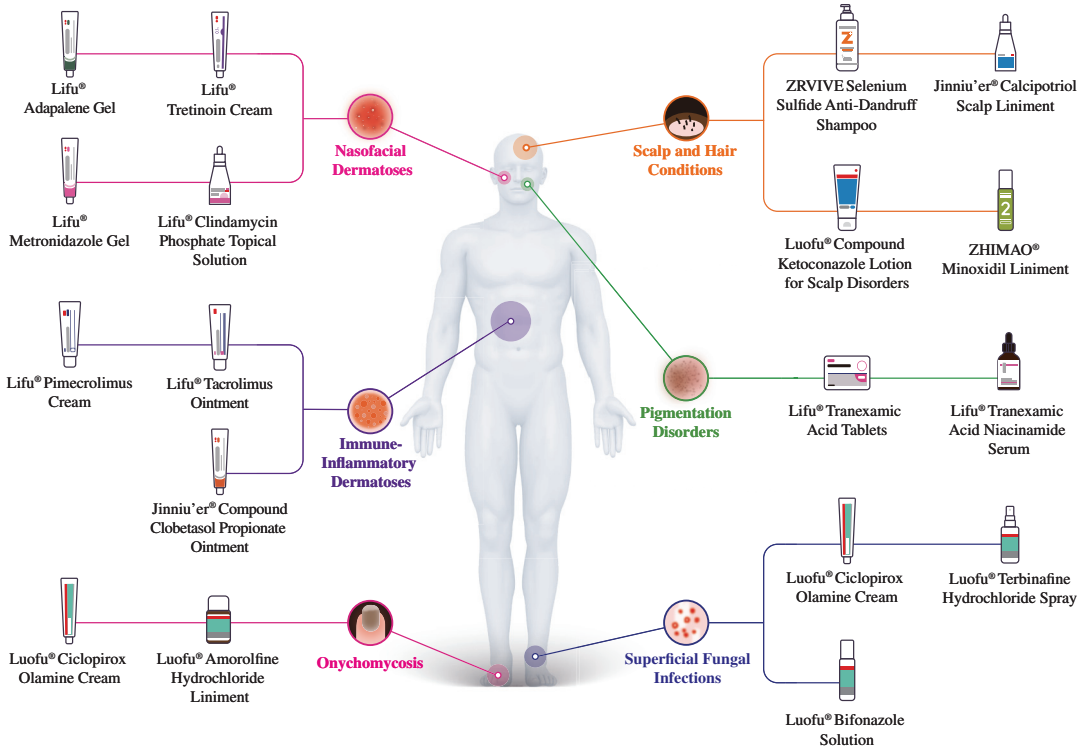
Social Commerce-Driven Omnichannel Commercialization. We commercialize our products through an integrated omnichannel network spanning hospitals, retail pharmacies and online platforms — including on-demand delivery platforms with 30-minute fulfillment capabilities — enabling us to align our distribution footprint with how topical dermatology users actually search for and access products, and gain valuable insights through continually monitoring content trends and user sentiment on these platforms. These insights, along with the breadth of our portfolio covering high-prevalence indications across anatomical sites and usage scenarios, help increase the visibility of our products when users search for relevant solutions. As professional content drives disease awareness, we efficiently capture the resulting organic traffic, accelerating lead conversion. In 2025, we reached paying users totaling approximately 30.6 million purchases across our monitored online platforms.

Real-World User Feedback. Our omnichannel infrastructure also functions as a real-world data collection mechanism: user purchasing patterns, repeat purchase rates, platform feedback and channel engagement data are systematically captured and fed back into the demand identification and R&D stages of the engine, initiating the next cycle of product insight and portfolio expansion.

Our Product Portfolio of "Head-to-Toe" Coverage

The output of our user-centric product engine is one of the broadest and most commercially successful topical dermatology portfolios in China. According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in conditions that exceed 20 million annual patient visits in China. Our portfolio spans the full spectrum of anatomical sites — scalp and hair, face, trunk, limbs and nails — across major therapeutic areas including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions. Our commercialized products address the eight major dermatologic indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, according to Frost & Sullivan. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, with a pipeline of over 30 candidates at various stages of development.

The following diagram illustrates the breadth of our portfolio with head-to-toe coverage across major anatomical sites and therapeutic areas:



Breadth of coverage is but one dimension of our portfolio's competitive position. Within each of our six core therapeutic areas, we have established category-leading products with dominant market positions — spanning the full anatomical range from face to scalp to nail. For each of their respective categories in 2025: in nasofacial dermatoses, Lifu® Metronidazole Gel ranked No. 1 across all channels in the rosacea category, Lifu® Clindamycin Phosphate Topical Solution ranked No. 1 across all channels in the acne antibiotic category, and Lifu® Adapalene Gel ranked No. 1 in online sales in the topical retinoid acne category; in superficial fungal infections, Luofu® Bifonazole Solution ranked No. 1 across all channels; in onychomycosis, Luofu® Ciclopirox Olamine Cream ranked No. 1 across all channels and Luofu® Amorolfine Hydrochloride Liniment ranked No. 2 in online sales; in immune-inflammatory dermatoses, Lifu® Pimecrolimus Cream ranked No. 1 in online sales in the atopic dermatitis and eczema category and Jinniu'er® Compound Clobetasol Propionate Ointment ranked No. 1 across all channels in psoriasis; in pigmentation disorders, Lifu® Tranexamic Acid Tablets ranked No. 1 in online sales in melasma; and in scalp and hair conditions, ZRVIVE Selenium Sulfide Anti-dandruff Shampoo has rapidly established a significant market presence as our medical-grade scalp care solution for dandruff and scalp health.

What distinguishes our portfolio from a static asset base is the consistency and speed with which our product engine continues to generate new category leaders. Among the above products launched during the Track Record Period, Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment each reached their leading positions online within three months of launch; Luofu® Ciclopirox Olamine Cream within five months; Lifu® Pimecrolimus Cream within seven months; and Lifu® Tranexamic Acid Tablets within 12 months — while Luofu® Bifonazole Solution and Lifu® Metronidazole Gel were already No. 1 market leaders before the Track Record Period, and Jinniu'er® Compound Clobetasol Propionate Ointment is our proprietary exclusive drug. The same engine that produced these category leaders continues to drive our R&D output: 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. This track record reflects a repeatable commercial model: identify demand, develop the right formulation, reach market quickly, and systematically capture category leadership. With a pipeline of over 30 candidates at various stages of development, three innovative drug candidates in China with IND approval, three pre-IND U.S. regulatory filings completed, and plans to launch 15 to 20 new products over the next three to five years, the engine that built our current portfolio will continue to generate category leaders across new indications and therapeutic areas.

Our Market Opportunities and Financial Performance

We are positioned as a primary beneficiary of the structural expansion of China's dermatology and medical-grade skincare market. The scale of the underlying disease burden is significant. Frost & Sullivan estimates that skin diseases have an estimated incidence of 53.78% among the general population in China, and that the eight major dermatologic indications in China collectively affected an estimated 843 million prevalent cases in 2025. The combined China therapeutic dermatology and medical-grade skincare market is expected to grow from RMB80.0 billion in 2025 to RMB170.6 billion in 2030, representing a CAGR of approximately 16.4%, and to reach RMB284.0 billion by 2035.

Within China's topical dermatology drug segment, the total market is projected to grow from approximately RMB27.8 billion in 2025 to approximately RMB45.1 billion in 2030, at a CAGR of approximately 10.2%. Both the online and offline channels within this segment are expanding in absolute terms, reflecting the breadth of demand across the market. Online channels — including e-pharmacies, internet hospitals and online platforms — are projected to grow at a CAGR of 13.4% from 2025 to 2030, driven by the continued migration of dermatology users to digital purchasing and consultation. Offline channels, including hospital pharmacies and retail pharmacy networks, remain a substantial and growing component of the market, projected to expand at a CAGR of 9.1% over the same period. Our integrated omnichannel commercialization model is designed to capture growth across both dimensions.

Growth across this market is structurally underpinned by reinforcing dynamics that directly favor our business model: rising disease prevalence and awareness, increasing willingness to seek timely and standardized dermatologic care, the rapid expansion of online healthcare channels — including e-pharmacies, and internet hospitals — improving both access and long-term adherence. Looking ahead, continued innovation in formulations and advanced delivery systems, the penetration of online sales into lower-tier cities, and a structural shift from treatment-only use toward health maintenance and preventive care are expected to sustain demand growth across the prescription, OTC and medical-grade skincare categories.

Our financial performance to date reflects our ability to capture the growth from these trends. Our revenue grew from RMB1,030.6 million in 2023 to RMB1,125.7 million in 2024 and further to RMB1,323.7 million in 2025, with gross profit margins of 71.8%, 69.0% and 66.8% for the years ended December 31, 2023, 2024 and 2025, respectively. The channel composition of our revenue directly reflects the structural market shift described above: online sales represented 46.4% of total revenue in 2023, increasing to 57.4% in 2024 and 58.0% in 2025, while offline sales declined as a proportion of revenue from 52.5% in 2023 to 40.8% in 2025. Adjusted net profit (non-IFRS measure) was RMB146.6 million in 2023, RMB71.5 million in 2024 and RMB180.9 million in 2025, with the 2024 figure reflecting impairment of goodwill and certain intangible assets resulting from certain one-off events which are non-recurring in nature. Net cash generated from operating activities was RMB183.2 million in 2023, RMB161.1 million in 2024 and RMB206,9 million in 2025, and cash and cash equivalents stood at RMB433.5 million as of December 31, 2025, against total assets of RMB1,440.6 million as of December 31, 2025. This combination of sustained revenue growth, high gross margins, and strong operating cash generation provides evidence of proven financial success from our product engine. Into 2026, revenue for the three months ended March 31, 2026 increased by 14.9% to RMB336.8 million as compared to revenue for the three months ended March 31, 2025, demonstrating continued momentum across the portfolio.

STRENGTHS

Full-Spectrum Topical Dermatology Company with Category-Leading Products Capturing High-Growth Market Opportunities

We have established a strong position in China's topical dermatology industry, underpinned by a fully integrated product engine spanning R&D, manufacturing and omnichannel commercialization. Through our user-centric strategy, we have built comprehensive capabilities that address the full spectrum of dermatological needs. Our leadership position is reflected across product coverage, market share, R&D output and manufacturing and commercialization capabilities:

- **Broadest Product Coverage of High-Prevalence Skin Indications**. According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in China, leading the market in conditions with annual patients exceeding 20 million. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, supported by a pipeline of over 30 candidates, providing "head-to-toe" coverage that addresses the user's comprehensive dermatological needs across anatomical sites and usage scenarios.

- **Category-Leading Products with Demonstrated Speed to Leadership**. Five of our products ranked first across all channels, and an additional three ranked first by online sales, in their respective categories in 2025. Our product engine has demonstrated a consistent ability to establish category leadership with speed: among those launched during the Track Record Period, Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment each reached leading positions online within three months of launch; Luofu® Ciclopirox Olamine Cream within five months; Lifu® Pimecrolimus Cream within seven months; and Lifu® Tranexamic Acid Tablets within 12 months.

- **Leading R&D Output in Topical Dermatology**. According to Frost & Sullivan, as of the Latest Practicable Date, 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. As of the Latest Practicable Date, we had submitted clinical trial applications for three innovative drug candidates in China, all of which have received IND approval, and have also completed pre-IND U.S. regulatory filings for three candidates.

- **Specialized Manufacturing Capability and Scaled Omnichannel Commercialization**. We manufacture across eight distinct topical dosage forms — solutions, gels, creams, ointments, liniments, paints, lotions and sprays — allowing us to tailor drug delivery systems to specific indications, anatomical sites and usage scenarios. Our omnichannel commercialization model, spanning hospitals, retail pharmacies and digital platforms including on-demand delivery with 30-minute fulfillment capabilities, reached paying users totaling approximately 30.6 million purchases across our monitored online platforms in 2025.

Integrated Product Portfolio Driven by Clinical Innovation and Strategic Category Expansion

We have constructed a comprehensive product portfolio designed to address the full spectrum of dermatological needs through a "head-to-toe" coverage strategy. Our portfolio development is guided by principles including precision treatment for high-prevalence conditions, anatomical suitability of dosage forms, clinically proven efficacy, and holistic management of skin, hair and nails. Our commercialized products address the eight major dermatologic indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, according to Frost & Sullivan, ensuring that we provide targeted solutions for the vast majority of dermatological issues.

Comprehensive Commercial Portfolio Anchored by Category-Leading Flagship Products

We have established one of the industry's most structurally complete portfolios of topical dermatology products. Our strategy focuses on rapidly securing market dominance with high-impact flagship products that address specific clinical pain points — such as poor penetration, skin irritation or low patient adherence — through targeted dosage form innovation, for example, liniments for hairy areas and non-greasy gels for the face. This approach has established leading category positions across our core therapeutic areas.

As of the Latest Practicable Date, our flagship products had achieved leading market positions across multiple sub-sectors:

- **Lifu® Metronidazole Gel (Acne & Rosacea):** The first metronidazole gel approved in China. It ranked first in market share across all channels in 2025. Unlike traditional ointments, its water-based gel matrix improves breathability and adherence for facial use, addressing the "greasy feel" that often leads to treatment discontinuation. Building on continuous insights into clinical usage scenarios and user habits, we have upgraded from the original aluminum tube packaging to launch the first metronidazole gel pump dispenser format. Compared to traditional aluminum tube packaging, the pump design, with its vacuum mechanism that eliminates direct contact between air and the medication, ensures product quality stability and better suits the high-frequency, small-dose, repeated-use characteristics of facial topical medication, reducing the inconvenience of repeated squeezing, uncapping and direct contact with the product, and improving hygiene, convenience and dose control during application, while being more suitable for daily storage and travel.

- **Lifu® Adapalene Gel (Acne):** A third-generation retinoid that achieved the number one market share in online sales in 2025. It features superior photostability compared to traditional retinoids and serves as a first-line therapy for mild-to-moderate acne.

- **Lifu® Clindamycin Phosphate Topical Solution (Acne):** Achieved the number one market share of its category across all channels in 2025. We differentiated this product with a specialized spray nozzle to enable 360° coverage, specifically solving the clinical challenge of treating "back acne" where manual application is difficult.

- **Luofu® Bifonazole Solution (Fungal Infections):** Ranked first in market share of its category across all channels in 2025. Its unique spray format allows patients to apply it to both their feet and footwear, cutting off the environmental source of reinfection — a critical advantage over cream-only competitors.

- **Lifu® Pimecrolimus Cream (Eczema/AD):** The first domestic generic of its kind, which rapidly overtook the original brand to rank first in online sales in 2025. It provides a critical non-hormonal alternative for sensitive areas such as face and neck where long-term steroid use is contraindicated.

- **Jinniu'er® Compound Clobetasol Propionate Ointment (Psoriasis vulgaris):** A proprietary exclusive drug, clinically positioned as a first-line therapy for psoriasis vulgaris and other inflammatory dermatoses accompanied by abnormal keratinization. It combines clobetasol propionate, a potent corticosteroid, with a retinoid, representing a therapeutically innovative solution.

- **ZRVIVE Selenium Sulfide Shampoo (Dandruff):** Our flagship medical-grade skincare product, formulated with 1% pharmaceutical-grade selenium sulfide — an active ingredient recommended by clinical guidelines for the treatment of seborrheic dermatitis and dandruff, which inhibits Malassezia proliferation, normalizes epidermal cell turnover and regulates sebum production. We selected selenium sulfide precisely because of its guideline-endorsed clinical standing, ensuring that our medical-grade skincare product delivers genuine efficacy rather than cosmetic effect alone. Its efficacy has been validated through clinical studies and testing conducted by authoritative institutions in China and abroad as well Grade A tertiary hospitals in China, confirming its significant oil-control and anti-dandruff capabilities, with reduction of recurrence observed even after discontinuation. By applying proprietary suspension and anti-oxidation technologies to overcome the longstanding formulation challenges of selenium sulfide, we have transformed a clinically potent active into a cosmetically elegant, daily-use shampoo — successfully bridging the gap between clinical treatment and daily skincare.

Approved Products Pending Commercial Launch

In addition to our established commercial portfolio, as of the Latest Practicable Date, we had four products that have received regulatory approval and are in the process of being prepared for commercial launch: Desonide Lotion, Sarecycline Hydrochloride Tablets, Fusidic Acid Cream, and Dutasteride Soft Capsules. These products span our core therapeutic areas and are expected to further broaden our commercial offerings in the near term.

Desonide Lotion is a low-potency, non-fluorinated topical corticosteroid indicated for atopic dermatitis and seborrheic dermatitis. While desonide cream is widely available in China, no domestic lotion presentation has previously been approved, and our product addresses this gap. The lotion form offers meaningfully better spreadability and a lighter, non-greasy texture compared to cream-based alternatives, making it particularly suited for application over large body surface areas and for patients with extensive eczema or scalp involvement — clinical scenarios where conventional cream formulations present practical limitations for both patients and prescribers.

Sarecycline Hydrochloride Tablets is a novel, once-daily, narrow-spectrum tetracycline antibiotic for the treatment of moderate-to-severe acne vulgaris, and represents the first new chemical entity antibiotic approved for acne in China in over 40 years. Originally developed by a U.S. pharmaceutical company and approved by the FDA in 2018, it received its NMPA drug registration certificate in November 2025. Unlike broad-spectrum tetracyclines such as doxycycline, sarecycline's narrow antimicrobial spectrum is designed to minimize disruption to the gut microbiome and reduce the incidence of vestibular side effects — addressing two of the most clinically significant limitations of existing oral antibiotic therapies for acne.

Innovation-Driven Pipeline Focused on Clinically Innovative Drugs

Our pipeline strategy focuses on innovation that delivers measurable clinical value. We do not simply replicate existing generics. Instead, we focus on Modified New Drugs (Class 2) and difficult-to-make complex generics that solve specific clinical limitations. As of the Latest Practicable Date, our pipeline included over 30 candidates.

Key late-stage and high-potential assets include:

- **Clindamycin Phosphate & Benzoyl Peroxide Gel (Acne)**: A compound gel containing 1% clindamycin and 5% benzoyl peroxide ("**BPO**"), a regimen widely recognized by global guidelines as first-line therapy for mild-to-moderate acne. We were the first in China to submit the Abbreviated New Drug Application ("**ANDA**") for this product in May 2025. The combination leverages a synergistic mechanism: BPO acts as a potent oxidizing agent to kill bacteria and dissolve comedones, while clindamycin inhibits bacterial protein synthesis to reduce inflammation. Critically, the oxidizing action of BPO helps mitigate the development of antibiotic resistance, a common challenge with antibiotic monotherapy. Our proprietary formulation technology successfully overcomes the inherent stability challenges of combining a strong oxidizer with an antibiotic, providing a high-quality, stable alternative to imported brands, while also improving adherence for acne patients with multi-mechanistic disease who use multiple topical agents concurrently.

- **ZYG24002 (Seborrheic Dermatitis)**: A Class 2.2+2.4 Modified New Drug candidate developed for the treatment of seborrheic dermatitis, for which we received clinical trial approval in November 2025. ZYG24002 is an emulsion formulation specifically designed for facial, sebum-rich and hair-bearing application scenarios, aimed at improving on the heaviness, greasiness and poor spreadability that can characterize traditional cream formulations, thereby enhancing patient experience and adherence. The product adopts a low-viscosity, rheology-optimized emulsion system to support topical application, epidermal delivery and local retention. Non-clinical studies have demonstrated improvements in lesion appearance, inflammatory factors and histopathology in seborrheic dermatitis animal models. The product also incorporates soothing excipients and a metered vacuum pump system to improve local tolerability, dosing accuracy and ease of use, positioning ZYG24002 as a safe, non-corticosteroid option for long-term disease management.

- **ZYG24012 (Onychomycosis/Gray Nail)**: A Class 2.2 Modified New Drug. The clinical trial application for this candidate product was approved in March 2026. It utilizes a supersaturated delivery system to penetrate the dense keratin of the nail plate, designed to reduce dosing frequency and improve patient compliance while avoiding the systemic hepatotoxicity risks associated with oral antifungals.

R&D Capabilities Solving Critical Barriers in Formulation and Scale-Up

We view topical dermatology product development not merely as formulation, but as a complex engineering discipline. Unlike oral medications, topical formulations must overcome strict physicochemical constraints: the active ingredient must penetrate the stratum corneum barrier to reach specific target tissues while minimizing irritation. At the same time, the formulation must maintain thermodynamic stability and possess sensory attributes that ensure patient adherence. Furthermore, scaling these products from the laboratory to commercial production represents a significant industry bottleneck, as complex multi-phase systems are highly sensitive to process parameters such as shear force and temperature control. To overcome these technical barriers, we have established an R&D system anchored in the following specialized proprietary technological capabilities:

- **VertoDerm Platform:** the VertoDerm platform is our proprietary polymer-based topical local delivery system. Its core value lies in breaking through the conventional constraint of "one dosage form, one scenario" by treating functional polymers as a common engineering tool — flexibly combining formulation technologies to address the physicochemical characteristics of each active ingredient, the barrier differences of each administration site and the practical requirements of each clinical scenario, achieving precise local drug delivery. This capability is supported by five independent yet combinable technical modules: (i) the local retention module uses polymer-mediated rheology control to anchor drug at the target tissue, maximizing local drug concentration while minimizing systemic absorption; (ii) the application experience module precisely controls formulation viscosity and spreadability to resolve drug runoff and uneven distribution at anatomically difficult administration sites including the scalp, plantar surface and toe web spaces; (iii) the film-forming sustained release module forms a durable drug reservoir on the skin or nail plate surface, enabling long-acting continuous release, reducing dosing frequency and fundamentally improving patient adherence; (iv) the transdermal and transungual delivery module combines post-evaporation local concentration enhancement with polymer-mediated crystallization inhibition to penetrate dense keratin barriers such as the nail plate, significantly improving drug infiltration depth and retention concentration in the nail bed; and (v) the stability module uses polymer network construction and microenvironment engineering to simultaneously address emulsion physical instability and degradation of water-sensitive APIs in aqueous formulations. The platform has been validated across skin, scalp, foot and nail indications, supports multiple internal innovative drug programs, and is backed by authorized project-level formulation patents and approved clinical trials.

- **D^3-PK (Deep Skin Pharmacokinetics):** deep skin pharmacokinetics addresses the fundamental difficulty of measuring efficacy for topical drugs, where blood concentration is an ineffective proxy metric. Supported by a multidisciplinary team of over 30 specialists and equipped with high-sensitivity LC-MS/MS systems and dozens of transdermal diffusion cells, we deploy advanced analytical techniques — including mass spectrometry imaging ("**MSI**"), tape stripping and skin layer separation — to precisely visualize and quantify drug distribution layer-by-layer across skin depths. This capability enables us to confirm intradermal drug distribution before committing to human clinical trials, and has been instrumental in the development of over 30 complex formulations. We have established joint laboratories with Logan Instruments and Thermo Fisher to co-develop standardized testing methodologies aligned with FDA and NMPA requirements.

- **Topical Product Scale-up:** scaling a complex topical formulation from laboratory to industrial production has historically been a major industry bottleneck, as sensitive multi-phase systems often become unstable under bulk manufacturing conditions. Our topical product scale-up capability bridges this gap between R&D and commercial manufacturing through advanced simulation and data analysis. Drawing on a proprietary database of processing parameters accumulated from years of small-scale, pilot and commercial production runs, we map key process parameters — including shear rate, cooling profiles and agitation speed — from our pilot equipment to our commercial production vessels, allowing us to mathematically predict and offset scale-up effects and ensuring a high success rate for technology transfer and batch-to-batch consistency at commercial scale.

- **Quality Control Parameters:** To address the complexity of topical formulations, we control over 20 micro-structural parameters — including particle size, crystal habit and rheological behavior — setting thresholds that exceed regulatory requirements and are calibrated to the specific needs of each product and dosage form. This higher standard ensures every unit we produce maintains the precise consistency and stability required for effective long-term treatment.

Integrated Manufacturing Platform with Specialized Versatility and Scale

We have established one of China's most sophisticated specialized manufacturing platforms dedicated to topical dermatology. Unlike generalist manufacturers, our production system is specifically engineered to handle the complexity of topical formulations. We possess comprehensive capability to manufacture eight distinct topical dosage forms on a commercial scale — including solutions, gels, creams, ointments, liniments, paints, lotions, and sprays. This versatility allows us to rapidly translate clinical formulations into mass-market products while accommodating diverse physicochemical properties, packaging requirements, and patient usage habits.

Our manufacturing footprint is strategically positioned for massive scalability. Our current production base in Wuxi, Jiangsu Province, spans approximately 32,000 square meters of gross floor area, integrating production and R&D space. To support our rapid commercial expansion and the volume ramp-up of our flagship franchises, we are executing a strategic expansion plan. By 2027, we aim to establish 26 automated production lines, creating one of the most comprehensive specialized topical dermatology formulation manufacturing platforms in China. Upon completion, this facility will provide an annual production capacity of approximately 160 million units, ensuring we can meet the growing demand from our national sales network without supply bottlenecks.

We differentiate ourselves through a commitment to digitalized process control and rigorous quality standards. We have invested heavily in digitalization to ensure consistent product quality and operational efficiency. Our facilities utilize an integrated suite of SCM, warehouse management systems ("**WMSs**"), Document Management Systems, Drug Traceability systems, and pharmacovigilance ("**PV**"), enabling full product life cycle traceability and ensuring that every batch meets rigorous safety and efficacy standards.

To further elevate our process capability, our Joint Laboratory with the Jiangsu Institute for Drug Control ensures our quality and compliance standards keep pace with evolving regulatory requirements. On the industrial side, our joint technology development platforms with Lubrizol in dermatological excipients and Logan Instruments in transdermal analysis give us direct access to specialized materials science and analytical expertise, accelerating the translation of formulation innovation into commercially scalable products.

Social Commerce-Driven Omnichannel Commercialization 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 around this reality. We have built proprietary capabilities to monitor real-time shifts in 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. The result is a self-reinforcing cycle: disease awareness content drives user search behavior, our products capture that traffic at conversion, and growth compounds — all without reliance on traditional advertising models.

This model is supported by two complementary insight systems:

- **Clinical & Educational Insight:** Our medical affairs team systematically tracks shifts in disease prevalence and identifies gaps in public health knowledge. By focusing on the clinical unmet needs surfacing in online conversations, we map user profiles against specific conditions and dosage preferences so that our products address the pain points being discussed on platforms such as Xiaohongshu (RED), Douyin and Bilibili.

- **Data-Driven Feedback Loop:** Our user feedback system, rooted in our online channels, has access to over 1.98 million user product reviews, which enables real-time analysis of usage scenarios and user-reported outcomes, directly informing our product iteration.

We apply these insights to deliver precise, solution-based marketing. For example, in the athlete's foot category, user feedback revealed that traditional cream-based formulations were limited in their ability to eliminate fungal sources in the surrounding environment — a key driver of the high recurrence rates that characterize the condition. In response, we developed and launched Luofu® Bifonazole Solution, whose spray format directly addresses this gap: users can apply it to both affected skin and footwear, eliminating residual fungus that is a primary cause of reinfection. This formulation innovation drove Luofu® Bifonazole Solution to the number one position in online sales in its category.

This model has supported significant scale. We have built strategic partnerships with leading e-commerce and local life service platforms, including Ali Health, JD Health, Douyin and Pinduoduo, where our portfolio consistently ranks among the top performers in its categories. In 2025, we reached paying users totaling approximately 30.6 million purchases across our monitored online platforms, and revenue generated through our online channels accounted for approximately 58% of our total revenue. Our offline channels — including hospitals and retail pharmacy networks — remain a substantial and growing component of our commercialization footprint, and our omnichannel model is designed to serve the full spectrum of how users access dermatology products.

Experienced Management Team Combining Pharmaceutical Expertise with Digital Commercial Execution

Our Company is led by a management team of industry veterans who possess a rare combination of traditional pharmaceutical governance experience and modern digital commercial execution. The core leadership team shares a long history of professional collaboration, having previously held senior roles together at Langsheng Pharma. This stability and shared operational philosophy have been pivotal in building our fully integrated platform, ensuring that strategic decisions balance medical rigor with commercial agility:

- **Mr. Xu Jun, Chairman:** Mr. Xu brings over 30 years of pharmaceutical industry experience. He previously served as Executive Director and CEO of Langsheng Pharma from 2002 to 2013, where he oversaw the Company's strategic direction and capital market operations. His background also includes his leadership at Sanjiu Medical Trading over OTC and prescription drugs, providing deep insight into China's pharmaceutical industry.

- **Mr. Xie Hongwei, Director & General Manager:** With over 30 years of pharmaceutical industry and operational expertise, Mr. Xie oversees our business execution. He served as General Manager and Marketing Director at Langsheng Pharma subsidiaries for ten years. His career, which began alongside Mr. Xu at Sanjiu Medical Trading, demonstrates a strong track record in sales management and market expansion.

- **Dr. Cai Beilei, Director & Deputy General Manager:** Dr. Cai oversees our scientific R&D, medical and clinical functions. She holds a PhD in Immunology from the University of Glasgow, where she studied under Professor Liu Fuyou, a Fellow of the Royal Society. She is responsible for formulating R&D strategy, building our technical platforms and driving

collaboration between industry, academia and research institutions, as well as the international regulatory filing of our products. She has been selected for Wuxi's Taihu Talent Program and serves as an external academic supervisor at universities and an expert in pharmaceutical technology commercialization.

- **Mr. Tian Zhihui, Deputy General Manager:** Mr. Tian leads our digital commercialization strategy. He played a key role in the brand operations for our flagship products, Lifu® and Luofu®, and oversaw the market launch of our ZRVIVE medical-grade skincare line. As a recognized figure in the industry, he currently serves as Executive Vice President of the China Medical Pharmaceutical Material Association and Head of its Industrial E-commerce Branch.

To execute our content and search intent-driven social commerce strategy, we have structured our commercial organization to mirror the agility of the digital platforms we operate on. Our digital commercialization team is distinguished by its demographic alignment with our core user base. The average age of team members is under 29, and most possess direct prior experience in e-commerce operations or digital marketing. We maintain a flat organizational hierarchy to facilitate rapid decision-making, empowering this team to maintain our competitive edge in online channels.

Our growth is further supported by a diverse group of shareholders who bring strategic value beyond capital. Our register includes leading healthcare-focused funds such as Sinovation Ventures ("**SDF**"), Cathay Capital and Alibaba Health. Their backing validates our business model and provides access to valuable industry networks.

STRATEGIES

We intend to pursue the following strategies to consolidate our market leadership and drive sustainable, long-term growth:

Deepen Strategic Focus on Dermatology and Solidify Core Competitive Advantages Through Technological Innovation

We remain steadfast in our "all-in-skin" commitment, driven by the conviction that deep specialization yields superior long-term returns compared to diversified approaches. We will further refine our strategic focus to identify and capture high-value opportunities within specific dermatological sub-sectors. By leveraging our user insight capabilities, we aim to pinpoint emerging unmet needs and evolving preferences, concentrating our R&D investment on products that deliver precise therapeutic outcomes and superior efficacy.

Our development roadmap prioritizes first-to-market generics, complex formulations and topical combinations. This will be supported by continued investment in our proprietary technology platforms. We will deepen our expertise in transdermal delivery systems — including film-forming solution and lotion technologies — to create products with superior performance characteristics that are difficult to imitate. By building proprietary intellectual property and technical barriers, we aim to differentiate our products on their delivery systems and user experience as well as their active ingredients.

Strengthen Our Omnichannel Distribution Network to Maximize Accessibility

We will continue to upgrade our distribution capabilities across all channels to maximize market coverage. Our omnichannel strategy reflects the distinct purchasing behaviors of different user segments, which call for a comprehensive presence across both digital and physical channels.

- **E-Commerce and Digital Channels:** We will deepen our presence on existing e-commerce platforms while proactively expanding into emerging digital channels. We plan to refine our digital marketing capabilities by leveraging data analytics to enhance targeting precision and marketing efficiency.

- **30-Minute Delivery:** We will expand our partnerships with 30-minute delivery platforms to offer users rapid product access, combining online ordering with local fulfillment to address user demand for fast access.

- **Professional and Retail Channels:** In the hospital channel, we will expand our evidence-based medical promotion efforts and invest in medical education to ensure our products remain the preferred choice for healthcare professionals. Concurrently, we will expand our retail footprint through deeper collaborations with national pharmacy chains, implementing merchandising programs to drive conversion at the physical point of sale.

Optimize Supply Chain for Scale, Efficiency, and Strategic Flexibility

We will continue to invest in our supply chain capabilities to support our growth targets while enhancing operational efficiency. By 2027, we aim to complete 26 automated production lines, establishing one of China's most comprehensive dedicated topical dermatology manufacturing platforms. The expanded capacity of up to 160 million units will support our long-term growth trajectory and provide a buffer against demand surges.

Beyond scaling capacity, we will improve our cost structure and supply chain security by progressively replacing private label products manufactured by qualified third party companies with proprietary self-developed equivalents to capture greater margin, and consider integrating key raw materials upstream to secure strategic independence. To support our diverse distribution models, we will optimize our warehousing and logistics operations, investing in specialized systems that allow us to achieve operational excellence in both B2B wholesale distribution and high-velocity direct-to-user fulfillment simultaneously.

Accelerate AI-Driven Digital Transformation to Secure the High Ground in User Knowledge

We will embrace artificial intelligence and digital technologies to transform our operations, recognizing that the battleground for user attention and decision-making is undergoing a fundamental paradigm shift. Historically, patients acquired medical information through search engines and later through social media platforms. We are now entering a new era where users increasingly rely on generative AI to answer questions about skin conditions and treatment options. In this new landscape, gaining insight into search results is no longer enough. We aim to establish a competitive advantage in AI-driven user search.

To secure this strategic high ground, we are implementing a forward-looking AI strategy. A prime example is our strategic partnership with Alipay's AI health services platform, "Ant Ah Fu" (螞蟻阿福). Through this collaboration, we integrate our proprietary dermatological knowledge graph and clinical insights into their AI large model. This ensures that when users query skin conditions on the platform, they receive authoritative, scientifically accurate answers that meet their personalized, precise and professional needs — a philosophy that runs through their entire awareness-decision-purchase-usage cycle. We influence the decision-making process at its increasingly digital source. Internally, we will leverage AI to transform our value chain, utilizing advanced analytics for formulation optimization in R&D and enhancing forecasting accuracy in manufacturing.

Build Long-Term Brand Value Through User Experience and Word-of-Mouth

We are continuously refining our commercial model to strengthen brand-driven, long-term value creation. As information channels have become more diverse and accessible, consumers of skin health products increasingly make purchase decisions on their own terms — drawing on professional content, real-world usage experience and peer recommendations rather than responding to advertising.

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. Skin health products occupy a category where users are highly motivated to seek out information, share their experiences and advocate for products that work. By offering a broad and continuously evolving product

range across indications and usage occasions, we are able to convert a user's positive experience with a single product into awareness of, and affinity for, our wider portfolio — creating a self-reinforcing growth cycle driven by product performance and word-of-mouth.

We pursue a disciplined brand positioning strategy, ensuring that each of our brands occupies a clear and recognizable identity on its own terms. Lifu® is our dedicated pharmaceutical brand for nasofacial conditions, anchored by a portfolio of clinically proven topical pharmaceuticals addressing a broad range of high-prevalence conditions, including acne and rosacea. Luofu® is our authoritative brand in topical antifungal treatment, with clinical leadership built on a multi-dosage-form product portfolio that precisely addresses the diverse treatment needs of superficial fungal infections such as athlete's foot. ZRVIVE is our medical-grade skincare line, formulated with pharmaceutical-grade active ingredients to deliver genuine efficacy within the daily skincare routine — bridging clinical dermatology and consumer-facing skin health management.

To sustain this strategy, we have established a dedicated user and brand center. This department functions as the strategic interface between our market insights and product development, systematically collecting real-world feedback to ensure our brand evolution keeps pace with changing user needs. By institutionalizing this feedback loop, we ensure that our brands remain relevant, authoritative and aligned with the rational consumption values of our core demographic.

Pursue Strategic International Expansion

We intend to pursue a multi-pronged international expansion strategy to diversify our revenue base and integrate deeply into the global dermatology ecosystem. We will actively pursue strategic R&D collaborations and in-licensing opportunities with global pharmaceutical and biotechnology partners. Rather than simply distributing finished products, our focus is on acquiring rights to promising clinical-stage candidates and novel delivery technologies that complement our internal R&D capabilities. By engaging in co-development and licensing arrangements, we aim to accelerate the introduction of global innovation to our platform, enriching our pipeline with differentiated assets that address complex dermatological needs.

Leveraging our expanded manufacturing capacity and advanced quality systems, we plan to serve as a high-quality production partner for international brands. With our planned capacity covering 11 distinct topical dosage forms and up to 160 million units, and adherence to rigorous quality standards, we are well-positioned to provide contract development and manufacturing services to global pharmaceutical companies. This strategy allows us to maximize facility utilization while establishing deep operational ties with international partners, further validating the global competitiveness of our manufacturing standards.

Concurrently, we will drive the international registration and commercialization of our proprietary products, prioritizing assets with strong clinical data and meaningful differentiation for regulated markets. We aim to build a global presence through a combination of direct registration and local distribution partnerships. By executing across these three dimensions, we aim to transform our organization from a domestic leader into a globally integrated enterprise, capable of originating innovation at the source, manufacturing at scale, and competing effectively in the international dermatology market.

OUR MAIN PRODUCTS

As of the Latest Practicable Date, we had established a comprehensive portfolio of commercialized products covering six core disease areas in dermatology, including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions. This diversified product matrix allows us to provide full-cycle disease management solutions — ranging from acute medical treatment to long-term daily care — thereby maximizing patient adherence and commercial synergy across our sales channels.

The following table summarizes our major commercialized products as of the Latest Practicable Date:

Target Area	Product	Dosage Form	Indication	Reference Price	NRDL
Nasofacial Dermatoses	Lifu® (麗芙®) Metronidazole Gel	Gel	Inflammatory papules, pustules, rosacea erythema	RMB18.89/20g	Yes
	Lifu® (麗芙®) Adapalene Gel	Gel	Mild-to-moderate acne vulgaris	RMB19.9/16g	Yes
	Lifu® (麗芙®) Tretinoin Cream	Cream	Acne, keratosis pilaris	RMB18.9/10g	Yes
	Lifu® (麗芙®) Clindamycin Phosphate Topical Solution	Paint	Acne vulgaris	RMB31.2/30ml	No
Superficial Fungal Infections	Luofu® (洛芙®) Bifonazole Solution	Solution	Tinea manuum, tinea pedis, tinea corporis	RMB39.25/60ml	Yes
	Luofu® (洛芙®) Terbinafine Hydrochloride Spray	Spray	Tinea manuum, tinea pedis, tinea corporis	RMB32.37/40ml	No
Onychomycosis	Luofu® (洛芙®) Amorolfine Hydrochloride Liniment	Liniment	Onychomycosis (Fungal nail infection)	RMB137/2ml	No
	Luofu® (洛芙®) Ciclopirox Olamine Cream	Cream	Onychomycosis, tinea pedis, tinea corporis	RMB37.38/30g	Yes
Immune-Inflammatory Dermatoses	Lifu® (麗芙®) Pimecrolimus Cream	Cream	Mild-to-moderate atopic dermatitis	RMB110/10g	Yes
	Lifu® (麗芙®) Tacrolimus Ointment	Ointment	Moderate-to-severe atopic dermatitis	RMB64/15g	Yes
	Jinniu'er® (金紐爾®) Compound Clobetasol Propionate Ointment	Ointment	Psoriasis vulgaris	RMB48.46/30g	No
Pigmentation Disorders	Lifu® (麗芙®) Tranexamic Acid Tablets	Tablet	Melasma	RMB160/36 tablets	Yes
Scalp and Hair Conditions	Jinniu'er® (金紐爾®) Calcipotriol Scalp Liniment	Liniment	Scalp psoriasis	RMB98/30ml	Yes
	ZHIMAO® (質茂®) Minoxidil Liniment	Liniment	Androgenetic alopecia ("**AGA**"), alopecia areata	RMB65.8/60ml	No
	ZRVIVE (質潤®) Selenium Sulfide Anti-dandruff Shampoo	Shampoo	—*	RMB99/300ml	No

Note:

* Not applicable for medical-grade skincare product

The following table sets forth the breakdown of our revenue from sales of products by target areas for the 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*	*%*
	(RMB in thousands, except for percentages)						*(unaudited)*			
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**

Note:

(1) Others mainly comprise the revenue from our technical services, technology use, entrusted processing and others.

Nasofacial Dermatoses

Nasofacial dermatoses refer to a class of inflammatory diseases primarily affecting the central facial area, specifically the nose, cheeks, and perioral region. High-incidence conditions within this category include acne vulgaris, rosacea, and facial seborrheic dermatitis. Acne, in particular, is a chronic inflammatory condition characterized by high prevalence and frequent recurrence affecting a broad demographic ranging from adolescents to adults. Because lesions typically manifest on exposed facial areas, the condition exerts significant social and psychological pressure on patients, creating a resilient market driven by a strong and proactive willingness to seek treatment.

Pathologically, acne is driven by a complex cascade of factors, including abnormal keratinization of the pilosebaceous duct, excessive sebum secretion, colonization by *Cutibacterium acnes*, and inflammatory responses. Consequently, effective management requires a comprehensive intervention strategy that covers oil control, keratin regulation, bacteriostasis, and anti-inflammation. However, existing therapies often face significant clinical challenges, including rising antibiotic resistance, skin irritation issues, and poor patient compliance due to the need for long-term adherence.

To address these challenges, we have developed a comprehensive solution that combines topical formulations for mild-to-moderate cases with systemic oral treatments for moderate-to-severe cases, achieving holistic intervention that addresses multiple pathogenic factors of the disease while balancing efficacy with skin tolerance.

Lifu® Metronidazole Gel (麗芙®甲硝唑凝膠)

— ***#1 in its category across all channels in 2025***

Lifu® Metronidazole Gel is a topical anti-anaerobic and anti-protozoal agent classified as a Class B OTC product. As the first metronidazole gel formulation approved in China, it has become the market leader, ranking first in sales across all channels in 2025. Metronidazole Gel is indicated primarily for the local treatment of inflammatory papules, pustules, and rosacea erythema. It works through a dual mechanism: inhibiting the anaerobic bacteria and Demodex mites that trigger local inflammation, while simultaneously exerting antioxidant and immunomodulatory effects by inhibiting reactive oxygen species generated by neutrophils. This rapidly reduces tissue inflammation and redness. As a non-hormonal therapy, Metronidazole Gel avoids the risks associated with long-term facial steroid use, such as corticosteroid-dependent dermatitis, making it a safe maintenance therapy for chronic conditions like rosacea. Addressing the compromised skin barrier common in rosacea patients, Metronidazole Gel utilizes a water-based gel matrix rather than a greasy ointment. This hydrophilic formulation offers superior breathability and cosmetic elegance, allowing for rapid absorption without clogging pores, which significantly improves patient comfort and compliance for facial applications.

Building on continuous insights into clinical usage scenarios and user habits, we have upgraded from the original aluminum tube packaging to launch the first metronidazole gel pump dispenser format. Compared to traditional aluminum tube packaging, the pump design, with its vacuum mechanism that eliminates direct contact between air and the medication, ensures product quality stability and better suits the high-frequency, small-dose, repeated-use characteristics of facial topical medication, reducing the inconvenience of repeated squeezing, uncapping and direct contact with the product, and improving hygiene, convenience and dose control during application, while being more suitable for daily storage and travel.

Lifu® Adapalene Gel (麗芙®阿達帕林凝膠)

— ***#1 in its category online in 2025***

Lifu® Adapalene Gel is a third-generation topical retinoid classified as a Class B OTC product. Clinically regarded as a cornerstone therapy for acne, Adapalene Gel is recommended by domestic and international guidelines as a first-line treatment for mild-to-moderate acne and a preferred agent for long-term maintenance to prevent recurrence. In 2025, Adapalene Gel achieved the number one market share in online sales, surpassing the original branded product. Compared to earlier generations of retinoids, Adapalene Gel demonstrates significant technical advantages in chemical stability and local tolerance. It offers superior photostability, overcoming the photosensitivity issues often associated with traditional retinoids. Pharmacologically, Adapalene Gel works by selectively binding to retinoic acid nuclear receptors to normalize follicular cell differentiation and dissolve comedones. This selective binding profile minimizes irritation, significantly reducing adverse events such as erythema and desquamation compared to non-selective retinoids. Adapalene Gel utilizes a water-based gel formulation specifically aligned with the needs of oily, acne-prone skin. Its versatility allows it to be used effectively on large surface areas, such as the chest and back, and it serves as both a standalone therapy for mild cases and a foundational drug for combination therapy in moderate-to-severe cases.

Lifu® Tretinoin Cream (麗芙®維A酸乳膏)

Lifu® Tretinoin Cream is a first-generation retinoid classified as a National Essential Drug and Class A OTC product. As the first retinoid approved for global use, Tretinoin Cream remains a standard of care for keratinization disorders and acne. Benefiting from its status as an essential drug with full insurance reimbursement coverage, Tretinoin Cream has achieved widespread penetration in grassroots medical institutions and retail terminals, ranking first in online sales in 2025. Tretinoin Cream possesses broad-spectrum pharmacological activity, regulating epidermal cell mitosis and turnover to promote normal keratinocyte differentiation. Beyond dissolving comedones and expelling blackheads, Tretinoin Cream effectively reverses photoaging and improves hyperpigmentation, providing clinical value in both therapeutic dermatology and medical aesthetics. We offer specific concentrations to enable precision treatment. The 0.025% concentration is positioned for tolerance building and anti-aging, making it suitable for sensitive skin or initial users treating blackheads and skin atrophy. The 0.1% concentration is positioned for potent targeting of hypertrophic lesions, severe keratinization disorders such as ichthyosis, and recalcitrant acne. Tretinoin Cream utilizes a cream base designed to balance the potency of the retinoid with skin comfort to ensure absorption and compliance.

Lifu® Clindamycin Phosphate Topical Solution (麗芙®克林黴素磷酸酯外用溶液)

— ***#1 in its category across all channels in 2025***

Lifu® Clindamycin Phosphate Topical Solution is a topical antibiotic classified as a Class A OTC product. Recommended by the *Guidelines for the Treatment of Acne in China (2019 Revised Edition)*, clindamycin is designated as a first-line topical anti-infective for mild-to-moderate acne due to its potent inhibition of *Cutibacterium acnes* and anti-inflammatory activity. In 2025, this product achieved the number one market share among similar varieties. Pharmacologically, Clindamycin Phosphate is a chemically synthesized derivative that hydrolyzes into active clindamycin upon absorption. It demonstrates superior lipid solubility and permeability compared to standard clindamycin, ensuring effective penetration into the pilosebaceous unit. Beyond its antibacterial action, clindamycin exerts direct and indirect anti-inflammatory effects by inhibiting the generation of inflammatory chemotactic factors and cytokines, as well as reducing free fatty acids on the skin surface. We designed this product as a solution rather than a gel or cream, making it significantly lighter and fresher than traditional ointments. Its advantages include rapid transdermal absorption, a non-greasy texture, and non-comedogenic properties, which greatly enhance patient compliance. To address hard-to-reach acne on the back and chest, we equipped the product with a specialized spray nozzle. This supports 360° coverage, ensuring the medication uniformly reaches restricted areas. This design innovation not only mitigates the risk of secondary infection from hand application but also ensures consistent drug distribution, perfectly aligning with the clinical requirements for treating multi-site acne.

In addition to these flagship formulations, we market a broader portfolio of acne therapeutics, including clindamycin phosphate gel, viaminate and vitamin E cream, and isotretinoin soft capsules, ensuring a comprehensive range of treatment options for diverse patient needs.

Superficial Fungal Infections

Superficial fungal infections are characterized by high prevalence and persistent recurrence, with tinea pedis, commonly known as athlete's foot, being one of the most widespread dermatological conditions globally. Driven by a large patient population, high contagion rates, and the significant impact of symptoms like severe pruritus on quality of life, this category represents a massive, resilient market where patients have a clear and urgent demand for rapid itch relief and complete cure.

Pathologically, athlete's foot is primarily caused by dermatophytes such as *Trichophyton rubrum* infecting the foot. The condition is exacerbated by the relatively thick stratum corneum of the foot and an often moist, enclosed environment, which facilitates fungal colonization and persistence. Transmission occurs easily through direct contact or via contaminated items like shoes and socks, leading to frequent reinfection. Traditional treatments face significant challenges, including the difficulty topical creams have in penetrating thick or hyperkeratotic skin layers, poor patient compliance due to long treatment courses, and the presence of residual fungi in shoes and socks that creates an environmental reservoir driving high recurrence rates.

Meanwhile, the widespread use of antifungal agents in recent years has driven a steady rise in clinical resistance among superficial fungi — including dermatophytes and *Candida* species — limiting the efficacy of conventional single-agent therapies against complex, refractory, or recurrent infections. This has emerged as a significant clinical challenge in the antifungal treatment landscape.

To address these challenges, our product strategy centers on symptomatic management and recurrence control. We match formulations to specific clinical types and usage scenarios, aiming to improve treatment completion rates and block environmental transmission paths.

Luofu® Bifonazole Solution (洛芙®聯苯苄唑溶液)

— ***#1 in its category across all channels in 2025***

Luofu® Bifonazole Solution is a broad-spectrum azole antifungal agent classified as a Class B OTC product. In 2025, it achieved the number one sales position across all channels in its category. The product is indicated for superficial fungal infections such as tinea manuum, tinea pedis, and tinea corporis. Pharmacologically, bifonazole exerts a fungicidal effect by inhibiting the synthesis of ergosterol, a vital component of the fungal cell membrane. It possesses a broad antimicrobial spectrum effective against dermatophytes, yeasts, and molds, and is characterized by rapid onset and high retention concentrations in the stratum corneum.

We differentiate this product through a unique solution and spray format that directly addresses the limitations of traditional creams.

- **Superior Penetration:** Unlike creams or ointments, the solution formulation offers superior penetrability, allowing the active ingredient to effectively cover and infiltrate the affected skin layers.

- **Eliminate the Source of Fungal Growth:** Traditional cream-based formulations were limited in their ability to eliminate fungi from the patient's surrounding environment — a key driver of the high recurrence rates that characterize tinea pedis. In response, Luofu® Bifonazole Solution was developed as a spray format that directly addresses this gap: users can apply it to both affected skin and footwear, eliminating residual fungus that is a primary cause of reinfection and reducing the risk of relapse after treatment completion.

Luofu® Terbinafine Hydrochloride Spray (洛芙®鹽酸特比萘芬噴霧劑)

Luofu® Terbinafine Hydrochloride Spray is a topical antifungal agent classified as a Class A OTC product. The product is indicated for superficial fungal infections including tinea manuum, tinea pedis, and tinea corporis. Pharmacologically, terbinafine is an allylamine antifungal that exerts its fungicidal effect by inhibiting squalene epoxidase, a key enzyme in the fungal sterol biosynthesis pathway. This blockade arrests the synthesis of ergosterol — an essential structural component of the fungal cell membrane — while simultaneously causing the intracellular accumulation of squalene, leading to fungal cell death. Terbinafine demonstrates potent activity against dermatophytes, achieves high local concentrations in the stratum corneum, and offers a favorable topical safety profile, making it one of the most clinically reliable agents in the topical antifungal category. We have formulated this product as a spray rather than a cream to directly address the practical limitations of conventional topical antifungals. The spray format enables uniform delivery across irregular or hard-to-reach skin surfaces, achieves rapid evaporation without leaving a greasy residue, and allows the active ingredient to reach toe web spaces and other confined anatomical areas where cream-based products are difficult to apply evenly. This formulation choice reflects our broader strategy of aligning dosage form with the specific clinical and patient-experience requirements of each indication.

Beyond our flagship antifungal products, we have built a broader antifungal portfolio spanning multiple active ingredients and dosage forms — including triamcinolone acetonide and econazole nitrate cream, and econazole nitrate solution — giving patients a diversified range of treatment options.

Onychomycosis

Onychomycosis, commonly known as fungal nail infection, is characterized by its long treatment cycle, high recurrence risk, and frequent comorbidity with tinea pedis (athlete's foot). Because the condition significantly impacts nail appearance and daily function — causing thickening, discoloration, and brittleness — patients typically seek effective cures. Furthermore, the risk of cross-infection within households and public environments creates an urgent need for effective management to prevent transmission.

However, the unique anatomy of the nail presents a formidable barrier to treatment. Fungi colonize the keratinized nail plate and bed, leading to structural destruction and separation of the nail plate. Clinical treatment has historically faced a dilemma between efficacy and safety: oral antifungals offer higher cure rates but carry risks of hepatotoxicity, limiting their use in elderly or compromised populations; conversely, traditional topical creams often fail to penetrate the hard nail plate effectively.

To resolve this, our product strategy focuses on overcoming the penetration barrier to balance efficacy with safety. We emphasize advanced delivery technologies — such as film-forming liniments and high-penetration creams — that enhance drug retention within the nail plate. This approach aims to deliver clinical outcomes comparable to oral therapies while maintaining the safety profile of topical treatments.

Luofu® Amorolfine Hydrochloride Liniment (洛芙®鹽酸阿莫羅芬搽劑)

— ***#2 in its category online in 2025***

Luofu® Amorolfine Hydrochloride Liniment is a potent, broad-spectrum antifungal agent classified as a Class A OTC product. In 2025, it ranked second in online sales within its category. The product is designed specifically to overcome the penetration barrier of the nail plate. Amorolfine, a morpholine antifungal, works by interfering with the biosynthesis of fungal sterols, altering cell membrane permeability and leading to fungal death. It exhibits a broad spectrum of activity against dermatophytes, yeasts, and molds.

We differentiate this product through advanced film-forming technology. Unlike conventional creams, this liniment dries within minutes to form a waterproof, invisible film on the nail surface. This film acts as a drug reservoir, continuously releasing the active ingredient into the nail plate and bed for up to seven days. This sustained-release mechanism allows for a once-weekly dosing regimen, significantly reducing the burden on patients compared to daily applications. The formulation achieves high local concentrations with minimal systemic absorption, effectively resolving the clinical conflict between potency and systemic safety.

Luofu® Ciclopirox Olamine Cream (洛芙®環吡酮胺乳膏)

— ***#1 in its category across all channels in 2025***

Luofu® Ciclopirox Olamine Cream is a high-penetration, broad-spectrum antifungal classified as a Class A OTC product. It ranked first in online sales in 2025. Clinically, it is positioned as a versatile solution for stubborn fungal infections, including onychomycosis and hyperkeratotic tinea pedis. Ciclopirox olamine employs a unique mechanism of action: it chelates essential metal cations (such as trivalent iron) within the fungal cell and disrupts cellular transport, acting as both a fungicide and an anti-inflammatory agent.

The key competitive advantage of this product lies in its exceptional penetrability. It can permeate the epidermis, hair follicles, and even the hard nail plate. This makes it particularly effective for our strategy of treating the nail and skin together. Since onychomycosis often co-exists with fungal infections of the surrounding skin, applying this cream to both the nail and the periungual tissue cuts off the cross-infection pathway, addressing a primary cause of recurrence that nail-only formulations may miss.

Immune-Inflammatory Dermatoses

Immune-inflammatory dermatoses, such as atopic dermatitis, eczema and psoriasis, are characterized by their chronic nature and high susceptibility to recurrence, often requiring long-term or even lifelong management. These conditions are caused by immune system dysfunction, involving the overactivation of inflammatory pathways and skin barrier compromise. Patients suffer from persistent symptoms, most notably intense pruritus and visible lesions like erythema and scales, which significantly impact quality of life and social confidence.

A critical challenge in this therapeutic area is balancing the need for rapid symptom control with the safety required for long-term maintenance. While topical corticosteroids (TCS) are effective for acute flares, their prolonged use carries risks of adverse effects such as skin atrophy, telangiectasia, and dependence. Consequently, clinical demand has shifted toward a sequential management strategy: using potent agents to rapidly suppress acute inflammation, followed by safe, non-hormonal maintenance therapies to prevent recurrence and repair the skin barrier. Our portfolio addresses this continuum through potent corticosteroid combinations for acute severe cases and non-hormonal calcineurin inhibitors for long-term management and sensitive areas.

Lifu® Pimecrolimus Cream (麗芙®吡美莫司乳膏)

— ***#1 in its category online in 2025***

Lifu® Pimecrolimus Cream is a non-hormonal topical calcineurin inhibitor (TCI) indicated for mild-to-moderate atopic dermatitis. As the first generic version approved in China, it has rapidly captured market share, surpassing the original brand to rank first in online sales in 2025. The product addresses a critical need for treating sensitive skin areas where long-term topical corticosteroid use may be undesirable.

The primary advantage of pimecrolimus is its high safety profile. It selectively inhibits the release of inflammatory cytokines without causing skin atrophy, corticosteroid dependence, or telangiectasia. This makes it an ideal choice for delicate areas such as the face, neck, and skin folds, as well as for the long-term management of pediatric patients aged three months and older. By offering a safe alternative, it addresses the fear of steroids common among parents and patients, facilitating better adherence to maintenance regimens.

Lifu® Tacrolimus Ointment (麗芙®他克莫司軟膏)

Lifu® Tacrolimus Ointment is a potent non-hormonal calcineurin inhibitor designed for moderate-to-severe atopic dermatitis. In 2025, it ranked second in online sales within its category. Clinically, it serves as a cornerstone therapy for patients who do not respond adequately to traditional treatments or who require a steroid-sparing option for controlling substantial inflammation. By offering a potent anti-inflammatory mechanism without the side effects associated with long-term corticosteroid use, it provides a critical solution for the safe, long-term management of chronic dermatitis.

Tacrolimus works by inhibiting calcineurin to block T-lymphocyte activation, effectively suppressing the immune response driving the disease. We employ a concentration-stratified strategy to serve different patient populations: the 0.03% formulation is approved for pediatric use (ages two and above), balancing efficacy with safety for children, while the 0.1% formulation provides stronger potency for adult patients. This flexibility allows physicians to tailor treatment intensity to the patient's age and disease severity, ensuring effective control of flare-ups while minimizing the risks associated with systemic immunosuppression.

Jinniu'er® Compound Clobetasol Propionate Ointment (金紐爾®複方丙酸氯倍他索軟膏)

— ***#1 in its category across all channels in 2025***

Jinniu'er® Compound Clobetasol Propionate Ointment is our proprietary exclusive drug. It is clinically positioned as a first-line therapy for psoriasis vulgaris and other inflammatory dermatoses accompanied by abnormal keratinization. The product represents a significant innovation by combining clobetasol propionate, a potent corticosteroid, with tretinoin, a retinoid.

This combination utilizes a synergistic mechanism to maximize efficacy while mitigating side effects. Clobetasol provides rapid and powerful anti-inflammatory action to control redness and itching, while tretinoin directly targets the pathological hyperkeratosis associated with psoriasis, normalizing cell differentiation. Crucially, the addition of tretinoin helps to counteract the skin-thinning effects typically associated with potent steroids, improving the safety profile for longer-term use. We enhanced this formulation with nano-lipid carrier technology, which promotes precise drug delivery to the epidermal target tissue while minimizing systemic absorption, effectively creating a skin-targeted delivery system.

Pigmentation Disorders (色素障礙性皮膚病)

Pigmentation disorders, including melasma and vitiligo, are among the most difficult-to-treat conditions in dermatology. They are characterized by their chronic nature, complex pathogenesis, and profound impact on patient psychology and social confidence. Melasma is often driven by both pigment overproduction and underlying vascular inflammation, while vitiligo results from the autoimmune destruction of melanocytes. Clinical management faces distinct challenges: traditional topical agents for melasma often fail to address the vascular component, leading to frequent recurrence, while vitiligo treatments often succeed in halting disease progression but struggle to induce actual repigmentation.

To address these unmet needs, we have developed a combined systemic and topical strategy. We utilize oral systemic agents to address the root causes — such as vascular inflammation and internal metabolic pathways — while deploying targeted topical formulations to directly stimulate pigment recovery or inhibit melanin transfer. This comprehensive approach aims to break the cycle of recurrence and achieve visible aesthetic restoration.

Lifu® Tranexamic Acid Tablets (麗芙®氨甲環酸片)

— ***#1 in its category online in 2025***

Lifu® Tranexamic Acid Tablets is a classic systemic therapeutic agent classified as a Class B prescription drug. It is widely recognized in domestic and international clinical guidelines as a first-line basal therapy for melasma. In 2025, it ranked first in online sales within its category.

The product differentiates itself through a dual mechanism targeting both pigment and blood vessels. Unlike topical agents that only act on surface melanin, oral tranexamic acid acts as an anti-fibrinolytic agent to block the melanin synthesis pathway at its source. Crucially, it also inhibits Vascular Endothelial Growth Factor, effectively suppressing the capillary proliferation and inflammation that often underlie persistent melasma. This ability to simultaneously treat hyperpigmentation and vascular erythema makes it superior to single-target therapies. Furthermore, it serves as a critical adjunctive therapy in medical aesthetics. When combined with energy-based procedures (such as lasers and IPL), it stabilizes melanocyte activity, significantly reducing the risk of post-inflammatory hyperpigmentation to ensure safer and more sustainable aesthetic outcomes.

Scalp and Hair Conditions

The scalp presents a unique therapeutic challenge in dermatology. Anatomically, the presence of dense hair makes traditional topical formulations — such as creams and ointments — difficult to apply, typically resulting in poor absorption and an unpleasant greasy, sticky feel that significantly undermines patient compliance. Clinically, the unmet needs in this category are dominated by three high-prevalence conditions: seborrheic dermatitis of the scalp, characterized by persistent dandruff, erythema, and intense itching with a strong tendency to recur; AGA, a progressive hair loss disorder affecting hundreds of millions of individuals; and inflammatory scalp conditions such as scalp psoriasis, characterized by stubborn, thick scaling plaques affecting over 50% of psoriasis patients. All three conditions require long-term topical disease management, making the choice of dosage form just as critical as the active ingredient.

To address the complex and interrelated needs of scalp and hair health, our strategy is to build a comprehensive disease management portfolio anchored by specialized dosage forms designed for hair-bearing areas. By combining pharmaceutical and medical-grade skincare products, we aim to integrate seamlessly into patients' daily routines — providing a full continuum of care from core pathology treatment to ongoing scalp maintenance.

Jinniu'er® Calcipotriol Scalp Liniment (金鈕爾®卡泊三醇搽劑)

Jinniu'er® Calcipotriol Scalp Liniment is a Vitamin D3 derivative indicated for the treatment of scalp psoriasis. In July 2024, we obtained the registration approval for this product, becoming the first domestic enterprise to launch a generic version in China. This launch broke the long-standing monopoly of the original imported brand and established a market duopoly.

The core advantage of this product is its specialized liniment form. Traditional ointments for scalp psoriasis are difficult to apply through hair and leave a greasy residue that is hard to wash off — a major deterrent for daytime use. Our liniment uses a volatile alcohol-based vehicle that penetrates rapidly through the hair to reach the scalp lesions and dries quickly without leaving a sticky residue. Pharmacologically, calcipotriol binds to Vitamin D receptors to normalize the proliferation and differentiation of keratinocytes, directly correcting the pathological scaling of psoriasis while suppressing local inflammation. This combination of efficacy and cosmetic elegance defines it as the standard of care for long-term maintenance.

ZHIMAO® Minoxidil Liniment (質茂®米諾地爾搽劑)

ZHIMAO® Minoxidil Liniment is a topical vasodilator indicated for AGA and alopecia areata. We obtained registration approval in May 2025, launching it as a foundational product to anchor our hair health portfolio. Minoxidil is one of the only two FDA-approved drugs for hair loss.

Mechanistically, minoxidil acts as a potassium channel opener, dilating the capillaries surrounding hair follicles to enhance nutrient and oxygen supply, while simultaneously inducing resting follicles (telogen phase) to enter the active growth phase (anagen phase) and prolonging their growth duration. By offering this product as a liniment, we ensure deep follicular penetration while maintaining a non-greasy profile suitable for twice-daily application. To this end, we have built out a full portfolio covering both 2% and 5% concentrations to meet precise clinical needs: the 5% concentration is the first-line standard of care for male AGA per clinical guidelines, delivering stronger hair growth stimulation; while the 2% concentration is broadly indicated for female hair loss patients and those with mild symptoms or sensitive skin, preserving efficacy while reducing the risk of local irritation and facial hypertrichosis. Its addition to our pipeline allows us to capture the strong demand of the hair loss market and synergizes with our broader anti-inflammatory and scalp care portfolio to provide a comprehensive scalp health solution.

ZRVIVE Selenium Sulfide Anti-Dandruff Shampoo (質潤® 二硫化硒去屑洗髮水)

ZRVIVE Selenium Sulfide Anti-Dandruff Shampoo is a professional therapeutic shampoo specifically engineered for the management of seborrheic dermatitis, severe dandruff, and pruritus. As the flagship product in our functional scalp care portfolio, it has successfully bridged the gap between clinical treatment regimens and daily user care.

The product contains 1% imported pharmaceutical-grade selenium sulfide, an active ingredient recommended by clinical guidelines for the treatment of seborrheic dermatitis and dandruff, optimized to balance therapeutic potency with safety. Pharmacologically, selenium sulfide exerts a dual mechanism of action: it effectively inhibits the proliferation of Malassezia (the fungal cause of dandruff) while simultaneously providing a cytostatic effect to normalize epidermal cell turnover, thereby reducing desquamation. Additionally, it regulates excessive sebum production, addressing the root cause of the "oily scalp" environment that fuels recurrence. Efficacy studies conducted by authoritative institutions in China and abroad, as well as Grade A tertiary hospitals in China, have confirmed its significant oil-control and anti-dandruff capabilities, with sustained prevention of recurrence observed even after discontinuation.

We established high technical barriers for this product by resolving long-standing formulation challenges associated with selenium sulfide. Utilizing a proprietary suspension technology, we engineered a liquid crystal matrix combined with a carbomer base. This innovation solves the sedimentation issues common in traditional formulations, ensuring uniform distribution of the active ingredient without the need for vigorous shaking. Furthermore, our specialized anti-oxidation system prevents the active ingredients from degrading or discoloring during storage by precisely regulating the surfactant profile and redox balance. These technologies transform what is typically a rough, medicinal formulation into a product with a smooth, cosmetic-grade texture, significantly enhancing patient compliance.

OUR PRODUCT PIPELINE

As of the Latest Practicable Date, our research and development pipeline included over 30 product candidates at various stages of development. These candidates are designed to address specific unmet medical needs, such as improving patient adherence, enhancing drug delivery to hard-to-treat tissues, or reducing systemic side effects. We have established a diversified pipeline strategically organized around the same six core disease areas as our commercial portfolio. By aligning our pipeline development with our established commercial portfolio, we ensure a continuous stream of innovative products that leverage our existing brand equity and channel resources to drive sustainable growth.

Innovative Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Drug Classification	Indication	Development Stage	Next Milestone	Rights / Origin
Nasofacial Dermatoses	**ZYG24002**	Modified New Drug (Class 2.2+2.4)	Seborrheic dermatitis	Phase I Clinical Trial	Phase II Clinical Trial expected to commence H1 2027	Self-developed
Superficial Fungal Infections	**ZYG24004**	Modified New Drug (Class 2.2+2.4)	Tinea pedis	IND Approved	Phase I Clinical Trial expected to commence H2 2026	Self-developed
Onychomycosis	**ZYG24012**	Modified New Drug (Class 2.2)	Onychomycosis	IND Approved	Phase I Clinical Trial expected to commence H1 2027	Self-developed

Generic Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Dosage Form	Indication	Regulatory Status	Next Milestone
Nasofacial Dermatoses	**Clindamycin Phosphate and Benzoyl Peroxide Gel**	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
	Adapalene and Benzoyl Peroxide Gel	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
Immune -Inflammatory Dermatoses	**Hydrocortisone Butyrate Cream**	Cream	Eczema; dermatitis	NDA Submitted	Approval expected H2 2026
	Crisaborole Ointment	Ointment	Mild-to-moderate atopic dermatitis	NDA Submitted	Approval expected H2 2026
	Calcipotriol and Betamethasone Ointment	Ointment	Plaque psoriasis	BE Trial Completed	NDA Submission expected H2 2026
Superficial Fungal Infections	**Terbinafine Hydrochloride Film-forming Solution**	Film-forming solution	Tinea pedis (Athlete's Foot)	NDA Submitted	Approval expected H2 2026
Scalp and Hair Conditions	**Finasteride Tablets**	Tablet	Androgenetic alopecia	NDA Submitted	Approval expected H2 2026

Nasofacial Dermatoses

ZYG24002

ZYG24002 is a Class 2.2+2.4 Modified New Drug candidate developed for the treatment of seborrheic dermatitis. We obtained clinical trial approval for this candidate in November 2025. ZYG24002 is an emulsion formulation specifically designed for facial, sebum-rich and hair-bearing application scenarios, aimed at improving on the heaviness, greasiness and poor spreadability that can characterize traditional cream formulations, thereby enhancing patient experience and adherence. The product adopts a low-viscosity, rheology-optimized emulsion system to support topical application, epidermal delivery and local retention. Non-clinical studies have demonstrated improvements in lesion appearance, inflammatory factors and histopathology in seborrheic dermatitis animal models. The product also incorporates soothing excipients and a metered vacuum pump system to improve local tolerability, dosing accuracy and ease of use, positioning ZYG24002 as a safe, non-corticosteroid option for long-term disease management.

Clindamycin Phosphate and Benzoyl Peroxide Gel (克林黴素磷酸酯過氧化苯甲醯凝膠)

This product is a compound gel containing 1% clindamycin and 5% BPO, a regimen widely recognized by global guidelines as a first-line therapy for mild-to-moderate acne. We were the first in China to submit the ANDA for this product in May 2025. The combination leverages synergistic mechanisms: BPO acts as a potent oxidizing agent to kill bacteria and dissolve comedones, while clindamycin inhibits bacterial protein synthesis to reduce inflammation. Crucially, the oxidative action of BPO helps to mitigate the development of antibiotic resistance, a common challenge with single-agent antibiotic therapies. Our formulation technology successfully overcomes the stability challenges inherent in combining a strong oxidizer with an antibiotic, offering a high-quality, stable alternative to imported brands, and improving adherence for acne patients with multi-mechanistic disease who use multiple topical agents concurrently.

Adapalene and Benzoyl Peroxide Gel (阿達帕林過氧化苯甲酰凝膠)

Adapalene and Benzoyl Peroxide Gel is a compound topical formulation combining adapalene, a third-generation retinoid, with BPO. We submitted the ANDA for this product in May 2025 and anticipate approval in the first half of 2027. This combination simultaneously targets the three primary pathogenic mechanisms of acne: adapalene normalizes follicular keratinization and exerts anti-inflammatory activity by selectively binding to nuclear retinoic acid receptors, while BPO delivers rapid bactericidal action by releasing oxygen free radicals that directly kill Cutibacterium acnes. Critically, BPO's oxidizing mechanism also reduces the risk of antibiotic resistance, which is a persistent limitation of single-agent antibiotic therapies. By combining two complementary mechanisms in a single formulation, this product simplifies the treatment regimen relative to concurrent use of separate products, which is expected to significantly improve patient adherence. Our proprietary formulation technology stabilizes this combination, overcoming the compatibility challenges inherent in combining a retinoid with a strong oxidizing agent.

Superficial Fungal Infections

Terbinafine Hydrochloride Film-forming Solution (鹽酸特比萘芬塗膜劑)

The Terbinafine Hydrochloride Film-forming Solution is a novel topical formulation designed to optimize the treatment of tinea pedis (athlete's foot) and other superficial fungal infections. We submitted the ANDA for this product in August 2024 and anticipate approval in the second half of 2026. Unlike traditional creams, this product utilizes proprietary film-forming technology to create an invisible, drug-loaded reservoir on the skin surface upon application. This reservoir facilitates the continuous, sustained release of terbinafine hydrochloride into the stratum corneum, maintaining fungicidal concentrations for an extended period. This mechanism addresses the issue of poor compliance by enabling a simplified dosing regimen, reducing the frequency of application or the total duration of treatment required.

ZYG24004

ZYG24004 is a Class 2.2+2.4 Modified New Drug currently in preclinical development. The IND application for this candidate was accepted in March 2026. Developed specifically for tinea pedis, this candidate is designed to explore the potential for a single-application or shorter-course therapy, subject to clinical validation. It leverages an advanced polymer delivery system designed to maximize drug deposition and retention in the stratum corneum after a single application. By maintaining long-acting fungicidal concentrations from just one dose, ZYG24004 seeks to reduce the burden of daily adherence that often leads to treatment failure in traditional topical therapies.

Onychomycosis

ZYG24012

ZYG24012 is a Class 2.2 Modified New Drug specifically engineered to treat onychomycosis. The IND application for this candidate was accepted in March 2026. Addressing the barrier of nail plate penetration, this formulation utilizes a supersaturated delivery system combined with polymer film technology. It is designed to create a thermodynamic drive that forces the antifungal agent through the dense keratin of the nail plate, achieving significantly higher drug concentrations in the nail bed compared to standard topical treatments. This high penetration plus sustained release profile aims to reduce the daily dosing burden associated with long-term onychomycosis treatment.

Immune-Inflammatory Dermatoses

Hydrocortisone Butyrate Cream (丁酸氫化可的松乳膏)

Hydrocortisone Butyrate Cream is a mid-potency, halogen-free topical corticosteroid indicated for the treatment of eczema and dermatitis. We submitted the ANDA for this product in January 2025 and anticipate approval in the second half of 2026, at which point it would become the first domestic generic to receive approval under the new regulatory classification for this product. As a halogen-free corticosteroid, hydrocortisone butyrate occupies a clinically important position between low-potency agents with limited efficacy and high-potency fluorinated steroids that carry greater risk of adverse effects including skin atrophy and systemic absorption. By esterifying hydrocortisone at the C-17 position with butyric acid, the molecule achieves substantially enhanced skin penetration and anti-inflammatory potency relative to plain hydrocortisone, while retaining the safety profile associated with the absence of halogen substitution. This balance between efficacy and safety makes it a clinically valuable topical corticosteroid option in the management of eczema and dermatitis, particularly suited to treatment scenarios where anti-inflammatory efficacy and local tolerability must both be considered.

Crisaborole Ointment (克立鹼羅軟膏)

Crisaborole Ointment is a non-steroidal, small molecule PDE-4 inhibitor indicated for the treatment of mild-to-moderate AD. We submitted the ANDA for this product in January 2025 and anticipate approval in the second half of 2026. By selectively inhibiting PDE-4, crisaborole blocks the intracellular breakdown of cAMP, which in turn suppresses the production and release of pro-inflammatory cytokines including IL-4, IL-13, and TNF-α that are central to the pathogenesis of AD. As a non-steroidal agent, crisaborole does not carry the risks of skin atrophy, telangiectasia, or hypothalamic-pituitary-adrenal axis suppression associated with TCS. This profile makes it well-suited for long-term maintenance therapy and for use on sensitive areas such as the face, neck, and skin folds where corticosteroid use is typically restricted.

Calcipotriol and Betamethasone Ointment (卡泊三醇倍他米鬆軟膏)

Calcipotriol and Betamethasone Ointment is a fixed-dose combination topical formulation indicated for the treatment of plaque psoriasis. We have completed the BE trial for this product and intend to submit the ANDA in the second half of 2026. The formulation combines calcipotriol, a synthetic Vitamin D3 analog, with betamethasone dipropionate, a potent fluorinated corticosteroid. The two active ingredients operate through complementary and mutually reinforcing mechanisms: calcipotriol normalizes the aberrant proliferation and differentiation of keratinocytes by binding to Vitamin D receptors, directly addressing the excessive epidermal cell turnover that produces the characteristic scaling plaques of psoriasis; betamethasone dipropionate simultaneously delivers potent anti-inflammatory and immunosuppressive effects by inhibiting the release of pro-inflammatory cytokines. This dual mechanism produces a faster and more sustained clinical response than either agent alone, and the inclusion of calcipotriol allows for a reduction in the cumulative corticosteroid dose required, thereby mitigating the risk of steroid-related adverse effects over long-term use. The combination is recognized by major international dermatology guidelines as a first-line therapy for plaque psoriasis and represents a significant commercial opportunity given the current reliance on imported originator brands in this indication.

Scalp and Hair Conditions

Finasteride Tablets (非那雄胺片)

Finasteride Tablets (1mg) is the only oral 5α-reductase inhibitor approved by the FDA for the treatment of AGA in men. We submitted the ANDA for this product in December 2024. Pharmacologically, it works by blocking the conversion of testosterone to dihydrotestosterone, the key androgen responsible for hair follicle miniaturization. The addition of finasteride to our portfolio completes our strategic loop in hair loss management, enabling us to offer an oral and topical combination therapy using finasteride and minoxidil. This combination is clinically recognized as an effective regimen for arresting hair loss and promoting regrowth, allowing us to cater to the full spectrum of patient needs in the hair health market.

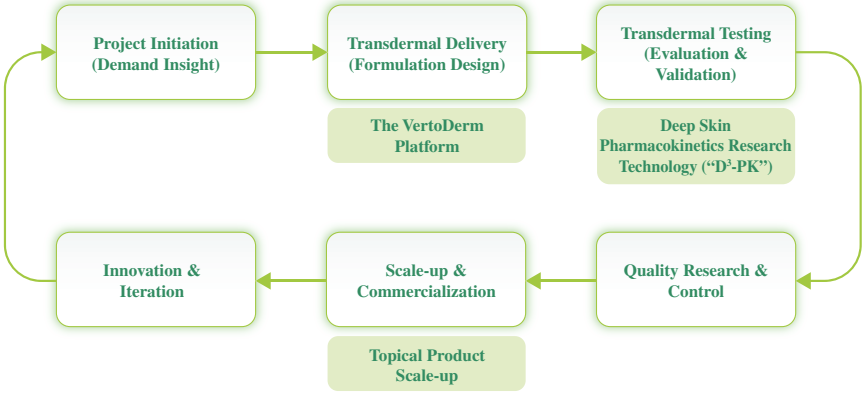
RESEARCH AND DEVELOPMENT

Research and development is central to our business strategy and competitive positioning. We have built comprehensive R&D capabilities specialized in topical dermatology formulation science, enabling us to develop differentiated products that address unmet needs and create sustainable competitive advantages.

R&D Process

Our R&D philosophy is anchored in clinical value, with emphasis on a drug's real-world performance in clinical practice and daily patient use. For chronic and recurrent skin conditions, that clinical value derives not only from a drug's active ingredient but equally from its formulation: practical attributes such as texture, tolerability on sensitive skin, and spreadability at hair-bearing sites directly affect patient adherence and, in turn, treatment outcomes. By considering patient usage scenarios, administration sites, and disease mechanisms together, we design delivery systems that form the basis of modified new drugs and complex generics with clear clinical advantages and high technical barriers. Proprietary technology platforms are embedded throughout the development process to validate and optimize each product candidate before launch, with the goal of achieving effective drug delivery to the lesion site while improving the patient experience and supporting long-term adherence.

The following diagram illustrates our integrated six-step R&D process flow, highlighting the interaction between our strategic initiation, proprietary technology platforms, and continuous lifecycle management:



Project Initiation (Demand Insight)

Our R&D projects originate from a structured internal process in which we reference clinical treatment guidelines against real-world patient behavior and prescribing patterns. Projects are initiated where this analysis identifies a specific gap between the existing standard of care and unmet patient needs, rather than on the basis of patent expiration schedules or aggregate market size data alone.

Skin conditions vary considerably by type, anatomical location, and patient demographics. A treatment for facial acne demands a fundamentally different sensory profile than a treatment for hyperkeratotic tinea pedis. At the initiation stage, we systematically assess the shortcomings of existing therapies in clinical practice: whether efficacy is undermined by a mismatch between dosage form and application site, whether safety concerns limit the duration of steroid use, or whether a complex application process leads patients to abandon their regimen.

We employ a data-driven evaluation model to quantify the potential of each candidate project. By integrating epidemiological data — including patient population trends, diagnosis rates, and treatment pathway characteristics — with an assessment of the competitive environment and reimbursement policy dynamics, we evaluate both the scientific feasibility and commercial viability of each opportunity. This process ensures that our R&D resources are directed toward projects where we can deliver a measurable clinical improvement, rather than merely contributing another undifferentiated generic alternative to the market.

Transdermal Delivery (Formulation Design)

The VertoDerm Platform

The VertoDerm Platform is our proprietary polymer-based topical local delivery platform. Designed for dermatological local treatment across the skin, scalp, foot, and nail plate, the platform employs functional polymers and structured formulation design to exercise precise control over drug release, retention, permeation, dispersion, and stabilization within local tissue. This has translated into meaningful improvements in topical drug local exposure, product stability, and patient convenience.

Unlike conventional topical formulations — which are typically built around a single dosage form, such as a cream, gel, or solution — the VertoDerm Platform is not defined by or confined to any particular dosage form or material. It is a versatile formulation technology system that can be flexibly adapted to the physicochemical properties of different APIs, the barrier characteristics of different target sites, and the practical requirements of different clinical use scenarios. The platform has successfully resolved several of the most persistent challenges in topical formulation development, including: difficulty maintaining

high local drug concentrations; drug crystallization out of solution; formulation runoff at irregular or difficult administration sites; poor nail plate penetration; emulsion and dispersion system instability; API instability in aqueous formulations; and inadequate patient adherence arising from high-frequency dosing requirements.

The VertoDerm Platform is currently deployed across multiple internal topical innovative drug programs, spanning scalp-directed local delivery, immune-inflammatory topical emulsions, onychomycosis treatment, long-acting film-forming treatment for tinea pedis, and topical formulations containing water-sensitive small molecule APIs. Across these programs, the platform has been validated for its performance in high local drug retention, low systemic exposure, waterproof film-forming, sustained release, enhanced transdermal and transungual delivery, dispersion system stabilization, and chemical stability preservation — with all relevant technical validations completed and confirmed to have met their performance targets.

Supported by authorized project-level formulation patents, clinical trial approvals, and established pipeline assets, the VertoDerm Platform has developed into a sustainably expandable topical formulation technology asset. We have further advanced the development of next-generation proprietary polymer materials, which are expected to strengthen the platform's technical differentiation and product incubation capacity across additional topical treatment applications.

The VertoDerm Platform operates through five specialized technical modules, each addressing a distinct category of formulation challenge:

Module I: Local Retention and Low Systemic Exposure

This module is primarily applicable to highly active small molecules, scalp-directed therapies, and topical drugs where minimizing systemic absorption is a clinical priority.

Through polymer-mediated precise control of local drug retention and formulation rheology, this module enables targeted administration, meaningfully increasing drug exposure at the treatment site while suppressing unnecessary systemic absorption. The technology has been validated in scalp local treatment programs, where the dual imperative — maximizing local therapeutic concentrations while minimizing systemic exposure and ensuring a comfortable application experience — has historically been difficult for conventional formulation approaches to satisfy simultaneously.

Module II: Rheology Control and Application Experience Optimization

This module addresses the application challenges that arise at anatomically difficult or irregular administration sites, including the scalp, plantar surface, toe web spaces, periungual area, and large-area cutaneous lesions.

Using polymers to control formulation viscosity, spreadability, and flow behavior, the module resolves the common problems of dripping, excessive stickiness, and uneven product distribution that can occur when applying topical treatments at these sites, substantially improving the patient experience. In the development of ZYG24002, the module addressed the combined challenges of emulsion dispersion system stability, application texture, and transdermal delivery at scalp and nasal-facial administration sites. A polymer network was engineered to stabilize the dispersion system, delivering improvements in physical stability, spreadability, and drug delivery efficiency.

Module III: Film-Forming Local Drug Reservoir and Sustained Release

This module is particularly applicable to tinea pedis, onychomycosis, and other conditions requiring long-acting treatment at the plantar surface, nail plate, or stratum corneum.

By forming a stable film-based local drug reservoir at the site of administration, the module enables continuous drug release over an extended period, prolongs local drug retention, and supports a reduced dosing frequency — with direct benefit to patient adherence. The module has been deployed in both tinea pedis and onychomycosis treatment programs. In the development of ZYG24004, the central technical challenge was the plantar surface's susceptibility to abrasion and washing, which undermines conventional cream formulations that require frequent reapplication. The waterproof film-forming and sustained-release design of this module supports an approximately once-application dosing approach, directly addressing the adherence limitations that characterize traditional antifungal therapy for this indication.

Module IV: Transdermal and Transungual Delivery and Local Supersaturation Control

This module is designed for topical drugs that face the dense permeation barriers of the nail plate or stratum corneum, where achieving clinically effective concentrations in local tissue is inherently challenging.

The module employs a multi-pronged approach — local concentration enhancement following solvent evaporation, polymer-mediated crystallization inhibition, and local drug reservoir design — to significantly improve drug delivery efficiency and sustained tissue exposure in both skin and nail plate. In the development of ZYG24012 for onychomycosis, the central challenge was the formidable resistance of the nail plate to drug penetration. A film-forming local reservoir design combined with transungual delivery engineering achieves enhanced nail penetration, high local retention, and sustained drug exposure at the nail bed.

Module V: Dispersion System Stability and Chemical Stability Enhancement

This module addresses formulation challenges specific to emulsions, suspensions, and oil-droplet dispersion systems, as well as topical formulations in which the active ingredient is unstable when formulated in an aqueous environment.

Through polymer network construction and microenvironment engineering within the formulation, the module improves both the physical stability of the dispersion system and the chemical stability of the active ingredient, without compromising local drug delivery efficiency. The technology has been successfully applied to topical formulations containing water-sensitive small molecule APIs, providing a viable formulation pathway for drug substances prone to hydrolysis in aqueous carrier systems.

Technical Advantages

The defining advantage of the VertoDerm Platform lies in its versatility across delivery scenarios. Conventional topical formulations are designed within the constraints of a specific dosage form — a cream functions as a cream, a gel as a gel. The VertoDerm Platform instead treats functional polymers as a common engineering tool, combining different polymer modules to address the specific API physicochemical characteristics and anatomical demands of each target site and clinical application. This cross-dosage-form flexibility enables the platform to function as an adaptive formulation solution layer rather than a dosage-form constraint.

Transdermal Testing (Evaluation & Validation)

The greatest technical risk in topical R&D is false equivalence — creating a formulation that appears identical to the reference drug but fails to deliver the active ingredient into the target tissue. Unlike oral drugs where blood concentration is a reliable proxy for efficacy, topical drugs generally do not enter the bloodstream, and therefore lack a straightforward, well-established method for directly assessing therapeutic efficacy. As clinical trials using clinical endpoints are time- and resource-intensive, we have developed transdermal research technologies that can be used to predict the intradermal distribution of topical drugs.

Deep Skin Pharmacokinetics Research Technology (D^3-PK)

Our D^3-PK platform enables us to quantitatively map the deep skin pharmacokinetics of our formulations. We have established a D^3-PK deep skin pharmacokinetics evaluation platform based on IVPT, tape stripping and high-sensitivity LC-MS/MS quantitative detection, to quantitatively analyze the penetration, distribution and retention characteristics of topical formulation active ingredients across different skin layers. The platform goes beyond measuring cumulative drug permeation through the skin to further analyze drug distribution within the stratum corneum and other skin tissues, providing quantitative evidence to support formulation screening, process optimization and candidate development decisions.

To support the platform's continuous operation, we have established a dedicated IVPT research team of over 20 specialists, equipped with 10 fully automated transdermal diffusion systems comprising 120 diffusion cells in total, and three high-sensitivity LC-MS/MS detection systems. This configuration enables us to conduct parallel IVPT and skin layer quantification studies across multiple formulations, batches and conditions, meeting the demands of ultra-low detection (down to 1 pg/mL), multi-API complex detection and suspension sample analysis. In our day-to-day R&D operations, we typically complete over 360 samples and 3,600 tests per week, having accumulated transdermal testing research across more than 30 active ingredients.

We have established deep collaborative relationships with international leaders in the field, including joint laboratories with Logan Instruments and Thermo Fisher, to co-develop standardized testing methodologies that align with the most stringent FDA and NMPA requirements. Through this platform, we deploy advanced analytical techniques such as tape stripping, skin layer separation, and MSI to visualize and quantify drug distribution layer-by-layer. This capability allows us to verify whether an antifungal drug is concentrating in the stratum corneum or an anti-inflammatory agent is reaching the dermis, providing more scientifically grounded and precise guidance for topical drug development. This rigorous validation process has been instrumental in the development of over 30 complex formulations, including our Terbinafine Hydrochloride Film-forming Solution and Pimecrolimus Cream.

Quality Research & Control

Topical formulations are complex multi-phase systems — often containing oil, water, surfactants, and suspended particles — that are far more sensitive to process parameters and environmental factors than oral solid dosages. A slight deviation in cooling rate, mixing speed, or storage temperature can alter the microstructure of a cream, affecting its viscosity, release rate, and ultimate clinical efficacy. Therefore, conventional quality standards are often insufficient to guarantee the consistency of topical products.

Quality Control Parameters

To address the complexity of topical formulations, we control over 20 micro-structural parameters — including particle size, crystal habit, and rheological behavior — setting thresholds above regulatory requirements calibrated to the specific needs of each product and dosage form. This higher standard ensures every unit we produce maintains the precise consistency and stability required for effective long-term treatment.

These indicators cover the micro-structural and performance-based properties of the formulation. They include rheological behavior, which predicts how the cream spreads on the skin; droplet size distribution, which affects stability and absorption; crystal habit, which influences dissolution rates; and water activity, which impacts microbial stability. We also conduct rigorous IVRT and assess the interaction between the formulation and its packaging system. By strictly controlling these critical quality attributes during the R&D phase, we ensure that the product's performance remains robust and consistent as it transitions from the laboratory bench to mass production.

Scale-up & Commercialization

The transition from laboratory batch to commercial batch is often the critical challenge point for topical products. The scale-up effect — where changes in heat and mass transfer rates at larger volumes alter the product's physical properties — can lead to batch failures or instability. We address this risk through a scientifically rigorous engineering approach rather than trial-and-error.

Topical Product Scale-up

Topical Product Scale-up bridges the gap between R&D and commercial manufacturing through the use of advanced simulation and data analysis. Drawing on the large volume of data accumulated over years of small-scale, pilot, and commercial production runs, we pre-judge scale-up parameters and map the critical process parameters — such as shear rate, cooling curves, and agitation speed — of our pilot equipment against our commercial production tanks. This allows us to mathematically predict and offset scale-up effects, ensuring a high success rate for technology transfer.

The platform is integrated with intelligent manufacturing equipment, including vacuum homogenizers that support real-time data monitoring. We employ online quality control to track key indicators such as pH, viscosity, and particle size distribution continuously during the manufacturing process, ensuring batch-to-batch uniformity. Furthermore, the platform integrates GMP compliance directly into the scale-up process, covering comprehensive equipment qualification (IQ/OQ/PQ) and cleaning validation. This holistic approach ensures that our processes are not only technically robust but also fully compliant with regulatory standards, facilitating rapid commercialization.

Innovation & Iteration

Our R&D process does not end with product launch. We view commercial application as the start of a new cycle of innovation. We actively monitor post-market feedback and clinical usage data to identify residual unmet needs, which are then fed back into the project initiation phase to drive the innovation and iteration of products. These innovations are validated through our R&D cycle and re-introduced to the market, creating a sustainable engine for product evolution and sustained market competitiveness.

R&D Organization and Capabilities

As of the Latest Practicable Date, our R&D organization comprised over 100 professionals dedicated to topical dermatology product development. Our team includes experts in formulation science, analytical chemistry, dermatological research, regulatory affairs, and clinical development, providing comprehensive capabilities across the development lifecycle.

We have participated as company representatives in CDE expert discussion meetings on relevant research and technical guidance principles in the topical dermatology field, including the Technical Guidance Principles for IVRT and IVPT Studies of Locally Acting Chemical Generic Drugs. We have also contributed to the drafting of the Cosmetic Ingredient Transdermal Test Method Standards by the National Institutes for Food and Drug Control. In addition, we collaborate with the Jiangsu Institute for Drug Control on transdermal analysis technology, and are jointly advancing the development of standards and specifications for transdermal diffusion instruments with the Wuxi Institute of Inspection, Testing and Certification.

Our R&D facilities are located at our Wuxi campus and encompass approximately 3,000 square meters of laboratory and pilot-scale manufacturing space. Our facilities include specialized equipment for formulation development, analytical testing, stability studies, and small-scale manufacturing. We operate a CNAS-accredited laboratory and a BSL-2 biosafety laboratory for dermatological research.

Collaboration with CROs

In addition to our in-house R&D activities, we also collaborate with reputable CROs to manage, conduct, and support our preclinical research and clinical development. Depending on the specific services required, we enter into project-based service agreements, or in certain cases, framework agreements under which individual project-based arrangements are subsequently executed, outlining the detailed scope of work, procedures, deliverables, timelines, and payment terms.

When selecting CRO partners, we consider a range of factors such as their professional qualifications, relevant research experience, service quality and efficiency, industry reputation, and pricing competitiveness. Many CROs we collaborate with are among the well-recognized players in the industry. We maintain close supervision of our CRO partners to ensure their performance fully complies with our protocols and all applicable regulations. We require our CRO partners to provide regular or periodic progress updates on project execution, and we conduct periodic audits on them. This rigorous oversight helps protect the integrity and authenticity of the data generated from our studies and trials.

Key terms of agreements we typically enter into with our CROs are set forth below:

- **Services.** The CRO provides services including preclinical studies, laboratory testing, pharmaceutical technology development, clinical trial technical services and other specialized tasks aligned with our needs, as specified in the agreement. The CRO is required to complete the relevant project within the agreed timeline.

- **Payments.** We make payments in accordance with the contract price or payment schedule agreed by both parties, which may include lump-sum payments upon project completion, milestone-based instalments, or periodic settlements, depending on the nature of the services.

- **Intellectual property rights.** Where applicable, we retain ownership of the research results and related intellectual property rights generated from the projects.

- **Risk allocation.** Each party bears responsibility for losses arising from its own fault or gross negligence. If the project fails due to technical difficulties or other circumstances beyond control, each party shall bear its own resulting losses.

Material Licensing Arrangements

License Agreement for Sarecycline Hydrochloride Tablets

In December 2025, we entered into an exclusive license agreement and a supply agreement with a U.S. biopharmaceutical company, pursuant to which we obtained an exclusive license to import, repackage and commercialize Sarecycline Hydrochloride Tablets in Chinese Mainland, Hong Kong and Macau. Under the agreement, we agreed to pay an upfront payment of EUR3.0 million and up to EUR5.0 million in aggregate milestone payments, payable upon the first commercial launch of the product, the first commercial sale of the product, the first achievement of certain annual net sales thresholds, and the achievement of certain supply price reduction targets, together with tiered royalties on annual net sales of the licensed product ranging from a single-digit percentage.

License Agreement for Terbinafine Hydrochloride Spray

In October 2021, we entered into a license agreement with a pharmaceutical company headquartered in China, pursuant to which the counterparty agreed to transfer to us the position of marketing authorization holder ("**MAH**") of Terbinafine Hydrochloride Spray in Chinese Mainland on an exclusive basis, together with the corresponding exclusive rights to develop, manufacture and commercialize the product in Chinese Mainland. We agreed to pay aggregate fixed consideration of approximately RMB6.7 million, payable in installments upon signing and upon the acceptance and/or approval of the MAH change and the manufacturing site change. No royalties or sales milestone payments are payable under the agreement.

License Agreement for Ferric Citrate Tablets

In September 2025, we entered into a license agreement with a biopharmaceutical company headquartered in China, and subsequently entered into a supplementary agreement thereto in January 2026, pursuant to which we granted the counterparty an exclusive license to develop, manufacture and commercialize Ferric Citrate Tablets in Chinese Mainland, while retaining all rights to the product outside Chinese Mainland. The counterparty agreed to make an upfront payment of RMB5.0 million to us, and we are eligible to receive up to RMB290.0 million in aggregate milestone payments upon the achievement of certain development, regulatory, market access, operational and sales milestones, together with tiered double-digit royalties calculated based on the gross profit corresponding to the relevant tranche of annual net sales.

License Agreement for Pimecrolimus Cream

In January 2021, we entered into a license agreement with a biopharmaceutical company headquartered in China, which has subsequently been supplemented by four supplementary agreements, pursuant to which the counterparty agreed to transfer to us the position of MAH of Pimecrolimus Cream in Chinese Mainland on an exclusive basis, together with the corresponding exclusive rights to develop, manufacture and commercialize the product in Chinese Mainland. We agreed to pay aggregate fixed payments of RMB3.4 million, payable in installments upon execution and effectiveness of the agreement, acceptance of the registration application for the product, and marketing approval of the product. Following commercialization, the parties will share the proceeds from sales of the licensed product on a tiered basis by reference to annual sales volume.

MANUFACTURING

We mainly manufacture our pharmaceutical products in-house to ensure the quality, safety, and stable supply of our products. During the Track Record Period, we held valid production licenses and the latest GMP certifications for all our workshops and production lines in operation. We have established a flexible and scalable production capability designed to meet the growing market demand for dermatology products. To support our future growth and the launch of new products, we are simultaneously in the process of constructing new production base in Wuxi. We believe that our existing facilities, combined with our expansion plans, are sufficient to meet our production needs in the foreseeable future.

In addition, we also source a portion of finished products from qualified third-party manufacturers and engage contract manufacturers to produce a portion of our products. Such arrangements are primarily driven by our portfolio planning and strategic business considerations, enabling us to efficiently expand our product offerings and optimize resource allocation. For all third-party sourced products or products produced by the contract manufacturers, we maintain stringent supplier qualification and quality oversight processes to ensure full compliance with our requirements.

Manufacturing Process

We operate tailored manufacturing processes for our pharmaceutical products in a variety of dosage forms, which primarily include semi-solid formulations (gel, cream and ointment), liquid formulations (lotion, liniment, paint, solution and spray), solid formulations (tablet) and traditional Chinese medicine products.

Semi-solid Formulations

The manufacturing process for our semi-solid products, including ointments, creams and gels, typically involves weighing, formulation, filling, and packaging. The formulation stage, which involves the mixing and emulsification of APIs and excipients, is identified as a critical process step where key parameters such as stirring speed, process temperature and particle size are strictly controlled to ensure product uniformity and stability. The following diagram summarizes the production process for our semi-solid formulations.



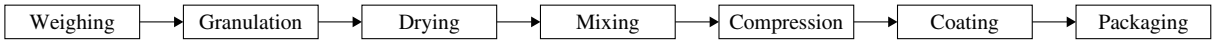
Liquid Formulations

The manufacturing process for our liquid formulation products, including solutions, lotions, sprays, liniments, and paints, typically involves weighing, formulation, filling, and packaging. The formulation stage, which involves the mixing of APIs and excipients, is identified as a critical process step. During this stage, key parameters such as stirring speed, process temperature, and viscosity are strictly controlled to ensure product uniformity and stability. The following diagram summarizes the production process for our liquid formulations.



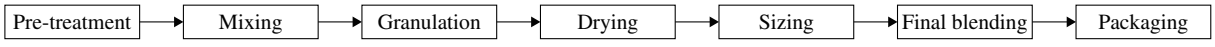
Solid Dosage Forms

The manufacturing process for our solid dosage products (tablets) generally involves weighing, granulation, drying, mixing, compression, coating, and packaging. We identify granulation, mixing and compression as critical process steps, during which we strictly monitor and control key parameters such as moisture content, mixing time, particle size, and content to ensure the consistency of drug content. The following diagram summarizes the production process for our solid dosage forms.



Traditional Chinese Medicines

The manufacturing process for our traditional Chinese medicine products typically involves pre-treatment, mixing, granulation, drying, sizing, final blending, and packaging. We identify granulation, drying, sizing, and mixing as critical steps. During these steps, we strictly monitor and control key parameters such as granule uniformity and moisture content to ensure the consistency of drug content. The following diagram summarizes the production process for our traditional Chinese medicines.



Manufacturing Facilities

We currently have two manufacturing facilities located in Wuxi, Jiangsu Province, and Chongqing. Our Wuxi facility serves as our primary manufacturing hub for semi-solid, liquid and solid formulations, occupying a site area of approximately 37,700 sq.m. As of the Latest Practicable Date, our Wuxi facility housed nine GMP-certified workshops with 20 production lines, capable of producing a wide range of dosage forms including ointments, creams, gels, paints, liniments, sprays, solutions, lotions, and tablets. Our Chongqing facility serves as our manufacturing hub for proprietary traditional Chinese medicines, occupying a site area of approximately 39,910 sq.m. As of the Latest Practicable Date, our Chongqing facility housed two GMP-certified workshops with three production lines, capable of producing a wide range of dosage forms including tablets and granules. As of the Latest Practicable Date, we believe our facilities and equipment are in good working condition, and we had not experienced any material or prolonged interruptions to our production process due to equipment or machinery failure.

The following table sets forth our designed production capacity, actual production volume and utilization rate for production lines that are used in the production of semi-solid formulations, liquid formulations and solid dosage forms during the Track Record Period:

		For the year ended December 31,									For the three months ended March 31,		
		2023			2024			2025			2026		
Production line	Unit	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]
				(%)			(%)			(%)			(%)
Semi-solid Formulations	'000 vias	22,500	22,098	98.2	65,400	21,380	32.7	65,400	23,773	36.3	16,350	5,780	35.4
Liquid Formulations	'000 vias	35,000	25,080	71.7	35,000	28,230	80.7	35,000	26,880	76.8	8,750	5,340	61.0
Solid Dosage Forms	'000 tablets	400,000	5,960	1.5	400,000	28,320	7.1	400,000	157,792	39.5	100,000	44,800	44.8
Traditional Chinese Medicines	'000 tablets	176,040	63,010	35.8	160,875	23,400	14.6	160,875	32,175	20.0	40,219	30,000	74.6

Notes:

(1) The designed production capacity is calculated based on the theoretical speed of the equipment, operating for 6.5 hours per shift and approximately 250 effective working days a year, and approximately 63 effective working days a quarter, on a single-shift basis.

(2) Utilization rate is calculated by dividing the production volume by the designed production capacity.

During the Track Record Period, our utilization rate for our semi-solid formulations was relatively lower in 2024, primarily because we proactively commissioned additional production lines in anticipation of our advancing product pipeline, and these newly established lines were still in the early stages of capacity ramp-up. The utilization rate for solid dosage forms was relatively lower in 2023 and 2024, as the relevant products were either pending approval or had recently received approval. Conversely, the utilization rate and production volume for our traditional Chinese medicines were relatively high in 2023, mainly attributable to advance inventory stocking in preparation for the relocation to our new manufacturing facility. Following the successful compliance inspection of the new facility in August 2024, production volume at the new site has been gradually scaling up.

Our production plan is devised based on an annual, quarterly and monthly rolling forecasts of market demand at the beginning of each year with reference to historical sales records and anticipated level of sales orders, which will be adjusted in accordance with actual demand and inventory levels. See "— Logistics and Inventory Management — Inventory Management" for more details.

Raw Materials Suppliers and Procurement

The principal raw materials used for the production of our pharmaceutical products primarily consist of APIs, excipients, and packaging materials. Key APIs procured during the Track Record Period included bifonazole, pimecrolimus, hydroxychloroquine sulfate, metronidazole, clobetasol propionate, and tacrolimus. Our raw material supply is predominantly based on a domestic supply chain, with most of our raw materials sourced from suppliers in China. We do not have material reliance on international suppliers for our raw materials. See "— Quality Management — Supplier Management and Quality Control" for more details of our supplier management policy.

We generally maintain long-term business relationships with our major suppliers to secure a stable supply of key raw materials. For certain strategic raw materials, such as APIs for our core products, we typically enter into annual framework agreements or long-term supply contracts to lock in supply volumes and mitigate price volatility. The purchase price of our raw materials is primarily based on the prevailing

market prices for raw materials of similar quality. Our suppliers are generally responsible for arranging the delivery of raw materials to our production facilities at their own costs. We are entitled to return any raw materials that do not meet our requirements.

Most of our principal raw materials are generally readily available on the market through a number of suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and pricing. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials nor did we experience any significant increases in the prices of our major raw materials or fluctuations in raw material costs which had a material adverse impact on our results of operations or gross profit margins. See "Risk Factors — Risks Relating to Our Business and Industry — We have engaged and expect to continue to engage third parties to supply certain raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices" for more details.

QUALITY MANAGEMENT

We believe that a robust and effective quality management system is the bedrock of our business sustainability and brand reputation. We uphold the quality management philosophy of "Quality by Design" and "Full Process Control," ensuring that product quality is integrated into the full product lifecycle management, covering every stage from R&D to commercial manufacturing and post-market surveillance. As of the Latest Practicable Date, we had obtained valid drug production licenses and applicable GMP certifications for all our production workshops and lines in operation. To ensure the independence and authority of our quality supervision, we have established a dedicated quality management department, consisting of two functions, namely quality assurance and quality control. Our production facilities have also obtained ISO 9001 quality management system certification. Key aspects of our quality control and assurance procedures are as follows:

Quality Control in Product Design and Development

We adhere to the "Quality by Design" principle, integrating quality management considerations into the earliest stages of our product development. Our R&D quality management system covers the entire development process, from project initiation and small-scale experiments to pilot scale-up and technology transfer. We strictly follow Good Laboratory Practice and Good Clinical Practice standards in our preclinical studies and clinical trials. We have established standard operating procedures for experiment documentation, data integrity, and sample management to ensure the reliability and traceability of our research data. We have implemented a systematic process for technology transfer from the laboratory to commercial production. As we scale up from small-scale trials to mass production, we conduct rigorous validation of critical process parameters to ensure that the quality attributes of the final commercialized product remain consistent with those of the clinical or validated batches.

Supplier Management and Quality Control

We implement a rigorous supplier management system to ensure the safety and traceability of our upstream materials. We purchase raw materials, excipients, and packaging materials only from suppliers that have been rigorously screened and admitted to our approved supplier list. Our procurement and quality management departments jointly conduct comprehensive audits on potential suppliers, which include reviewing their qualifications, quality management systems, and production capabilities. We adopt a dynamic management approach, performing regular performance reviews on existing suppliers and removing those who fail to meet our requirements. We perform regular audits and performance reviews on our existing suppliers, including on-site audit for critical material suppliers. Upon receipt of raw materials, we perform strict incoming inspections. Our warehousing personnel verify packaging and documentation, and materials are stored in designated quarantine areas until they are sampled and tested by our quality control team against our internal standards, which are often more stringent than national standards. Only materials that pass these tests and are released by our quality personnel can be used in production.

Product In-process Quality Control

Our quality control procedures are embedded throughout the manufacturing process to ensure product quality consistency and continuous compliance with GMP standards. We have established detailed standard management procedures and standard operating procedures for every production step. Our production management personnel and quality assurance personnel perform regular on-site monitoring and supervision of the production process, to ensure that all products are produced in accordance with the approved production processes. To prevent contamination and cross-contamination, we enforce strict clearance and cleaning procedures after the completion of each production batch and all clearance and cleaning procedures are internally validated in accordance with GMP requirements to ensure their effectiveness. We utilize computerized systems to monitor environmental conditions in our cleanrooms, such as temperature, humidity, and pressure differentials, and regularly monitor the microbial levels in cleanrooms, ensuring the production environment meets the required cleanliness standards.

Final Product Quality Control

We enforce a rigorous two-step release mechanism for our final products. First, each batch of finished products undergoes comprehensive laboratory testing by our quality control team, usually covering indicators such as content, impurities, and microbial limits. Second, our quality authorized person performs a holistic review of the entire batch documentation, including manufacturing batch records, in-process control data, and laboratory test records. The quality authorized person has the final authority to release the product to the market for sale only when all quality attributes are confirmed to be within quality standards. Products that fail to meet our quality standards are strictly quarantined and investigated, and destroyed in accordance with our non-conforming product procedures. We also retain samples of each batch of products and conduct regular observation within the validity period. At the same time, we conduct ongoing stability tests on each product to monitor its quality stability and reliability during its validity period.

Warehousing and Logistics Quality

Our WMS is designed to ensure the accuracy and integrity of our products during receiving, storage, shipment, and transportation. To adapt to the storage requirements of different types of materials and products, we have designated storage areas and ensure compliance with controlled temperature and humidity conditions, including specific zones for hazardous materials where applicable. We utilize WMSs to track inventory and ensure the "first-in, first-out" principle is followed. For logistics, we engage qualified third-party logistics providers and require them to adhere to GMP/GSP standards. We verify their transport capabilities, particularly for products requiring specific temperature controls during transit, to ensure that our products reach customers in optimal condition.

Pharmacovigilance and Customer Services

We attach great importance to post-market surveillance and customer feedback. In compliance with the Good Pharmacovigilance Practice, we have established a dedicated Pharmacovigilance function department to monitor and report adverse drug reactions. We established a systematic process for the collection, evaluation, and reporting of safety information to regulatory authorities. We have a comprehensive customer complaint handling mechanism. Our dedicated customer service team receives inquiries and complaints from users and distributors. Upon receipt of a quality-related complaint, our quality department initiates an investigation, traces the production records of the relevant batch, and tests retained samples if necessary. We are committed to responding to customer concerns promptly and taking appropriate corrective actions. As of the Latest Practicable Date, we had not experienced any material product recalls or quality-related disputes that had a material adverse effect on our business.

INTELLECTUAL PROPERTY

Intellectual property protection serves as a core strategic pillar for our business development. We established a professional intellectual property department and have established a comprehensive, full-lifecycle intellectual property protection system. This system covers the entire value chain, including project initiation, research and development, clinical research, product launch, and post-market stages, building a continuous and robust innovation barrier for our core technologies and products. Our future commercial success depends, in part, on our comprehensive capabilities in the intellectual property domain. This includes continuously obtaining and effectively maintaining intellectual property protection for our core technologies, actively defending and enforcing our patent portfolio, strictly ensuring the confidentiality and security of our trade secrets, and ensuring that our business operations do not infringe upon the intellectual property rights of any third parties. Through systematic and proactive intellectual property management and strategic layout, we provide solid safeguards for our technological innovation and long-term sustainable development.

As of the Latest Practicable Date, we owned 238 registered patents in China and one registered patent in the United States, and 130 patent applications in China and two patent applications in the United States. We owned three patent applications in Europe and nine PCT patent applications. As of the same date, we had 1,231 registered trademarks globally.

We mainly acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

SALES AND MARKETING

Our Sales Network

During the Track Record Period, our products were sold in China. We have established a comprehensive and omnichannel sales network. We generate a substantial majority of our revenue through online wholesale, online retail and offline channels. Our sales team is structured to support this model. We have established dedicated teams for e-commerce operations, key account management for pharmacy chains, and academic promotion for medical professionals. This structure allows us to efficiently manage our diverse product portfolio.

The following table sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	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.

Online Sales

Online Wholesale

Under our online wholesale model, we collaborate with major e-commerce platforms to sell our products. These platforms directly purchase products from us on a buy-out basis and resell them to users through their own online platforms. We leverage their extensive user base, established logistics infrastructure, and strong platform endorsement to achieve broad market penetration and rapid sales volume growth. The adoption of the online wholesale model is the common industry practice of the topical dermatology drug industry in China, according to Frost & Sullivan.

As of March 31, 2026, we collaborated with seven online wholesale customers. During the Track Record Period, our revenue from sales of products through online wholesale channels was RMB401.7 million, RMB459.0 million, RMB522.4 million and RMB126.8 million, which approximately accounted for 39.0%, 40.8%, 39.5% and 37.7% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, respectively.

The following table sets forth the movement of the number of our online wholesale customers for the periods indicated below:

	For the Year ended December 31,			For the Three months ended March 31,
	2023	2024	2025	2026
Number of online wholesale customers at the beginning of the year/period	7	14	15	14
Addition of new online wholesale customers	7	1	3	–
Termination of existing online wholesale customers	–	–	4	7
Net increase/(decrease) in online wholesale customers	7	1	(1)	(7)
Number of online wholesale customers at the end of the year/period	**14**	**15**	**14**	**7**

There were no material disputes or litigations between the terminated online wholesale customers and us during the Track Record Period and up to the Latest Practicable Date.

We enter into wholesale agreements with our online wholesale customers. Key terms of our agreements with online wholesale customers include:

- ***Term.*** Our agreements generally have a term of one year, renewable upon mutual consent.
- ***Payment agreement.*** We typically settle with our online wholesale customers via bank transfer.
- ***Pricing.*** We sell products to online wholesale customers at agreed supply prices.
- ***Sales target and minimum purchase requirement.*** We do not set sales targets or any minimum annual purchase amount in the agreements with our online wholesale customers.
- ***Credit terms.*** Payments are settled based on agreed credit terms, often ranging from 30 to 60 days after invoice issuance or product acceptance. In a few cases, products are delivered upon receipt of payment.
- ***Inventory level.*** We do not require our online wholesale customers to maintain a minimum inventory level.
- ***Return of products.*** We have established a drug return management system that standardizes the entire process of receiving, evaluating, processing, and recording returns.

- ***Termination.*** We may terminate the agreements in the event of, among others, any material breach by our online wholesale customers, such as sales outside of their designated platforms; or any other breach by our online wholesale customers that is not remedied within a prescribed time period.

Online Retail

Under our online retail sales model, we sell our products directly to customers primarily through our self-operated flagship stores on third-party e-commerce and social media platforms, such as Douyin, Kuaishou, and Pinduoduo. As users increasingly regard brand-operated flagship stores as a trusted channel, we have invested in building a dedicated online retail presence across these platforms to capture this growing consumer preference. Under this model, we generally retain the ownership of our products and bear the inventory risk until the products are delivered to and accepted by the end users. We enter into framework agreements with these platforms, pursuant to which the platforms provide us with IT infrastructure, traffic support, and payment processing services in exchange for service fees or commissions. We recognize revenue when the products are sold to the end customers.

Offline Sales

Sales to Distributors

We sell our products to third-party distributors, who are our direct customers. The distributors we engage are offline distributors, which are primarily large-scale pharmaceutical commercial companies. Through the distribution model, we are able to leverage our distributors' local presence and market knowledge to effectively acquire new customers and penetrate new regional markets. We adopt a buy-out sales model for our distributors, under which control and risks of ownership of our products are transferred to the distributors upon delivery and acceptance. These distributors are responsible for distributing our products to offline terminals, including public hospitals, private clinics, and retail pharmacy chains. This tiered distribution structure allows us to cover a vast network of medical institutions and pharmacies across China in a cost-effective manner. Our distributors are generally responsible for managing their own inventories and sales activities, subject to the terms of our distribution agreements. This model allows us to utilize the extensive networks for broad market coverage. The engagement of distributors is the prevailing industry practice of the topical dermatology drug industry in China, according to Frost & Sullivan.

To the knowledge of our Directors, all of our distributors are independent third parties, and none of our distributors were wholly-owned or majority controlled by our current or ex-employees. In addition, there is no other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) between our distributors and us.

As of March 31, 2026, our distribution network comprised 234 distributors. During the Track Record Period, our revenue from sales of products by distributors was RMB539.7 million, RMB462.5 million, RMB540.1 million and RMB123.4 million, which approximately accounted for 52.4%, 41.1%, 40.8% and 36.6% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, respectively.

The following table sets forth the movement of the number of our distributors for the periods indicated below:

	For the Year ended December 31,			For the Three months ended March 31,
	2023	2024	2025	2026
Number of distributors at the beginning of the year/period	357	321	327	340
Addition of new distributors	89	105	118	43
Termination of existing distributors	125	99	105	149
Net increase/(decrease) in distributors	(36)	6	13	(106)
Number of distributors at the end of the year/period	**321**	**327**	**340**	**234**

During the Track Record Period, the number of our distributors fluctuated primarily due to our ongoing optimization of the distribution network, which involved both consolidating certain regional channels and proactively recruiting new distributors to reach a broader customer base. The significant decrease in the three months ended March 31, 2026 was mainly attributable to the natural expiry of annual cooperation agreements at the end of 2025 and our proactive adjustments to certain smaller distributors in response to market conditions, which are part of our ordinary course of channel management. Therefore, we do not expect such changes to have a material impact on our overall results of operations. There were no material disputes or litigations between the terminated distributors and us during the Track Record Period and up to the Latest Practicable Date.

Key terms of our agreements with distributors include:

- ***Term.*** Our agreements generally have a term of one year, renewable upon mutual consent.
- ***Authorization and Territory.*** We grant distributors non-exclusive rights to sell designated products within specified geographic territories and to specific hospital or pharmacy terminals. Distributors are strictly prohibited from selling our products outside their authorized territories or channels.
- ***Payment agreement.*** We typically settle with our distributors via bank transfer.
- ***Pricing.*** Purchase prices are specified in the agreements or individual purchase orders.
- ***Sales target and minimum purchase requirement.*** We generally do not set annual or quarterly sales targets for our distributors. We do not set any minimum annual purchase amount.
- ***Credit terms.*** Payments are settled based on agreed credit terms, often ranging from 30 to 90 days after invoice issuance or product acceptance. In a few cases, products are delivered upon receipt of payment.
- ***Inventory level.*** We do not require our distributors to maintain a minimum inventory level.
- ***Return of products.*** We generally do not accept product returns or exchanges, except in certain special circumstances, such as when quality defects are confirmed upon receipt, incorrect shipment, failed bid, or channel change.
- ***Termination.*** We may terminate the distribution agreements in the event of, among others, any material breach by our distributors, such as sales outside of their authorized territories or channels; or any other breach by our distributors that is not remedied within a prescribed time period.

Distributor Management

An effective management system has been set up for our distributors. We strictly follow our management system to maintain stable relationships with our distributors. We emphasize long-term relationships with distributors. Our key distributor management strategies include:

- ***Selection and Admission.*** We select our distributors based on a rigorous assessment of their pharmaceutical distribution qualifications (GSP certification), warehousing and logistics capabilities, financial strength, and reputation. We conduct background checks and annual reviews to ensure their continued compliance.
- ***Price Management.*** We provide suggested retail prices to guide the market. We actively monitor the market prices of our products across different channels. We have a mature pricing management system to review and approve pricing strategies. If we detect abnormal pricing behaviors that may disrupt the market order, we will take corrective actions.

- ***Cannibalization Management.*** We strictly enforce a channel management system to prevent cannibalization by imposing territorial restrictions on distributors. Distributors found in violation of our territorial restrictions are subject to penalties, including fines or termination of the distribution agreement.

- ***Channel Stuffing Management.*** We operate on a buy-out model, meaning our distributors purchase products for resale and bear the primary inventory risk. We recommend that their purchase orders be based on firm orders or demand forecasts from end-customers.

- ***Inventory Management.*** Under our buy-out model, distributors are responsible for managing their own inventory. We require major distributors to provide periodic inventory and sales flow data.

- ***Sub-distributors.*** We do not prohibit our distributors from engaging sub-distributors. Some of our distributors may use sub-distributors. We do not enter into agreements or directly establish relationships with the sub-distributors. We do not have contractual relationships with or control over sub-distributors engaged by our distributors, who hold primary supervisory responsibilities over their respective sub-distributors.

- ***Anti-Corruption.*** Our agreements with major distributors contain provisions regarding anti-corruption. Both parties strictly enforce the agreements.

Marketing

We consistently adhere to a user-oriented and science-driven marketing philosophy. Leveraging our deep understanding of the dermatology sector, we implement a tailored brand communication strategy to efficiently deliver scientifically grounded concepts, while emphasizing the efficacy and safety profile of our products. Our marketing efforts are supported by our in-house digital operation capabilities, allowing us to bridge the gap between complex medical knowledge and daily user skincare needs.

We have established a dedicated online marketing team with strong market insights focusing on the development of marketing campaigns on various social media and e-commerce platforms. Instead of relying on external endorsements, we focus on identifying and capturing content-driven product opportunities through data analysis and trend observation. By closely monitoring evolving online trends and user feedback, we identify unmet user needs and respond with targeted product offerings. Our online promotion is built upon scientific guidelines and clinical academic resources. We ensure that our user-facing statements are grounded in authoritative interpretations of our products by academic groups and clinical guidelines. This approach allows us to effectively convert online traffic into sales and foster high customer stickiness by providing reliable, high-quality content. For our therapeutic dermatology products and medical-grade skincare products, we conduct rigorous academic promotion activities to enhance brand recognition among healthcare professionals. These efforts enable us to expand our academic influence and build a professional network that bridges the academic and medical communities, further solidifying our professional brand image characterized by technological leadership and reliable quality.

Pricing

We adopt a market-oriented pricing strategy that takes into account a comprehensive set of factors, including market demand, product positioning, competitive landscape, and production costs. We implement a competitive and effective pricing policy that complies with the relevant laws and regulations. We conduct market research and analysis in relation to the prices of our competitors, analyze and estimate the sales of our products by taking into account various factors such as the costs of our products and feedback from customers to determine the prices of our products. We have differentiated pricing based on the types of end customers as well as the types of our products.

Product Returns and Recalls

To safeguard patient medication safety and protect public health interests, we have established and continuously improved a systematic, rigorous, and fully traceable management system for product returns and recalls. This system is based on relevant laws, regulations, and industry standards, including the Drug Administration Law of the PRC, the GMP for drugs, and the Administrative Measures for Drug Recalls, ensuring timely, effective, and compliant control and disposal of pharmaceutical products that may pose or have already posed quality risks.

We have formulated a drug return management regime to standardize the entire process of receiving, evaluating, handling, and recording returned products. Returned products are subject to strict evaluation under quarantine status, and a decision is made based on their storage conditions and quality status as to whether they can be released after repackaging or re-testing. All returned products that are substandard, have irreparable packaging, or have unknown origins shall be destroyed and are strictly prohibited from being resold. We maintain complete records of returns to ensure that each batch can be traced back to its original production batch, the returning customer, the reason for return, the evaluation result, and the final disposal method, achieving closed-loop management.

We attach great importance to drug safety early warning and proactive risk management. We have established a tiered, efficient, and rapid-response drug recall procedure. We proactively identify potential risks through various channels, including post-market surveillance, customer complaint analysis, notifications from drug regulatory authorities, and internal quality reviews, and once it is confirmed that a product poses a safety hazard and requires a recall, we immediately initiate the recall procedure and report to the provincial drug administration department. Through our sales network, we rapidly notify all relevant distributors, medical institutions, or drug users to ensure the accuracy and timeliness of recall information communication, and we utilize our product traceability system to precisely lock down the batches, distribution flows, and quantities of the products to be recalled. We also organize mock recall drills regularly (at least once every three years) to test the response speed, traceability capabilities, and coordination effectiveness of our recall system, and continuously optimize our recall contingency plans and processes based on the drill results and regulatory updates.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints relating to product quality that had a material and adverse effect on our business, operations or financial condition, nor had we experienced any material product returns or recalls.

OUR SUPPLY CHAIN

Our Major Suppliers

Our major suppliers primarily consist of suppliers of raw materials, finished products and providers of promotion and construction services. In 2023, 2024, 2025 and the three months ended March 31, 2026, purchases from our five largest suppliers in each year/period amounted to RMB190.8 million, RMB160.4 million, RMB231.5 million and RMB76.1 million, respectively. Purchases from our five largest suppliers in each period of the Track Record Period accounted for 24.6%, 19.7%, 22.7% and 26.5% of our total purchases, respectively. All of our five largest suppliers in each year/period during the Track Record Period were independent third parties.

The following table sets forth the details of our five largest suppliers in each year/period during the Track Record Period:

Year ended December 31, 2023

No.	Supplier	Products/services provided	Purchase amount	% of total purchase	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Supplier A[(1)]	Raw materials and excipients	79,306.9	10.2%	Delivered upon receipt of payment	2013
2. . . .	Supplier B[(2)]	Construction services for the production project	35,623.4	4.6%	Payment based on project progress	2022
3. . . .	Supplier C[(3)]	Marketing activity services	32,486.4	4.2%	Payment in advance	2019
4. . . .	Supplier D[(4)]	Marketing and promotion services	23,222.6	3.0%	Payment in advance	2021
5. . . .	Supplier E[(5)]	Skincare products	20,154.9	2.6%	20th of month after shipment	2020
Total .			**190,794.2**	**24.6%**		

Notes:

(1) A joint stock company incorporated in 1997 in China, dual-listed on the Shanghai Stock Exchange and the Stock Exchange, primarily engaged in pharmaceutical research and development, production, distribution and retail pharmacy operations.

(2) A limited liability company incorporated in 2009 in China, primarily engaged in construction engineering.

(3) A company incorporated in 1996 in Hong Kong and a wholly-owned subsidiary of a company listed on the Stock Exchange, which is a leading digital healthcare platform, primarily engaged in pharmaceutical direct sales, pharmaceutical e-commerce platform business, healthcare and digital services.

(4) A limited liability company incorporated in 2020 in China, primarily engaged in online science promotion operations for dermatologists.

(5) A joint venture limited liability company incorporated in 1993 in China, primarily engaged in research and development and manufacturing of skin care products.

Year ended December 31, 2024

No.	Supplier	Products/services provided	Purchase amount	% of total purchase	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Supplier C	See above	46,067.5	5.7%	Payment in advance	2019
2. . . .	Supplier A	See above	36,980.8	4.5%	Delivered upon receipt of payment	2013
3. . . .	Supplier F[(1)]	Online platform services and promotion services	30,417.2	3.7%	15 days after receipt of invoice	2020
4. . . .	Supplier D	See above	23,656.7	2.9%	10 days after receipt of invoice	2021
5. . . .	Supplier G[(2)]	Pharmaceuticals	23,281.1	2.9%	Payment in advance	2024
Total .			**160,403.3**	**19.7%**		

Notes:

(1) A joint stock company incorporated in 2016 in China, primarily engaged in sales and promotion of prescription drugs.

(2) A limited liability company incorporated in 2005 in China, primarily engaged in wholesale of pharmaceuticals.

Year ended December 31, 2025

No.	Supplier	Products/services provided	Purchase amount	% of total purchase	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Supplier H[(1)]	Construction services for production base and R&D center	69,357.6	6.8%	Payment based on project progress	2024
2. . . .	Supplier I[(2)]	Raw materials	42,524.9	4.2%	Delivered upon receipt of payment	2022
3. . . .	Supplier J[(3)]	Raw materials	40,076.2	3.9%	30 days after receipt of invoice	2021
4. . . .	Supplier F	See above	39,922.6	3.9%	15 days after receipt of invoice	2020
5. . . .	Supplier C	See above	39,648.5	3.9%	Payment in advance	2019
Total .			**231,529.8**	**22.7%**		

Notes:

(1) A joint stock company incorporated in 1952 in China, primarily engaged in construction engineering.

(2) A limited liability company incorporated in 2019 in China, primarily engaged in wholesale of Chinese patent medicines and chemical raw materials.

(3) A joint stock company incorporated in 2001 in China and listed on the Shanghai Stock Exchange, primarily engaged in research and development and manufacturing of innovative and high-end generic drugs.

Three months ended March 31, 2026

No.	Supplier	Products/services provided	Purchase amount	% of total purchase	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Supplier K[(1)]	Engineering services for production base and R&D center	16,094.5	5.6%	Payment based on project progress	2025
2. . . .	Supplier A	See above	15,672.7	5.5%	Delivered upon receipt of payment	2013
3. . . .	Supplier L[(2)]	Marketing and promotion services	15,531.2	5.4%	5 days after mutual reconciliation	2022
4. . . .	Supplier H	See above	15,223.3	5.3%	Payment based on project progress	2024
5. . . .	Supplier F	See above	13,549.5	4.7%	15 days after receipt of invoice	2020
Total .			**76,071.2**	**26.5%**		

Notes:

(1) A limited liability company incorporated in 1997 in China, primarily engaged in construction engineering.

(2) A limited liability company incorporated in 2017 in China, primarily engaged in internet short video content creation and operations, live-streaming e-commerce and brand marketing.

We generally enter into framework agreements or long-term strategic cooperation agreements with our major suppliers, supplemented by individual purchase orders. Salient terms of our agreements with major suppliers typically include:

- ***Duration.*** The duration of our agreement spans from one to three years, renewable upon mutual consent.

- ***Credit terms.*** Our main raw material and finished drug suppliers deliver goods upon receipt of payment. For other suppliers (such as packaging suppliers), we are granted a credit term of 30 to 90 days by the supplier upon invoice.

- ***Price.*** The price is specified in the purchase order.

- ***Payment agreement.*** We typically settle with our suppliers via bank transfer.

- ***Transfer of risk.*** The risk transfers to us after we complete inspection and confirm receipt of the products.

- ***Product Return or Exchange.*** We have the right to reject, replace or return products for a variety of reasons, including non-conformity with product quality, product specifications or quantity with the order placed.

- ***Termination.*** We may terminate the agreement in the event of a material breach by the supplier, such as persistent quality failures or inability to meet delivery schedules.

During the Track Record Period and up to the Latest Practicable Date, our agreements entered into with our major suppliers are legally binding and have not been subject to any material breaches that may adversely impact our business, financial condition and results of operations.

We have implemented a rigorous and multi-faceted process for the selection and ongoing management of our suppliers to ensure the quality and reliability of our supply chain. See "— Quality Management — Supplier Management and Quality Control" and "— Environmental, Social and Governance — Supply Chain Management" for more details of our supplier management policy.

OUR CUSTOMERS

During the Track Record Period, our major customers primarily consisted of online wholesale customers and distributors. In 2023, 2024, 2025 and the three months ended March 31, 2026, our five largest customers in each year/period during the Track Record Period together generated RMB667.8 million, RMB599.3 million, RMB706.5 million and RMB159.9 million of revenues, respectively, accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue, respectively. All of our five largest customers in each year/period during the Track Record Period were independent third parties.

The following table sets forth the details of our five largest customers in each year/period during the Track Record Period:

Year ended December 31, 2023

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1 . . .	Customer A[(1)]	Pharmaceuticals and medical-grade skincare products	236,806.9	23.0%	30/45 days after receipt of invoices	2019
2 . . .	Customer B[(2)]	Pharmaceuticals	170,674.5	16.6%	30 days after receipt of invoices	2012
3 . . .	Customer C[(3)]	Pharmaceuticals	117,614.3	11.4%	30 days after receipt of invoices	2013
4 . . .	Customer D[(4)]	Pharmaceuticals and medical-grade skincare products	74,836.7	7.3%	Delivered upon receipt of payment	2021
5 . . .	Customer E[(5)]	Pharmaceuticals and medical-grade skincare products	67,835.5	6.6%	Delivered upon receipt of payment	2019
Total .			**667,767.9**	**64.9%**		

Notes:

(1) A company incorporated in 1996 in Hong Kong and a wholly-owned subsidiary of a company listed on the Stock Exchange, which is a leading digital healthcare platform, primarily engaged in pharmaceutical direct sales, pharmaceutical e-commerce platform business, healthcare and digital services. One of our Pre-[**REDACTED**] Investors is a subsidiary wholly-owned by Customer A.

(2) A company incorporated in 2007 in China, which is also a wholly-owned subsidiary of a company listed on the Stock Exchange, primarily engaged in pharmaceutical distribution and logistics, retail pharmacy operations, pharmaceutical manufacturing and related supply chain services.

(3) A company incorporated in 1997 in China, dual-listed on the Shanghai Stock Exchange and the Stock Exchange, primarily engaged in pharmaceutical research and development, production, distribution and retail pharmacy operations.

(4) A limited liability company incorporated in 2000 in China, primarily engaged in wholesale and retail sales of pharmaceuticals, medical devices and healthcare products, as well as internet information services.

(5) A joint stock company incorporated in 2016 in China, primarily engaged in sales and promotion of drugs.

Year ended December 31, 2024

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . .	Customer A	See above	253,838.2	22.5%	30/45 days after receipt of invoices	2019
2. . .	Customer C	See above	95,246.8	8.5%	30 days after receipt of invoices	2013
3. . .	Customer B	See above	87,826.4	7.8%	30 days after receipt of invoices	2012
4. . .	Customer D	See above	87,799.8	7.8%	Delivered upon receipt of payment	2021
5. . .	Customer E	See above	74,637.2	6.6%	Delivered upon receipt of payment	2019
Total .			**599,348.4**	**53.2%**		

Year ended December 31, 2025

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Customer A	See above	264,195.0	20.0%	30 days after receipt of invoices	2019
2. . . .	Customer C	See above	134,098.1	10.1%	30 days after receipt of invoices	2013
3. . . .	Customer B	See above	105,456.7	8.0%	30 days after receipt of invoices	2012
4. . . .	Customer E	See above	102,300.3	7.7%	Delivered upon receipt of payment	2019
5. . . .	Customer D	See above	100,405.6	7.6%	Delivered upon receipt of payment	2021
Total .			**706,455.7**	**53.4%**		

Three months ended March 31, 2026

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . . .	Customer A	See above	45,438.8	13.5%	30 days after receipt of invoices	2019
2. . . .	Customer D	See above	35,977.5	10.7%	Delivered upon receipt of payment	2021
3. . . .	Customer E	See above	35,760.0	10.6%	Delivered upon receipt of payment	2019
4. . . .	Customer C	See above	23,692.4	7.0%	30 days after receipt of invoices	2013
5. . . .	Customer B	See above	19,050.7	5.7%	30 days after receipt of invoices	2012
Total .			**159,919.4**	**47.5%**		

To the best of our knowledge and as of the Latest Practicable Date, save for Customer A, all of our five largest customers during each year/period of the Track Record Period were independent third parties. We were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had any interest in any of our five largest customers in each year during the Track Record Period.

Customer Concentration

During the Track Record Period, our five largest customers in each year together generated revenue accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue in 2023, 2024, 2025 and the three months ended March 31, 2026, respectively. The level of customer concentration during the Track Record Period is primarily attributable to the structural characteristics of the distribution market in China, where a relatively small number of large-scale distributors and online platforms collectively manage a significant share of end-market sales on behalf of manufacturers. As a result, companies that sell products through distributors or online platforms naturally derive a substantial portion of revenue from a limited number of

leading distribution or digital platform partners. According to Frost & Sullivan, our level of customer concentration is in line with industry norms. See "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration risk of reliance on our major customers" for more details.

Our customer concentration has demonstrated a consistent and meaningful declining trend during the Track Record Period, decreasing from 64.9% in 2023 to 53.2% in 2024 and further to 47.5% in the three months ended March 31, 2026. In addition, the revenue contribution of our largest customer during the Track Record Period, Customer A, decreased from 23.0% in 2023 to 20.0% in 2025, and further to 13.5% in the three months ended March 31, 2026. This reflects our ongoing efforts to broaden our customer base and deepen our market penetration across diverse channels. Furthermore, the identity of our five largest customers has remained broadly stable throughout the Track Record Period, reflecting the long-term, recurring nature of our customer relationships. We have maintained robust business relationships with each of our top five customers for a period of five to 14 years. Based on the foregoing, the Directors believe that our customer concentration is a reflection of the structural features within the market, and is expected to continue to decrease progressively as we expand our sales network and grow our customer base. We believe the risk of material adverse changes in our customer relationships is limited.

OVERLAPPING OF OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had the following major overlapping customers and suppliers:

Customer A/Supplier C, one of our five largest customers and suppliers in each year during the Track Record Period. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer A/Supplier C, and procured marketing activity services from it. Such relationship arises because as a digital healthcare platform, Customer A/Supplier C both distributes products and provides services in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer A/Supplier C contributed to (i) RMB236.8 million, RMB253.8 million, RMB264.2 million and RMB45.4 million of our revenue, respectively, representing 23.0%, 22.5%, 20.0% and 13.5% of our revenue for the same periods; and (ii) RMB32.5 million, RMB46.1 million, RMB39.6 million and RMB6.2 million of our total purchase amounts, respectively, representing 4.2%, 5.7%, 3.9% and 2.2% of our total purchase amounts for the same periods.

Customer B, one of our five largest customers in each year during the Track Record Period, was also a supplier. During the Track Record Period, we primarily sold pharmaceuticals to Customer B, and procured warehousing services from it. Such relationship arises because as a pharmaceutical commercial company, Customer B has extensive warehousing infrastructure and provides warehousing services to its business partners, including us, as part of its normal operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer B contributed to (i) RMB170.7 million, RMB87.8 million, RMB105.5 million and RMB19.1 million of our revenue, respectively, representing 16.6%, 7.8%, 8.0% and 5.7% of our total revenue for the same periods; and (ii) RMB2.8 million, RMB2.7 million, RMB2.3 million and nil of our total purchase amounts, respectively, representing 0.4%, 0.3%, 0.2% and nil of our total purchase amounts for the same periods.

Customer C/Supplier A, one of our five largest customers during the Track Record Period, is also one of our five largest suppliers in 2023, 2024, 2025 and the three months ended March 31, 2026. During the Track Record Period, we primarily sold pharmaceuticals to Customer C/Supplier A, and procured raw materials and excipients from it. Customer C/Supplier A is a group of entities under the ultimate common control, which has been consolidated and treated as a single customer/supplier group for each period of the Track Record Period. We generated revenue from, and procured products from, different entities within Customer C/Supplier A during the same period. Such relationship arises because different entities under Customer C/Supplier A engage in distributing products and trading raw materials in their ordinary course of operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer C/Supplier A contributed to (i) RMB117.6 million, RMB95.2 million, RMB134.1 million and RMB23.7 million of our revenue, respectively, representing 11.4%, 8.5%, 10.1% and 7.0% of our total revenue for the same periods; and (ii) RMB79.3 million, RMB37.0 million, RMB24.4 million and RMB15.7 million of our total purchase amounts, respectively, representing 10.2%, 4.5%, 2.4% and 5.5% of our total purchase amounts for the same periods.

Customer D, one of our five largest customers in each year during the Track Record Period, was also a supplier. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer D, and procured marketing and promotion services from it. Such relationship arises because Customer D both distributes products and provides services in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer D contributed to (i) RMB74.8 million, RMB87.8 million, RMB100.4 million and RMB36.0 million of our revenue, respectively, representing 7.3%, 7.8%, 7.6% and 10.7% of our total revenue for the same periods; and (ii) RMB2.7 million, RMB0.4 million, RMB0.4 million and RMB0.01 million of our total purchase amounts, respectively, representing 0.3%, 0.05%, 0.04% and 0.01% of our total purchase amounts, respectively.

Customer E/Supplier F, one of our five largest customers during the Track Record Period, was also one of our five largest suppliers in 2024, 2025 and the three months ended March 31, 2026. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer E/Supplier F, and procured online platform services and promotion services from it. Customer E/Supplier F is a group of entities under the ultimate common control, which has been consolidated and treated as a single customer group for each period of the Track Record Period. We generated revenue from, and procured services from, different entities within Customer E/Supplier F during the same period. Such relationship arises because different entities under Customer E/Supplier F engage in distributing products and providing services in their ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer E/Supplier F contributed to (i) RMB67.8 million, RMB74.6 million, RMB102.3 million and RMB35.8 million of our revenue, respectively, representing 6.6%, 6.6%, 7.7% and 10.6% of our total revenue for the same periods; and (ii) RMB19.2 million, RMB30.4 million, RMB39.9 million and RMB13.5 million of our total purchase amounts, respectively, representing 2.5%, 3.7%, 3.9% and 4.7% of our total purchase amounts for the same periods.

Supplier I, one of our five largest suppliers in 2025, was also a customer. During the Track Record Period, we primarily procured raw materials from Supplier I, and sold pharmaceuticals to it. Such relationship arises because Supplier I engages in both distributing products and trading raw materials in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Supplier I contributed to (i) RMB1.9 million, RMB4.6 million, RMB7.1 million and RMB2.0 million of our revenue, respectively, representing 0.2%, 0.4%, 0.5% and 0.6% of our total revenue for the same periods; and (ii) RMB0.5 million, RMB1.8 million, RMB42.5 million and RMB9.0 million of our total purchase amounts, respectively, representing 0.1%, 0.2%, 4.2% and 3.2% of our total purchase amounts for the same periods.

Supplier J, one of our five largest suppliers in 2025, was also our customer. During the Track Record Period, we primarily procured raw materials from Supplier J, and sold technical testing services to it. The revenue generated from Supplier J was limited in scale, arising from an isolated technical testing services arrangement that has since been concluded. In 2023, 2024, 2025 and the three months ended March 31, 2026, Supplier J contributed to (i) RMB0.04 million, nil, nil and nil of our revenue, respectively, representing 0.003%, nil, nil and nil of our total revenue for the same periods; and (ii) RMB6.4 million, RMB22.9 million, RMB40.1 million and RMB9.9 million of our total purchase amounts, respectively, representing 0.8%, 2.8%, 3.9% and 3.4% of our total purchase amounts for the same periods.

During the Track Record Period, our negotiations of the terms in the sales and purchase agreements in connection with the overlapping customers and suppliers were conducted in the ordinary course of business and on a case-by-case basis, and were not inter-conditional with each other. During the Track Record Period, there were no bundled or back-to-back trading arrangements and the key terms among overlapping customers and suppliers are generally not deviated from those of our other customers and suppliers. All of our sales to and purchases from these overlapping customers and suppliers were subject to the same internal control requirements and approval procedures as the other customers and suppliers. According to Frost & Sullivan, this overlapping relationship is in line with industry practice. Our Directors are of the view that these arrangements are within our ordinary course of business and under normal commercial terms.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We engage qualified third-party logistics service providers to deliver our products to customers. We select logistics partners based on their geographic coverage, transportation capabilities (especially for cold chain requirements), and service quality. Under the distributorship model, we typically deliver our products to distributors at their designated place of delivery, who subsequently deliver the products to their respective customers. We require our logistics providers to adhere to GMP and GSP standards during transportation. For temperature-sensitive products, we mandate the use of temperature-monitoring devices to ensure product quality is maintained throughout the transit process. During the Track Record Period, we did not experience any material logistics disruptions.

Inventory Management

Our inventory primarily consists of raw materials, work-in-progress, and finished goods. We utilize an enterprise resource planning ("**ERP**") system, SCM system and WMS system to track inventory levels in real-time and have implemented a "first-in, first-out" policy. Our production plan is devised based on rolling annual, quarterly, and monthly forecasts of market demand provided by our sales department, taking into account historical sales records, anticipated sales orders, and the seasonal nature of certain dermatology products.

We maintain dynamic safety stock levels for key raw materials and finished products based on market demand volatility and lead times. We implement a classified safety stock management system for raw materials and finished products, establishing differentiated safety stock management strategies for different categories of raw materials and finished products to safeguard supply chain security and resilience. We have designated warehouses with controlled temperature and humidity to ensure the stability of our materials and products. Specialized storage facilities are used for hazardous chemicals. We conduct regular physical stocktakes to ensure the accuracy of our inventory records and promptly identify any slow-moving or obsolete items for impairment assessment.

DATA SECURITY

We attach great importance to data security and the protection of personal information. We have established a comprehensive information security management system that covers the entire life cycle of data processing, including collection, storage, use, processing, transmission, provision, and deletion. Our IT department is responsible for overseeing our digital development and maintaining data security. We have formulated and implemented a series of internal policies, such as the Information System Security Emergency Plan, Network Security Management Regulations, and Data Backup and Recovery Management Regulations, to guide our daily operations.

Our information architecture is supported by robust IT systems, including our ERP system as the core operational hub, OA system for internal collaboration, and business intelligence system for data analysis. We have adopted standard protective measures, including strict access control, data encryption, and regular data backup, to prevent unauthorized access, leakage, improper use, or loss of data.

Data Collection and Processing

For our online sales, we primarily operate through third-party e-commerce platforms. We generally do not directly collect or store sensitive personal information of users from these platforms. Instead, we rely on the data processing and desensitization mechanisms provided by the platforms. When order information is transmitted to our internal systems for fulfillment, sensitive fields such as phone numbers are encrypted or masked. We have implemented strict authority controls to limit access to such data to authorized personnel only.

In our R&D activities, particularly clinical trials, we strictly comply with the applicable data protection laws. We collect necessary data from subjects only with their informed consent. To protect patient privacy, we utilize anonymized codes for data identification during the research process. Physical records are stored securely at clinical sites, and electronic data is transmitted via secure channels without including directly identifiable personal information.

Data Storage and Cross-border Transfer

All our critical business data and personal information collected within the PRC are stored on servers located in Chinese Mainland. We utilize a combination of local servers and secure cloud services to ensure data availability and security. We perform regular full and incremental backups to ensure business continuity in the event of system failures. We do not have any servers deployed outside of China, nor did we engage in any cross-border transfer of sensitive personal information that would require a security assessment by regulatory authorities.

COMPETITION

The topical dermatology drug market in China features a mix of established multinational corporations and leading domestic pharmaceutical companies. According to Frost & Sullivan, within China's topical dermatology drug segment, the total market is projected to grow from approximately RMB27.8 billion in 2025 to approximately RMB45.1 billion in 2030, at a CAGR of approximately 10.2%. Growth is structurally underpinned by rising disease prevalence, increasing patient awareness and the convenience of self-medication, with online channels projected to grow at a CAGR of approximately 13.4% from 2025 to 2030, driven by the continued migration of dermatology users to digital purchasing and consultation.

China's topical dermatology drug market is in a stage of rapid development, characterized by diverse participants and a dynamic competitive landscape. According to Frost & Sullivan, our Company ranked sixth among all manufacturers of topical dermatology drugs in China based on ex-factory prices in 2025, with a revenue of approximately RMB0.96 billion. 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. See "Industry Overview — Competitive Landscape of China's Topical Dermatology Drug Market" for more details.

EMPLOYEES

As of March 31, 2026, we had 750 full-time employees. The following table sets forth the number of our employees by function:

Employee Function	Number of Employees	% of Total
Research and Development	102	13.6
Production and Quality	275	36.7
Sales and Marketing	270	36.0
Administration	103	13.7
Total	**750**	**100.0**

To streamline human resource management, we established a comprehensive set of internal management measures, outlining the procedures and criteria for development and training, compensation and benefits, among others. See "— Environmental, Social and Governance — Employee Rights and Interests" for more details.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees. During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations, and a few of our PRC entities engaged third-party human resources agencies to handle social insurance and housing provident fund payments for their employees. During the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with PRC laws and regulations relating to social insurance and housing provident fund contributions may adversely affect our business and financial performance" for more details.

We believe we maintain a good working relationship with our employees, and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We profoundly recognize that sustainable development is not merely a corporate environmental and social responsibility, but also a core element driving long-term business growth. Accordingly, we are progressively integrating ESG factors into our governance and daily operations, and are committed to the steady advancement of our sustainability initiatives. After the [**REDACTED**], we will regularly publish ESG reports according to the requirements of the Environmental, Social and Governance Reporting Code (Appendix C2) and proactively identify and assess actual and potential ESG risks that may impact our business operations and financial performance. Concurrently, we will incorporate ESG considerations into our business, strategic planning, and financial planning.

Governance of ESG Matters

The Board places paramount importance on ESG management, viewing it as a strategic cornerstone for promoting sustainable development. The Board serves as the highest decision-making and risk oversight body for ESG matters, ensuring that ESG efforts are aligned with our long-term development strategy.

The Board has adopted the Terms of Reference for the Strategy and ESG Committee of the Board (《董事會戰略及ESG委員會工作細則》), under which a Strategy and ESG Committee is set up as a dedicated working body of the Board responsible for guiding the formulation of ESG strategy and overseeing ESG matters. Its primary responsibilities include (i) researching and proposing recommendations on our long-term development strategic planning, major investment and financing proposals, and significant capital operation and asset management projects; (ii) researching, analyzing, and evaluating ESG-related matters, and proposing recommendations on ESG strategy, goals, governance structure, and significant policies; (iii) assisting the Board in identifying and assessing ESG-related impacts, risks and opportunities, and guiding the relevant functional departments in taking appropriate response measures; (iv) reviewing and submitting ESG-related reports to the Board; and (v) supervising the implementation of the ESG strategy and goals, and providing feedback.

The Board earnestly fulfills its environmental protection responsibilities, continuously monitors performance in areas such as pollutant emissions and resource consumption, and urges management to integrate environmental considerations into the entire production and operational process. The Board actively fulfills its social responsibilities, pays attention to issues such as employee rights protection and product quality and safety, and ensures that, while pursuing economic benefits, the legitimate rights and interests of employees, partners and other stakeholders are effectively safeguarded. The Board will focus on ESG issues of double materiality and will progressively integrate ESG factors into decision-making considerations to promote sustainable development.

We are also committed to promoting diversity in the composition of the Board. In the Board nomination and succession planning, we will comprehensively consider various factors such as gender, age, cultural background, educational background, professional experience, skills, and regional and industry experience, to build a balanced and inclusive Board. This will help ensure that the Board effectively addresses ESG-related matters from diverse perspectives, thereby enhancing the quality of decision-making and governance.

Identification and Assessment of Material ESG Issues, Risks and Opportunities

Material ESG issues are our key focus areas for sustainable development management. Based on our operational activities, business relationships, business model, industry characteristics, and value chain positioning, and referencing regulatory requirements and the key concerns of major ESG rating agencies, we identify and assess ESG issues relevant to us through surveys with stakeholders including employees, investors and Shareholders, customers, consumers and patients, suppliers and partners, government and regulatory agencies, as well as communities and the public, using the dual dimensions of Financial Materiality and Impact Materiality. These include, but are not limited to, environmental compliance management, addressing climate change, pollutant emission management, employee rights protection, occupational health and safety, employee training and development, product and service quality and safety, research and development innovation, supply chain management, business ethics and anti-corruption.

We deeply recognize that ESG-related risks and opportunities have a significant impact on our business operations, financial performance and long-term sustainable development. To continuously enhance our risk management and identification mechanisms, we regularly implement a series of internal and external monitoring and control measures, primarily as follows: regular environmental monitoring of pollutant emissions and energy consumption, safety hazard investigations, occupational health risk identification, employee reporting and hazard notifications, and emergency plan formulation and drills. Furthermore, we are dedicated to fostering a culture of compliance, aiming to ensure that all employees fully understand and adhere to ESG-related regulations and requirements.

During the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with the health, safety and environmental laws and regulations applicable to our business operations, have not been subject to any fines or other administrative penalties for violations of health, safety or environmental laws and regulations, and have not encountered any events that have had a material adverse effect on our business, financial condition or results of operations.

Environmental Compliance Management

We place high importance on environmental management and strictly adhere to environmental laws and regulations applicable to our business operations. To systematically identify and manage potential environmental risks, we have established and implemented a standardized environmental management system, which is certified to ISO 14001.

To ensure the systematic, operable and standardized functioning of environmental management, we have developed a series of internal management policies, including the Environmental and Occupational Health and Safety Management Manual (《環境及職業健康安全管理手冊》), Procedures for Identification of Environmental Factors, Hazard Identification and Risk Assessment and Control (《環境因素識別、危險源識別和風險評價控制程序》), Risk and Opportunity Management Procedures (《風險和機遇管理程序》), and Environmental Safety Performance Appraisal Management Procedures (《環境安全績效考核管理程序》).

We conduct regular environmental protection training, with topics including, but not limited to, environmental laws and regulations, hazardous waste management, and environmental emergency response plans, to enhance the environmental compliance awareness of all employees and promote the effective implementation of our environmental compliance management initiatives.

During the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with all applicable laws and regulations pertaining to environmental issues and have not incurred any fines or other penalties for violations of environmental laws and regulations.

Environmental Metrics and Targets

To better assess and manage the environmental and climate-related risks arising from our business operations, we conduct continuous monitoring of key environmental metrics.

The following table sets out our quantitative environmental metrics for the years indicated:

		For the year ended December 31,			For the three months ended March 31,
Environmental Metrics	**Unit**	**2023**	**2024**	**2025**	**2026**
Greenhouse gas emissions (Scope 1)	tCO_2e	617.34	1,049.89	1,455.03	488.08
Greenhouse gas emissions (Scope 2)	tCO_2e	2,812.24	3,871.22	3,953.56	712.74
Total greenhouse gas emissions (Scopes 1 & 2)	tCO_2e	3,429.58	4,921.10	5,408.59	1,200.83
Natural gas consumption	MWh	3,086.72	5,249.43	7,275.15	2,440.42
Purchased electricity consumption	MWh	5,300.12	7,865.21	8,270.02	1,452.84
Total water consumption	Tonnes	66,570.00	96,650.00	80,557.00	17,730.00
Hazardous waste	Tonnes	70.60	90.11	107.38	29.74
Non-hazardous waste	Tonnes	48.97	115.68	145.01	87.48

Notes:

(1) Scope 1 emissions refer to direct greenhouse gas emissions, primarily from the direct combustion of natural gas during production and operations.

(2) Scope 2 emissions refer to indirect greenhouse gas emissions, mainly from the consumption of purchased electricity.

(3) The emission factor for natural gas is calculated with reference to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the General Office of the National Development and Reform Commission of China.

(4) The greenhouse gas emission factor for electricity in Chinese Mainland is calculated using the national average electricity emission factor listed in the Announcement on the Release of the 2023 Electricity Carbon Dioxide Emission Factor (《關於發佈2023年電力二氧化碳排放因子的公告》) by the Ministry of Ecology and Environment and the National Bureau of Statistics.

(5) Hazardous waste primarily includes expired pharmaceuticals, chemical waste packaging, sludge, activated carbon, and laboratory liquid waste.

(6) Non-hazardous waste primarily includes recyclable refuse, spent filter cotton, and pharmaceutical dregs.

(7) The consumption of energy of various types is calculated by converting energy of relevant types into standard coal equivalent using the conversion factors stipulated in General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2020).

During the Track Record Period, the primary resources we consumed were natural gas, electricity and water. Greenhouse gas emissions generated from our production and operations primarily stemmed from the consumption of natural gas and purchased electricity. The increase in quantitative environmental metrics was mainly attributable to our business growth, adjustments in our production structure, and the year-on-year increase in our production volume.

We are committed to sustainable development. The Strategy and ESG Committee and relevant departments will regularly assess the targets related to key performance metrics in accordance with the Environmental, Social and Governance Reporting Code and other relevant post-[**REDACTED**] rules, ensuring the targets remain aligned with our development needs. When setting targets for environmental key performance metrics, we will comprehensively consider the environmental metrics for the Track Record Period and carefully evaluate our future business expansion plans, striving to balance business growth with environmental protection and drive sustainable development.

Energy Consumption and Greenhouse Gas Emission Management

We attach great importance to resource management and energy efficiency. We strictly abide by environmental laws and regulations applicable to our business operations, such as the Energy Law of the People's Republic of China (《中華人民共和國能源法》), and have established a systematic energy management system certified to ISO 50001. We have developed internal management policies, including the Procedures Manual for the Energy Management System (《能源管理體系程序文件》) and the Resource and Energy Control Procedure (《資源能源控制程序》), to continuously promote the standardization of resource and energy management. We have established an energy management organizational system featuring well-defined powers and responsibilities, with the Plant Affairs Management Department serving as the unified management body, leading the monitoring and management of energy consumption.

In response to the national carbon neutrality goals, we are dedicated to energy conservation and greenhouse gas emission reduction. To build a clean, low-carbon, and efficient energy utilization system, we have implemented a series of measures, including but not limited to the following measures: we implement temperature control and electricity-saving management and promote the use of variable frequency air conditioners; we deploy solar streetlights within our plant premises and procured photovoltaic electricity, gradually increasing the proportion of renewable energy usage; we adopt paperless online office workflows; and through measures such as reclaimed water reuse, water-saving equipment, and packaging reduction, we achieve resource conservation and circularity.

We will continue to optimize our green production and operational processes, actively explore more renewable energy alternatives and technological emission reduction pathways, improve our energy structure and efficiency, and consistently enhance our green and low-carbon operations.

Pollutant Emission Management

We place paramount importance on pollutant emission management and strictly adhere to environmental laws and regulations applicable to our business operations. In accordance with the requirements of the ISO 14001 Environmental Management System, we have established internal management policies, such as the Environmental and Facility Control Procedures (《環境與設施控制程序》), to comprehensively regulate pollutant emissions management.

We have established an organizational system for pollutant emission management with clear responsibilities and well-defined hierarchies. The Plant Affairs Management Department serves as the designated oversight department, responsible for the monitoring and management of pollutant emissions. The primary pollutants generated during our production processes include wastewater, waste gas, solid waste and noise. To reduce pollutant emissions, our primary measures include:

Exhaust Gas Management: Organic exhaust gases are treated through two-stage activated carbon adsorption to meet discharge standards. Dust-laden exhaust gases are treated using a baghouse filtration system; for certain processes, medium-efficiency filters are also employed prior to discharge.

Wastewater Management: Industrial wastewater is treated at the wastewater treatment station to meet discharge standards. Industrial wastewater from the formulation plant is treated at the station and then reused in cooling towers, achieving reclaimed water reuse. Domestic sewage is pre-treated in on-site septic tanks to meet discharge standards.

Solid Waste Management: Solid waste generated from our production and operations is managed by categorizing it into hazardous waste and non-hazardous waste based on its properties. For hazardous waste, we strictly formulate and implement comprehensive management procedures. Dedicated temporary storage areas are designated, and each type of hazardous waste is clearly categorized, appropriately labeled, and stored in segregated areas. Designated personnel are responsible for the full-process management of hazardous waste, and entrust qualified third-party institutions for disposal. Non-hazardous waste is managed by category and entrusted to third-party institutions for collection and disposal.

For the treatment of solid waste, we have established the principles of "Reduce, Reuse and Recycle," and implemented a series of systematic solid waste reduction measures, including but not limited to the following measures: we promote green design standards and cleaner production; through a digital environmental management platform, we perform end-to-end tracking of waste, covering generation, classification, storage and transfer; and through specific process improvements, such as using pharmaceutical dewatering equipment to reduce its moisture content and utilizing double-effect concentrators to minimize extract concentrate, we further reduce solid waste generation and emissions during production.

In recognition of our continuous investment and practice in environmental protection, we have been recognized as "2023 Wuxi Green Factory" by the Wuxi Municipal Bureau of Industry and Information Technology.

Climate Change

Climate Risks

To identify and assess material climate change-related risks that may affect us, we take into account internal and external factors, including the nature of our business, and employ methods such as macro-policy research and peer benchmarking to assess the potential impact on our operations and financial performance. The climate-related risks relevant to us fall into two main types: physical risks and transition risks.

Physical Risks: These primarily include (i) acute physical risks, such as the increasing frequency and severity of extreme weather events, including typhoons and floods; and (ii) chronic physical risks arising from long-term changes in climate patterns, such as rising average temperatures. Climate change may pose challenges to the storage and transportation of raw materials and finished products, resulting in additional maintenance and replacement costs.

To address the above physical risks, we continuously develop and refine emergency response plans and strengthen emergency dispatch capabilities in warehousing and logistics to minimize the risk of operational disruptions. Meanwhile, by strictly implementing temperature control in office and production premises, promoting the use of variable-frequency air conditioners and energy-saving equipment, and adopting environmentally friendly thermal insulation materials in warehouse facilities, we enhance energy efficiency and facility adaptability to improve operational resilience.

Transition Risks: These stem primarily from changes in policies, laws, regulations, and markets associated with the transition to a low-carbon economy. For example, increasingly stringent global carbon emission regulations and reduction standards, coupled with heightened environmental awareness and shifting user preferences, may increase our compliance costs and capital expenditures related to energy-saving and emission reduction technologies.

To address the above transition risks, we continue to promote the application of renewable energy. We have instaled solar streetlights within our plant premises, and we procure photovoltaic electricity. We have also introduced new energy-efficient building materials and thermal insulation technologies to improve energy utilization efficiency. In addition, we closely monitor developments in carbon emission-related policies and market preference trends and continuously optimize our response strategies accordingly, thereby enhancing our adaptability to climate-related transition risks and maintaining forward-looking and resilient operations.

Given the nature of our business, our exposure to the above climate risks is limited. During the Track Record Period and up to the Latest Practicable Date, our business, operations and financial condition have not been materially affected by any climate-related events.

Climate Opportunities

While addressing the challenges posed by climate change, we also actively explore climate-related opportunities embedded therein to promote our long-term sustainable development. The climate-related opportunities we have identified mainly include:

Resource Efficiency Opportunities: By implementing energy management in production and operations, promoting the circular use of water and materials, and promoting green production and logistics initiatives, we can improve resource utilization efficiency and reduce operating costs.

Product Development and Market Opportunities: Climate change may lead to the emergence of certain new diseases or market demands. If we conduct targeted research and development for such diseases, we can effectively enhance our market competitiveness and increase operating revenue. Meanwhile, by proactively responding to climate change-related incentive policies, we may be eligible to obtain policy benefits or targeted economic support.

Responsibility and Brand Enhancement Opportunities: Active participation in climate action and sustainable development initiatives helps further enhance our corporate social responsibility image and brand value.

To capture climate-related opportunities, we have implemented various measures, such as reusing treated industrial wastewater in cooling towers to achieve reclaimed water recycling and conserve water resources; upgrading and retrofitting production equipment and gradually replacing high-energy-consuming models; and continuously monitoring changes in disease patterns and adjusting our product strategies in a timely manner. Looking ahead, we will continue to monitor developments in climate change and related policies, regularly publish ESG reports in accordance with the Environmental, Social and Governance Reporting Code, disclose the outcomes of our climate action practices, and strengthen close cooperation with environmental organizations and local communities.

Employee Rights and Interests

We attach great importance to the protection of employee rights and interests and are committed to fostering a harmonious, healthy and equitable working environment that provides equal opportunities for all employees. We strictly comply with relevant laws and regulations, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We have entered into individual labor contracts with all employees and have signed collective agreements with the labor union, including the Agreement on Wage Collective Consultation, Labor Safety and Health, Occupational Disease Prevention, and Special Protection for Female Employees (《工資集體協商、勞動安全衛生、職業病保護、女職工特殊保護協議》). In terms of internal management policies, we have formulated the Remuneration Management Policy (《薪酬管理制度》), the Performance Management Policy (《績效管理制度》) and the Employee Handbook (《員工手冊》), establishing a clear and fair institutional framework for recruitment and hiring, compensation and benefits, performance appraisal, development and training, and other labor management matters.

In terms of remuneration, we have established a diversified compensation structure comprising "fixed pay + variable pay + allowances and benefits," closely linking employee remuneration to individual contributions and the Company's overall performance, to effectively attract, motivate and retain talent. In terms of employee benefits, in addition to making social insurance and housing provident fund contributions, we provide commercial insurance. We strictly implement regulations on maternity and nursing leave for female employees and protect married male employees' statutory rights to paternity leave and parental leave. Furthermore, we have established facilities including a reading corner, a baby care room, an employee gym and a psychological counseling room to care for employees' physical and mental well-being and enhance their sense of belonging and overall happiness.

As of March 31, 2026, female employees accounted for 58.93% of our total workforce. We adhere to fair and transparent employee management policies, strive to enhance workforce diversity in gender and age structure, and foster an inclusive and equitable working environment.

Occupational Health and Safety

We place a high priority on occupational health and production safety and strictly comply with relevant laws and regulations, including the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). We have formulated the Environmental and Occupational Health and Safety Management Manual (《環境及職業健康安全管理手冊》) and implemented a standardized occupational health and safety management system.We are certified to ISO 45001.

In terms of occupational health, we have established a systematic and dynamic occupational health risk control mechanism. Through professional methods such as Job Hazard Analysis and safety checklists, we comprehensively identify occupational health risks in our operations and implement a hierarchy of controls, including engineering controls, administrative measures and personal protective measures. Meanwhile, we provide employees with standard-compliant protective equipment and ensure its proper use through standardized supervision. We also conduct regular occupational health training and awareness programs to continuously enhance their awareness and capability in occupational health protection.

In terms of production safety, we have established a dual prevention mechanism comprising both the hierarchical control of safety risks and the identification and rectification of hazards. Through safety-related technical upgrades of equipment, including the installation of safety interlocks and emergency shutdown systems, we enhance equipment and facilities safety. In addition, we have established an employee hazard reporting mechanism to encourage full participation in safety management, conduct safety training and culture cultivation activities, and organize full-time and part-time emergency response teams with regular drills to enhance employees' safety awareness and emergency response capabilities.

During the Track Record Period and up to the Latest Practicable Date, there were no material accidents in our operations, and we were not subject to any fines or other penalties for violations of occupational health or work safety laws and regulations.

Supply Chain Management

We continuously strengthen our supply chain management. We have formulated the Procurement Management Policy (《採購管理制度》) and the Supplier Management Procedures (《供應商管理規程》), covering the entire process of supplier admission, evaluation and daily management, to ensure that supply chain activities are standardized, transparent and risk-controllable.

We implement a stringent supplier admission mechanism, requiring critical material suppliers to comply with GMP standards. Through questionnaires, we require suppliers to provide information on production water, environmental control of facilities, regular employee training, GMP training plans and records, and quality inspection, which serve as prerequisites for supplier admission. We enter into formal agreements with suppliers clearly stipulating compliance requirements, including anti-commercial bribery provisions and other compliance provisions. We regularly conduct multi-dimensional performance evaluations of suppliers based on quality, on-time delivery, service responsiveness and compliance, and implement graded management according to the evaluation results, thereby ensuring stable supply chain operations and effective quality control.

We have established a supply chain risk management mechanism focusing on key risk areas such as compliance, quality, supply disruption and external environmental factors, and have formulated dedicated response plans accordingly. In addition, through the development of our supply chain information platform, we have digitalized the full process of supplier file management, admission review and performance evaluation, continuously enhancing supply chain coordination efficiency and control capabilities.

Business Ethics and Anti-Corruption

We firmly oppose commercial bribery and corruption and strictly comply with relevant laws and regulations, including the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). We have formulated and continuously improved internal management policies such as the Management Policy on Employees' Conduct in Office (《員工職務行為管理》) and the Accountability Measures for Employee Violations of Rules and Discipline (《員工違規違紀責任追究辦法》), explicitly prohibiting any form of corruption, bribery or other improper exchange of benefits. We are committed to cultivating a culture of integrity and transparency.

Led by our internal audit department, we have established anti-commercial bribery and anti-corruption supervision mechanisms, conducting routine compliance risk screening and audit oversight over key business processes. We also require our business partners to adhere to business ethics and strictly prohibit the use of any improper means to obtain business opportunities. Meanwhile, we have established reporting channels combining "online and offline" and "internal and external" mechanisms, and have publicly disclosed complaint hotlines, email addresses and mailing addresses, thereby promoting an effective supervision system.

Social Initiatives

We actively fulfill our corporate social responsibility by engaging deeply in charitable and volunteer services, covering multiple dimensions including industry development, cultural and educational initiatives, healthcare, charitable assistance and community services. At the same time, we actively advocate and organize all employees to participate in various public welfare activities, demonstrating our care, compassion, and sense of social responsibility through concrete actions.

Education Support and Rural Revitalization: In August 2021, we launched the "Siyuan Lingyunmu Program" Autumn Education Assistance Project, which was carried out for three consecutive years. In January 2025, we initiated the second round of assistance, providing financial support to students from economically disadvantaged families within the village to alleviate their educational burdens, while also offering internship and employment opportunities to outstanding graduates to support rural talent revitalization.

Research Fund Support: In 2020, we jointly initiated and established the public welfare "Jin Peiying" Research Fund with the Jiangsu Pharmaceutical Association. Since 2021, we have invested no less than RMB300,000 annually to support universities, research institutes and medical institutions within Jiangsu Province in conducting basic research, clinical application research and the translation of research findings in dermatology-related fields, thereby promoting technological innovation and development in the industry.

Social Care and Material Donations: We regularly donate protective supplies and other materials to frontline workers, including police officers, sanitation workers and educators, delivering our social care and compassion through tangible actions.

In recognition of our continuous investment and contributions through our social initiatives, we have received a number of honors, including the "Outstanding Donor of 2024" awarded by the Jiangsu Red Cross Society; the "Red Cross Meritorious Award," the "Outstanding Contribution Award for Red Cross Donation Work (2019-2023)," the "Red Cross Humanitarian Award for 2023 Fundraising Work," and the "Wuxi Red Cross Public Welfare Alliance Unit" awarded by the Wuxi Red Cross Society; and the "Red Cross Meritorious Award for Caring Donations of 2022" and the "Red Cross Humanitarian Award for Caring Donations of 2023" awarded by the Xishan District Red Cross Society.

PROPERTIES

Our principal executive offices are located in Jiangsu Province, China. The Property Valuation Report from AVISTA, an independent property valuer, set out in Appendix III of this document, sets out details of our selective property interests as of April 30, 2026. AVISTA valued these property interests at an amount of RMB492.9 million as of April 30, 2026. Except for the property interests set forth in the Property Valuation Report from AVISTA, pursuant to Rule 5.01A of the Listing Rules, as of March 31, 2026, no single property interest (i) that formed part of our property activities had a carrying amount representing 1% or more of our total assets; or (ii) that formed part of our non-property activities had a carrying amount representing 15% or more of our total assets.

Owned Property

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.

Leased Property

As of the Latest Practicable Date, we primarily leased 45 properties in China with an aggregate gross floor area over 17,623 sq.m., mainly used for warehousing, corporate management, and residential purposes. We believe that there is sufficient supply of properties in Chinese Mainland, and we do not rely on the existing leases for our business operations. We believe that our current facilities are adequate to meet our current needs.

As of the Latest Practicable Date, one property leased had not obtained the real property ownership certificate, and we had not completed lease registration filing with the relevant housing administrative authorities in respect of this property. In addition, we had not completed lease registration filings with the relevant housing administrative authorities for two other leased properties. In accordance with the relevant PRC laws and regulations, a failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements, but we may be subject to a penalty ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant competent authorities. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business and financial performance" for more details.

INSURANCE

We maintain insurance policies to cover various aspects of our business operations and manage our operational risks. Specifically, we have purchased clinical trial liability insurance to cover potential risks associated with our R&D activities, safety production liability insurance to safeguard our manufacturing operations, and environmental pollution liability insurance to mitigate environmental risks. We also maintain property all risks insurance to cover our fixed assets and supplementary commercial insurance for our employees. According to Frost & Sullivan, the coverage of our product liability insurance is in line

with the market practice. We review our insurance policies timely to ensure its compliances with the statutory PRC laws and regulations. We believe that our existing insurance coverage is adequate for our business operation and is in line with the general market practice.

During the Track Record Period, we were not subject to any material claim of insurance. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. Please see "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with PRC laws and regulations relating to social insurance and housing provident fund contributions may adversely affect our business and financial performance" for more details.

LICENSES, APPROVALS AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for our business operations:

License/Permit	Holder	Date of Grant	Expiry Date
Drug Manufacturing Certificate	The Company	May 20, 2026	November 14, 2030
Drug Manufacturing Certificate	Wuxi Langrun Pharmaceutical Co., Ltd. (無錫朗潤醫藥有限公司) ("**Wuxi Langrun**")	January 15, 2026	February 25, 2027
Drug Manufacturing Certificate	Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. (重慶市藥研院製藥有限公司)	May 22, 2026	March 9, 2031
Drug Trading Certificate	Wuxi Langrun	November 25, 2025	July 14, 2029
Drug Trading Certificate	Chongqing Zhiyuan Pharmacy Co., Ltd. (重慶知原大藥房有限公司)	April 2, 2025	February 5, 2028
Medical Device Manufacturing Certificate	The Company	March 17, 2026	May 19, 2031
Class I Medical Device Manufacturing Filing Certificate	The Company	July 5, 2024	N/A
Class II Medical Device Business Filing Certificate	Wuxi Langrun	April 9, 2021	N/A

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance matters that have led to significant administrative penalties that we believe would have a material adverse effect on our business, results of operations and financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the overall establishment, oversight, and updating of our internal control systems. It reviews the effectiveness of our risk management policies annually. The Audit Committee supports the Board by monitoring the daily implementation of internal control procedures, reviewing internal audit reports, and assessing significant risk exposures. We have an internal audit department responsible for conducting independent evaluations of our internal controls, identifying deficiencies, and recommending corrective actions.

Operational Risk Management

We are exposed to various operational risks arising from our daily activities, including production safety, quality control, and supply chain stability. To manage these risks, we have established standardized operating procedures across all key business functions. We strictly adhere to national safety standards and have implemented a safety production responsibility system, under which we conduct regular safety inspections, hazard identification and rectification and emergency drills to minimize the risk of accidents. In terms of quality control, we maintain a rigorous quality management system covering the entire product lifecycle to mitigate quality-related risks. Furthermore, to manage supply chain risks, we have implemented a multi-source procurement strategy for key raw materials and maintain safety stocks to buffer against market fluctuations. Our policies delineate the main operational risks and corresponding control measures for each department.

Financial Reporting Risk Management

To manage risks associated with financial reporting and ensure the accuracy and reliability of our financial statements, we have implemented a robust framework of accounting policies and internal controls. This framework includes our financial management manual, budget management policies, and treasury management protocols. We utilize advanced IT systems, such as our ERP system, to integrate financial data with business operations, enabling real-time monitoring of financial performance and budget execution. Our finance department reviews management accounts on a monthly basis to identify and investigate any significant variances. Furthermore, we provide regular training to our financial personnel to ensure they are up to date with the latest accounting standards and tax regulations.

Compliance Risk Management

We operate in a highly regulated industry and are subject to evolving laws and regulations in the PRC. To manage compliance risks, we have established a dedicated legal and compliance function with designated staff responsible for regularly monitoring updates to laws and regulations issued by the NMPA and other relevant government authorities. This ensures that we obtain and renew all necessary licenses, permits, and approvals for our business operations in a timely manner. Our internal policies and protocols are continuously updated to reflect changes in laws, regulations, and industry standards.

Intellectual Property Risk Management

We have established an internal intellectual property management system and implemented various policies to properly manage our IP portfolio and mitigate the risk of infringement litigation. We have implemented policies for patent application, trademark registration, and trade secret protection. We actively monitor market activities to identify potential infringements of our IP rights and take appropriate legal actions when necessary. As a technology-intensive company, we may face claims from third parties alleging infringement. Consequently, we may be urged to obtain licenses for their technology. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property rights. Infringement or misappropriation of intellectual property rights, including the breach of confidentiality obligations, could harm the value of our brands and adversely affect our business" for more details.

AWARDS AND RECOGNITIONS

Up to the Latest Practicable Date, we had received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Award/Recognition	Award Authority	Year of Grant
National Typical Cases of Digital Transformation in User Goods (Variety, Quality, and Brand)	Department of User Goods Industry, Ministry of Industry and Information Technology	2026
Candidate Entity for National Intellectual Property Demonstration Construction Enterprise	China National Intellectual Property Administration	2026
National Key Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprises	Ministry of Industry and Information Technology of the PRC	2024
CNAS Laboratory Accreditation	China National Accreditation Service for Conformity Assessment	2025
National Specialized, Sophisticated, Distinctive, and Innovative "Little Giant" Enterprises	Ministry of Industry and Information Technology of the PRC	2022
National High and New Technology Enterprise	Department of Science and Technology of Jiangsu Province	2025
National BSL-2 Laboratory	Wuxi Municipal Health Commission	2025
Enterprise in the Cultivation Library for National Patent Industrialization Model Enterprises	Jiangsu Intellectual Property Administration	2025
Jiangsu Province Academician and Expert Innovation Center	Jiangsu Association for Science and Technology	2025
Jiangsu Province Advanced Smart Factory	Jiangsu Industry and Information Technology Department	2025
National Post-Doctoral Research Station	Human Resources and Social Security Department of Jiangsu Province	2024
Jiangsu Province Quality Credit AAA Grade Enterprise	Jiangsu Administration for Market Regulation	2024
Jiangsu Provincial Engineering Research Center	Jiangsu Development and Reform Commission	2023

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.

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

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.

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)

	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**

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	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
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	%
							(unaudited)			
	(RMB in thousands, except for percentages)									
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**

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.

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.

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**

	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	**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.

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	**14,811**	**14,105**	**24,921**	**3,842**	**4,921**

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

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)

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**

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.

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.

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.

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.

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.

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.

SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
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**

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
	(RMB in thousands)			
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
	(RMB in thousands)			
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.

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
	(RMB in thousands)			
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	**79,400**	**74,555**	**81,966**	**81,970**

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.

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).

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.

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
	(RMB in thousands)			
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	**57,111**	**69,257**	**38,630**	**60,048**

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
	(RMB in thousands)			
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.

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.

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.

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 March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
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.

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.

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.

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

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.

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%.

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.

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.

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.

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.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen were collectively interested in approximately 64.89% of the voting rights in our Company, including: (i) 4,800,308 Shares (representing approximately 3.47% of the voting rights in our Company) directly held by Mr. Xu, our executive Director and chairman of the Board; (ii) 1,200,000 Shares (representing approximately 0.87% of the voting rights in our Company) directly held by Mr. Xie, our executive Director, chief executive officer and general manager; (iii) 35,132,378 Shares (representing approximately 25.43% of the voting rights in our Company) held by Wuxi Zhonghe, which is controlled and owned as to an aggregate of approximately 61.82% by Mr. Xu and Mr. Xie pursuant to the Acting-in-Concert Agreement, whereby Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company; (iv) an aggregate of 37,377,018 Shares (representing approximately 27.05% of the voting rights in our Company) held by Wuxi Langming, Wuxi Langwei and Wuxi Langyi, all of which are controlled and managed by Wuxi Zhonghe as their general partner; and (v) an aggregate of 11,140,216 Shares (representing approximately 8.07% of the voting rights in our Company) held by Wuxi Langxing and Wuxi Zhiwen, both of which are controlled and managed by Mr. Xu as their general partner. Accordingly, Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen constitute our group of Controlling Shareholders.

Immediately after completion of the [**REDACTED**], our group of Controlling Shareholders will continue to control approximately [**REDACTED**]% of the voting rights in our Company (assuming that the [**REDACTED**] is not exercised) or approximately [**REDACTED**]% of the voting rights in our Company (assuming that the [**REDACTED**] is exercised in full).

COMPETITION

Each member of the Controlling Shareholders has confirmed that he/it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE

Having considered the following factors, the Directors are satisfied that we are capable of carrying out our business independently of the Controlling Shareholders and their close associates after the [**REDACTED**].

MANAGEMENT INDEPENDENCE

Upon the [**REDACTED**], our Board will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. We are able to carry on our business independently from the Controlling Shareholders from a management perspective.

The executive Directors and senior management team are responsible for the day-to-day management of our operations. Notwithstanding the roles of Mr. Xu and Mr. Xie in the Board, our Directors are of the view that our Company is able to function independently from our Controlling Shareholders for the following reasons:

(a) all of the independent non-executive Directors are independent of Mr. Xu and Mr. Xie, and decisions of the Board require the approval of a majority vote from members of the Board;

(b) each of the Directors is aware of fiduciary duties of a director which require, among other things, that he/she must act for the benefit and in the best interest of our Group and must not allow any conflict between his/her duties as a Director and his/her personal interest;

(c) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors, the interested Director(s) will abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum;

(d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management; and

(f) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group.

Based on the above, our Directors believe that the Board as a whole and together with our senior management are able to perform the management role in our Group independently from our Controlling Shareholders and their close associates (other than our Group) after the [**REDACTED**].

OPERATIONAL INDEPENDENCE

We have independent operating capabilities and management systems. We do not rely on any operational or administrative resources of the Controlling Shareholders or their close associates (other than our Group) for research and development, manufacturing, business development, staffing and administration (including financial and accounting management, human resources and information technology). We have independent access to suppliers and customers, and an independent management team to handle our day-to-day operations. We also possess the necessary licenses, certificates, facilities and intellectual property rights to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their close associates (other than our Group) after the [**REDACTED**].

FINANCIAL INDEPENDENCE

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from the Controlling Shareholders and their respective close associates (other than our Group). We are able to make financial decisions independently and the Controlling Shareholders and their respective close associates do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we are capable of obtaining financing from third parties at reasonable costs without relying on any guarantee or security provided by the Controlling Shareholders or their close associates (other than our Group).

During the Track Record Period, certain of our Group's bank loans were guaranteed by Mr. Xu and Mr. Xie, two members of our Controlling Shareholders (the "**Guaranteed Loans**"). As of March 31, 2026, as confirmed by the relevant financial institutions, the Guaranteed Loans were repaid or released by our Group, and there were no outstanding loans, advances and balances of non-trade nature due to or from the Controlling Shareholders or their respective associates (other than our Group) and we do not intend to rely on any member of the Controlling Shareholders in the future. We have sufficient capital to operate our business independently, and have adequate internal resources to support our daily operations and business.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

We will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protecting the Shareholders' interests. We would adopt the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) we have established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if we enter into connected transactions with our Controlling Shareholders or any of their respective associates, we will comply with the applicable Listing Rules;

(c) we have appointed three independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experience. They will provide impartial and professional advice to protect the interest of our minority Shareholders;

(d) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our expenses; and

(e) we have appointed UOB Kay Hian (Hong Kong) Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests that may arise between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of the Company was RMB138,168,000.00 comprising 138,168,000 Shares with a nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Immediately following the completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital of the Company
		(%)
Domestic Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares[(1)]	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

Note:

(1) For details of the conversion of Unlisted Shares into H Shares upon the [**REDACTED**], see "History, Development and Corporate Structure — Capitalization of our Company."

Immediately following the completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares, assuming that the [**REDACTED**] is fully exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital of the Company
		(%)
Domestic Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares[(1)]	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

Note:

(1) For details of the conversion of Unlisted Shares into H Shares upon the [**REDACTED**], see "History, Development and Corporate Structure — Capitalization of our Company."

OUR SHARES

The H Shares, to be issued following the completion of the [**REDACTED**] and converted from the Unlisted Shares, and the Unlisted Shares are ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional [**REDACTED**] in the PRC, qualified PRC [**REDACTED**] under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be [**REDACTED**] for by, or [**REDACTED**] between, [**REDACTED**] of the PRC. H Shares may only be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of our Shares may be paid by us in accordance with applicable laws and regulations in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

The Unlisted Shares are currently not [**REDACTED**] or [**REDACTED**] on any stock exchange.

According to the regulations by the CSRC and our Articles of Association, the holders of these Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares upon the [**REDACTED**], and such converted Shares may be [**REDACTED**] and [**REDACTED**] on an overseas stock exchange provided that the conversion, [**REDACTED**] and [**REDACTED**] of such converted Shares have been approved by the CSRC. Additionally, such conversion, [**REDACTED**] and [**REDACTED**] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Stock Exchange, the approvals of any internal approval process and/or the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we will apply for the [**REDACTED**] of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [**REDACTED**] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [**REDACTED**]. As the [**REDACTED**] of additional Shares after the [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior [**REDACTED**] for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong. Any [**REDACTED**] for [**REDACTED**] of the converted shares on the Stock Exchange after our [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Share register, and the Company will re-register such Shares on the [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on the [**REDACTED**] of the Company will be on the conditions that (i) the [**REDACTED**] lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [**REDACTED**] and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be [**REDACTED**] on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on the [**REDACTED**] of the Company, such Shares would not be [**REDACTED**] as H Shares.

DOMESTIC PROCEDURES

The Shareholders who apply for H Share Full Circulation ("**Full Circulation Participating Shareholders**") may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and [**REDACTED**]:

(i) We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, crossborder settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

(ii) We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as the transmission of sale orders and trading messages in respect of the converted H Shares. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange ("**SZSE**");

(iii) The SZSE shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and trading messages in respect of the Converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(iv) According to the Circular of the People's Bank of China and the State Administration of Foreign Exchange on Issues Related to the Administration of Funds Related to Overseas Listings by Domestic Enterprises (《中國人民銀行、國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》), the domestic Full Circulation Participating Shareholders, who reduced or intends to reduce their holdings of H shares shall, within 30 working days, before or after the reduction, apply for the share reduction registration with the local bank. In the case of an increase in their holdings of H shares, they shall apply to the local SAFE branch for registration within 20 working days prior to the proposed increase; and

(v) The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our share capital registered shall be reduced by the number of Unlisted Shares converted and increased by the number of H Shares so converted.

A Shareholder holding Unlisted Shares not converted into H Shares can work with the Company according to the Articles of Association and follow the procedures set out in this document to convert the Unlisted Shares into H Shares after the [**REDACTED**] if they want, provided that such conversion of Unlisted Shares into and [**REDACTED**] and [**REDACTED**] of H Shares will be subject to the approval of the relevant PRC regulatory authorities, including the CSRC, the approval of the Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

RESTRICTIONS OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly [**REDACTED**] shares are [**REDACTED**] and [**REDACTED**] on the relevant stock exchange. As such, the Shares issued by the Company prior to the [**REDACTED**] of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

The Directors and members of the senior management of the Company shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by the Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the

Company cannot be transferred within one year from the date on which the Shares are [**REDACTED**] and [**REDACTED**], nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by the Directors and members of senior management of the Company.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of the Unlisted Shares into H Shares, the following persons will have an interest and/or short position in the Shares or underlying Shares which will be required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of the Company:

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of interest	Description of Shares	Number of the Unlisted Shares	Approximate percentage of interest in the Company	Number of Shares	Approximate percentage of interest in the Domestic Shares/ H Shares (as appropriate)[1]	Approximate percentage of interest in the Company[1]
Mr. Xu	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xie	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Zhonghe	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Langming	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Langwei	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Langxing	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Langyi	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Zhiwen	Beneficial owner; interest jointly held with other persons[2]	Unlisted Shares	89,649,920	64.89%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
SDF ZY Investment Limited	Beneficial owner	Unlisted Shares	9,645,986	6.98%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Harbour Avenue	Beneficial owner[3]	Unlisted Shares	9,701,587	7.02%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Wuxi Boyi	Beneficial owner[3][4]	Unlisted Shares	2,394,855	1.73%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Xu Dacheng	Interested in controlled corporation[3]	Unlisted Shares	12,096,442	8.75%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Cai Huiyu	Interested in controlled corporation[3]	Unlisted Shares	12,096,442	8.75%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

(1) The calculation is based on the total number of [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares in issue upon the [**REDACTED**] comprising an aggregate of (i) [**REDACTED**] H Shares to be converted from the Unlisted Shares and (ii) [**REDACTED**] H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) Pursuant to the Acting-in-Concert Agreement, Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company. As of the Latest Practicable Date, (i) Wuxi Zhonghe was the general partner of Wuxi Langming, Wuxi Langwei and Wuxi Langyi; and (ii) Mr. Xu was the general partner of Wuxi Langxing and Wuxi Zhiwen. As a result, each of Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen is deemed to be interested in all the Shares in which each of them is interested under the SFO. For more details, see "Relationship with our Controlling Shareholders."

(3) As of the Latest Practicable Date, Harbour Avenue was owned as to 99.00% by Ms. Cai Huiyu. Wuxi Boyi was a limited partnership managed by Mr. Xu Dacheng as its general partner, who is the spouse of Ms. Cai Huiyu. As a result, Ms. Cai Huiyu and Mr. Xu Dacheng are deemed to be interested in an aggregate of 12,096,442 Shares held by Harbour Avenue and Wuxi Boyi under the SFO.

(4) The entity is not substantial shareholder as it will not have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, and will not be, directly or indirectly, interested in 10.00% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. The entity is disclosed in this table for the sake of completeness.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of the Unlisted Shares into H Shares, have any interest and/or short position in the Shares or underlying shares of the Company which will be required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group.

DIRECTORS

Upon the [**REDACTED**], our Board will consist of four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The following table sets forth certain information about our Directors.

Name	Age	Position	Responsibilities	Date of the appointment as a Director	Date of joining our Group
Mr. Xu Jun (徐軍)	55	Chairman of the Board, executive Director	Responsible for the strategic development direction, and monitoring implementation of business strategies	November 6, 2015	February 9, 2015
Mr. Xie Hongwei (謝宏偉)	53	Executive Director, chief executive officer and general manager	Responsible for the overall management and operations	November 21, 2014	June 1, 2012
Mr. You Bin (尤斌)	55	Executive Director and deputy general manager	Responsible for production, quality, infrastructure, supply chain and other related functions	December 28, 2018	January 1, 2013
Dr. Cai Beilei (蔡蓓蕾)	48	Executive Director and deputy general manager	Responsible for overseeing research, development and product pipeline	January 1, 2020	July 1, 2013
Mr. Xu Dacheng (徐大成)	58	Non-executive Director and vice chairman of the Board	Responsible for providing strategic advice on the business development	November 6, 2015	November 6, 2015
Mr. Yang Xiaolong (楊小龍)	45	Non-executive Director	Responsible for providing strategic advice on the business development	September 25, 2025	September 25, 2025
Dr. Zhang Weijiong (張維炯)	72	Independent non-executive Director	Responsible for providing independent advice and judgment to the Board	November 12, 2020	November 12, 2020
Dr. Ng Lai Ping Angela (吳麗萍)	57	Independent non-executive Director	Responsible for providing independent advice and judgment to the Board	June 15, 2026	June 15, 2026
Dr. Xia Lijun (夏立軍)	50	Independent non-executive Director	Responsible for providing independent advice and judgment to the Board	June 15, 2026	June 15, 2026

Executive Directors

Mr. Xu Jun (徐軍), aged 55, has been our Director and the chairman of the Board since November 2015. Mr. Xu was re-designated as our executive Director in June 2026. Prior to joining our Group, from 1992 to 2001, Mr. Xu worked at Shenzhen China Resources Sanjiu Medicine Trading Co., Ltd. (深圳華潤三九醫藥貿易有限公司) (formerly known as Shenzhen Sanjiu Medicine Trading Co., Ltd. (深圳市三九醫藥貿易有限公司)) ("**Sanjiu Medicine**"), with his last position being a deputy general manager. From January 2002 to August 2005, he served as the chairman of the board and the general manager of Lansen Medicine (Shenzhen) Co., Ltd. (朗生医药(深圳)有限公司) ("**Lansen Shenzhen**"). From August 2005 to March 2013, he also served as the vice chairman of the board and the chief executive officer of Lanse Shenzhen. From April 2010 to April 2013, Mr. Xu served as an executive director and the chief executive officer of Lansen Pharmaceutical Holdings Limited (朗生醫藥控股有限公司) ("**Lansen Pharmaceutical**"), a company previously listed on the Stock Exchange and delisted in December 2023 following its privatization by way of a scheme of arrangement.

Mr. Xu obtained a bachelor's degree in economics from Renmin University of China (中國人民大學) in the PRC in July 1992. He obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院) in the PRC in April 2003.

Mr. Xie Hongwei (謝宏偉), aged 53, has been our Director since November 2014 and our general manager since December 2018. Mr. Xie was re-designated as our executive Director in June 2026. Prior to joining our Group, from 1994 to 2001, Mr. Xie worked at Sanjiu Medicine, where his last position prior to his departure was the sales channel director. From January 2002 to August 2005, he served as the director of the marketing department and the director of the sales department of Lansen Shenzhen and Ningbo Lansen Pharmaceutical Company Limited (寧波朗生醫藥有限公司) ("**Ningbo Lansen**"), both of which were subsidiaries of Lansen Pharmaceutical. From September 2005 to February 2012, he also served as the general manager of Ningbo Lansen. From June 2013 to November 2015, he served as a director and the general manager of Langrun Tech.

Mr. Xie obtained a bachelor's degree in informatics (medicine, pharmacy) from Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部) (formerly known as Norman Bethune University of Medical Sciences (白求恩醫科大學)) in the PRC in July 1994.

Mr. You Bin (尤斌), aged 55, has been our deputy general manager since December 2015 and our Director since December 2018. Mr. You was re-designated as our executive Director in June 2026. Prior to joining our Group, from August 1995 to August 2005, Mr. You successively served as a workshop director, a deputy head of project office and a deputy head of the formulation business division of Nanjing Baijingyu Pharmaceutical Co., Ltd. (南京白敬宇製藥有限責任公司) (formerly known as Nanjing Baijingyu Pharmaceutical Factory (南京白敬宇製藥廠)). From September 2005 to December 2012, he served as a deputy general manager of Ningbo Liwah Pharmaceutical Co., Ltd. (寧波立華製藥有限公司).

Mr. You obtained a bachelor's degree in corrosion and protection from Nanjing University of Technology (南京工業大學) (formerly known as Nanjing Chemical College (南京化工學院)) in the PRC in July 1993. Mr. You obtained the professional title of engineer in September 1999.

Dr. Cai Beilei (蔡蓓蕾), aged 48, has been our deputy general manager since December 2015 and our Director since January 2020. Dr. Cai was re-designated as our executive Director in June 2026. Dr. Cai also served as a business development director of Langrun Tech from July 2013 to November 2015. Prior to joining our Group, she served as a marketing strategy manager of Ningbo Lansen from November 2010 to February 2013.

Dr. Cai obtained a bachelor's degree in clinical medicine from the Medical College of Yangzhou University (揚州大學醫學院) in the PRC in June 2001. She obtained a master's degree in medical genetics in December 2003 and a doctoral degree in immunology in December 2008 from the University of Glasgow in the United Kingdom, respectively.

Non-executive Directors

Mr. Xu Dacheng (徐大成), aged 58, has been our Director since November 2015 and was re-designated as our non-executive Director in June 2026. From March 2001 to June 2007, he served as a fund manager of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司). Since July 2010, he has been the general partner of Shanghai Broadvision Asset Management (上海博頤資產管理中心(普通合夥)). Since April 2017, he has been the general partner of Wuxi Boyi Investment Management Partnership Enterprise (Limited Partnership) (無錫博頤投資管理合夥企業(有限合夥)) (formerly known as Ningbo Meishan Bonded Port Area Boyi Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區博頤投資管理合夥企業(有限合夥)), a Shareholder of our Company.

Mr. Xu obtained a bachelor's degree in electromagnetic measurement and instruments (電磁測量與儀錶) from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1992, and a master's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in February 2002.

Mr. Yang Xiaolong (楊小龍), aged 45, has been our Director since September 2025 and was re-designated as our non-executive Director in June 2026. Mr. Yang co-founded 6.cn Technology Co., Ltd. (北京六間房科技有限公司) in March 2006, where he held multiple management positions within the same group until February 2020. Since March 2020, Mr. Yang has been the principal of the general partner of Sinovation Disrupt Fund Management, Ltd. He also served as a senior advisor of Sinovation Ventures (Beijing) Enterprise Management Co., Ltd. (創新工場(北京)企業管理股份有限公司) from March 2020 to July 2024. Mr. Yang has been a senior partner of Sinovation (HK) Investment Management Co., Limited since July 2024, and a managing partner of Sinovation Ventures Group and Sinovation (HK) Investment Management Co., Limited since July 2025, where he leads investments in productivity technologies, healthcare, and life sciences.

Mr. Yang obtained a bachelor of science degree in business administration from Washington University in St. Louis in the United States in May 2004.

Mr. Yang was a director of Beijing Kuaizi Technology Co., Ltd. (北京快子科技有限公司), a company established in the PRC with limited liability, the license of which was revoked on April 19, 2024 as it ceased operation for more than six months. Mr. Yang confirmed that as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him as a result of the revocation of business license of the aforementioned company.

Independent Non-executive Directors

Dr. Zhang Weijiong (張維炯), aged 72, has been our independent Director since November 2020 and was re-designated as an independent non-executive Director in June 2026. Since May 1997, he has been working at China Europe International Business School (中歐國際工商學院), where he successively served as a program director of the executive master of business administration program, an associate dean of academic affairs, and a vice dean and the dean of Chinese academic affairs. He has served as a director of Shanghai Huayi Holding Group Co., Ltd. (上海華誼控股集團有限公司) since March 2010, a director of Huayu Automotive Systems Company Limited (華域汽車系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600741) since May 2015, and an independent director of Ruiyuan Fund Management Co., Ltd. (睿遠基金管理有限公司) since October 2018.

Dr. Zhang obtained a bachelor's degree in power machinery from Shanghai Jiao Tong University (上海交通大學) in the PRC in January 1982. He obtained a master's degree in business administration in May 1989 and a doctoral degree in business administration in May 1997, respectively, both from the University of British Columbia in Canada.

Dr. Ng Lai Ping Angela (吳麗萍), aged 57, was appointed as our independent Director in June 2026 and was re-designated as an independent non-executive Director in June 2026. Dr. Ng joined The Hong Kong University of Science and Technology (香港科技大學) in December 1997. Since then, she has taken on a range of leadership roles across the university, including the associate dean of the business school and the director of undergraduate recruitment and admissions. Since September 2025, she has also served as an assistant vice-president for institutional advancement (global engagement) and an adjunct professor of finance. From January 2012 to December 2017, she served as a member of the Consumer Council (消費者委員會) in Hong Kong. From March 2020 to March 2021, she served as the director and associate dean of the Faculty of Business Administration of The Chinese University of Hong Kong (香港中文大學). From August 2020 to December 2024, she served as a member of the Transport Advisory Committee (交通諮詢委員會) in Hong Kong. Since August 2022, she has been the academic dean and associate director of The Hong Kong Management Association (香港管理專業協會).

Dr. Ng obtained her bachelor's degree in econometrics and mathematical economics from the London School of Economics and Political Science in the United Kingdom in August 1992. She obtained her Ph.D. in economics from Stanford University in the United States in December 1997.

Dr. Xia Lijun (夏立軍), aged 50, was appointed as our independent Director in June 2026 and was re-designated as an independent non-executive Director in June 2026. From December 1997 to August 2000, Dr. Xia served as an audit assistant and a certified public accountant of Jiangsu Wujiang Huazheng Certified Public Accountants (江蘇吳江華正會計師事務所). From July 2006 to January 2011, he served as a professor of the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Since March 2011, Dr. Xia has been a professor and Ph.D. advisor of the Antai College of Economics and Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院).

Dr. Xia previously served as an independent director of several listed companies, including SUNRISE Group Co., Ltd. (盛泰智造集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 605138), from October 2018 to July 2024; APT Medical Inc. (深圳惠泰醫療器械股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688617), from November 2019 to November 2025; East Money Information Co., Ltd. (東方財富信息股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300059), from January 2020 to January 2023; and Shanghai Tongji Science & Technology Industrial Co., Ltd. (上海同濟科技實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600846), from April 2020 to June 2026. Dr. Xia also served as a supervisor of Orient Securities Company Limited (東方證券股份有限公司), a company listed on both the Stock Exchange (stock code: 03958) and the Shanghai Stock Exchange (stock code: 600958), from March 2021 to November 2024. Dr. Xia has been an independent director of Jiangsu Recbio Technology Co., Ltd. (江蘇瑞科生物技術股份有限公司), a company listed on the Stock Exchange (stock code: 02179), since June 2021; an independent director of Shanghai Zhenhua Heavy Industries Co., Ltd. (上海振華重工(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600320), since June 2024; and an independent director of BOC International (China) CO., LTD. (中銀國際證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601696), since May 2026.

Dr. Xia obtained a bachelor's degree in statistics from Hangzhou Dianzi University (杭州電子科技大學) (formerly known as Hangzhou Institute of Electronic Engineering (杭州電子工業學院)) in the PRC in 1997. He obtained a master's degree and a doctoral degree in accounting both from Shanghai University of Finance and Economics (上海財經大學) in the PRC in March 2003 and March 2006, respectively. In June 2000, Dr. Xia was qualified as a Chinese Certified Public Accountant (中國註冊會計師) by the Ministry of Finance of the PRC.

SENIOR MANAGEMENT

The following table sets forth certain information about our senior management.

Name	Age	Position	Responsibilities	Date of the appointment as senior management	Date of joining our Group
Mr. Xie Hongwei (謝宏偉) . . .	53	Executive Director, chief executive officer and general manager	Responsible for the overall management and operations	December 22, 2015	June 1, 2012

Name	Age	Position	Responsibilities	Date of the appointment as senior management	Date of joining our Group
Mr. You Bin (尤斌)	55	Executive Director and deputy general manager	Responsible for production, quality, infrastructure, EHS, supply chain and other related functions	December 22, 2015	January 1, 2013
Dr. Cai Beilei (蔡蓓蕾) . . .	48	Executive Director and deputy general manager	Responsible for overseeing research, development and product pipeline	December 22, 2015	July 1, 2013
Mr. Tian Zhihui (田志會) . . .	43	Deputy general manager	Responsible for driving business development, market access strategies, commercialization, and brand management	June 18, 2021	February 1, 2013
Ms. Cheung Yu Lai (張宇麗)	44	Chief financial officer and deputy general manager	Responsible for overseeing the financial and legal affairs	December 22, 2015	January 1, 2015
Mr. Deng Wei (鄧偉)	52	Deputy general manager	Responsible for business operations and assisting with government affairs matters	January 30, 2026	January 1, 2021
Ms. Wu Lin (吳琳)	38	Board secretary	Responsible for overseeing corporate governance and investor relations, and driving human resources strategy	January 30, 2026	March 11, 2024

For the biographical details of Mr. Xie, Mr. You Bin and Dr. Cai, see "– Directors" in this section.

Mr. Tian Zhihui (田志會), aged 43, has been our deputy general manager since June 2021. From July 2005 to February 2013, he served successively as a sales supervisor and a regional general manager of Lansen Shenzhen and Ningbo Lansen, both of which were subsidiaries of Lansen Pharmaceutical. From February 2013 to September 2025, he served successively as a manager of Beijing regional, an assistant to the sales director, a market medical director, a director of the innovative business department and a general manager of Langrun Tech.

Mr. Tian obtained a bachelor's degree in accounting from Changchun University (長春大學) in the PRC in July 2005.

Ms. Cheung Yu Lai (張宇麗), aged 44, has been our chief financial officer since December 2015. Prior to joining our Group, from October 2003 to October 2004, Ms. Cheung served as an auditor in the audit department of HLM CPA Limited. From October 2004 to March 2005, she served as an associate in the audit department of Moores Rowland Mazars. From March 2005 to February 2010, she successively served as an accountant, a senior accountant, and a manager in the audit department of Deloitte Touche Tohmatsu. From July 2010 to October 2014, she served as a senior financial manager in the finance department of Lansen Pharmaceutical.

Ms. Cheung obtained a bachelor's degree in accounting from The Hong Kong University of Science and Technology in Hong Kong in November 2003 and a master's degree in corporate governance from The Hong Kong Polytechnic University in Hong Kong in October 2014. She was admitted as a fellow of the Association of Chartered Certified Accountants (ACCA) in September 2013, and qualified as a chartered secretary and corporate governance professional of The Hong Kong Chartered Governance Institute (HKCGI) in April 2015.

Mr. Deng Wei (鄧偉), aged 52, has been our deputy general manager since January 2026. Prior to that, Mr. Deng was our supervisor from January 2021 to June 2025. From July 1995 to December 2002, Mr. Deng served as a prescription medicine manager of Guangdong region at Sanjiu Medicine. From January 2003 to December 2008, he served as a general manager of Guangdong Lejian Pharmaceutical Co., Ltd. (廣東樂健醫藥科技有限公司). From December 2008 to January 2020, he served as an executive director and a general manager of Shanghai Hejianjia Investment Management Consulting Co., Ltd. (上海合健佳投資管理諮詢有限公司).

Mr. Deng graduated from Guangdong Pharmaceutical University (廣東藥科大學) (formerly known as Guangdong Pharmaceutical College (廣東藥學院)) in the PRC in June 1995.

Ms. Wu Lin (吳琳), aged 38, has been our Board secretary since January 2026. Prior to that, Ms. Wu served as an assistant to the chairman of the Board from March 2024 to January 2026. From July 2009 to April 2015, Ms. Wu served in the offering and listing department of the Shanghai Stock Exchange. From May 2015 to March 2019, she served as a manager of the market value management department of the China Financial Information Center (中國金融信息中心). From April 2019 to August 2023, she served as a vice president of the institutional business department of Nomura Orient International Securities Co., Ltd. (野村東方國際證券有限公司).

Ms. Wu obtained a bachelor's degree in information management and information systems from Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) (formerly known as Shanghai Finance University (上海金融學院)) in July 2009. She obtained a master of laws degree from East China University of Political Science and Law (華東政法大學) in the PRC in December 2018.

GENERAL

As of the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries,

(i) save as disclosed above, none of our Directors or senior management had held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document;

(ii) none of our Directors or members of the senior management of our Company was related to any other Directors and members of the senior management;

(iii) save as disclosed in "Statutory and General Information," none of our Directors or chief executive officer held any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

As of the Latest Practicable Date, none of our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirmed that he or she (i) had obtained the legal advice referred to under Rule 3.09D of the Listing Rules in June 2026; and (ii) understood his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors had confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she had no past or present financial or other interest in the business of our Company or its subsidiary or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date; and (iii) that there were no other factors that may affect his or her independence at the time of his or her appointments. Each of our independent non-executive Directors will inform us and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his or her independence.

JOINT COMPANY SECRETARIES

We appointed Ms. Wu Lin (吳琳) and Ms. Au Wing Han (區泳嫻) as our joint company secretaries on June 1, 2026, with effect from the same date.

For details of Ms. Wu Lin's biography, see "– Senior Management" above.

Ms. Au Wing Han (區泳嫻), was appointed as one of our joint company secretaries on June 1, 2026. Ms. Au has over 10 years of experience in corporate secretarial field and is responsible for providing corporate service to listed and private companies.

Ms. Au currently serves as an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services. Ms. Au obtained her bachelor's degree in business administration in July 2015. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

We have established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles of Association and the Corporate Governance Code, namely the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and Strategy and ESG Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Dr. Xia Lijun, Dr. Ng Lai Ping Angela and Dr. Zhang Weijiong, with Dr. Xia Lijun serving as the chairperson. Dr. Xia Lijun has the appropriate professional experience required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, the following: (i) proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance; (ii) examining the financial information of our Company and reviewing financial reports and statements of the Company; (iii) examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and (iv) dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Xu, Dr. Zhang Weijiong and Dr. Ng Lai Ping Angela, with Dr. Zhang Weijiong currently serving as the chairperson. The primary duties of the Nomination Committee include, but are not limited to, the following: (i) conducting extensive search and providing our Board with suitable candidates for our Directors, general managers and other members of the senior management; (ii) reviewing the structure, size and composition of our Board (including but not limited to, gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (iii) researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; (iv) assessing the independence of the independent non-executive Directors; and (v) dealing with other matters that are authorized by our Board.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration and Appraisal Committee consists of three Directors, namely Mr. Xu, Dr. Zhang Weijiong and Dr. Xia Lijun, with Dr. Zhang Weijiong currently serving as the chairperson. The primary duties of the Remuneration and Appraisal Committee include, but are not limited to, the following: (i) advising our Board on the overall remuneration plan and structure of our Directors and senior management and the establishment of transparent and formal procedures for determining the remuneration policy of our Company; (ii) monitoring the implementation of the remuneration system of our Company; (iii) making recommendations on the remuneration packages of our Directors and senior management; and (iv) other duties conferred by our Board.

Strategy and ESG Committee

We have established a Strategy and ESG Committee, which consists of five Directors, namely Mr. Xu, Mr. Xie, Dr. Cai Beilei, Mr. Xu Dacheng and Dr. Zhang Weijiong, with Mr. Xu currently serving as the chairperson. The primary duties of the Strategy and ESG Committee include, but are not limited to, the following: (i) research and make recommendations to the Board on the long-term development strategies and plans; (ii) make recommendations to our Board on the major financing plans and material investment decisions of our Company and other major strategic issues influencing the development of our Company; (iii) research and make recommendations in respect of our ESG strategies, objectives, governance structure and key policies; and (iv) review the implementation of the above matters.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy which sets out the objective and approach for achieving and maintaining the diversity of our Board in order to enhance its effectiveness. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board having due regard to the benefits of diversity on the Board and also the specific needs of our Company without focusing on a single diversity aspect. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in different areas. They obtained degrees in various areas including finance, economics, clinical medicine and business administration. Furthermore, our Board has a diverse age and gender representation. Our Board currently comprises two female Directors and seven male Directors, ranging from 45 years old to 72 years old.

With regard to gender diversity on the Board, we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. We will maintain a focus on gender diversity when recruiting staff at the mid to senior level so as to develop a pipeline of potential female successors to our Board. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our board diversity policy.

Upon the [**REDACTED**], the Nomination Committee will from time to time discuss and agree on expected goals to ensure board diversity, and review and, where necessary, update the board diversity policy to ensure that the policy remains effective. We will disclose the biographical details of each Director and report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS' REMUNERATION AND REMUNERATION OF THE FIVE HIGHEST-PAID INDIVIDUALS

The Directors and senior management members who receive remuneration from the Company are paid in the forms of salaries and other benefits in kind, discretionary bonuses, retirement benefit scheme contributions and share-based payment. The remuneration of our Directors and senior management members is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of our Company.

The aggregate amount of emoluments (including directors' fees, salaries, allowances and benefits in kind, discretionary bonuses, contribution to retirement scheme and equity-settled share-based payment) of the Directors for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 amounted to RMB5.3 million, RMB10.7 million, RMB82.2 million and RMB5.1 million, respectively. The aggregate amount of emoluments (including directors' fees, salaries, allowances and benefits in kind, discretionary bonuses, contribution to retirement scheme and equity-settled share-based payment) of the five highest-paid individuals (excluding Directors) of the Group for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026 amounted to RMB10.4 million, RMB21.4 million, RMB8.9 million and RMB2.9 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation, including estimated share-based compensation, to be accrued to our Directors for the year ending December 31, 2026 to be approximately RMB18.7 million. The actual remuneration of Directors for 2026 may be different from the expected remuneration.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any subsidiary of our Company.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or our subsidiary to our Directors or the five highest-paid individuals during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed UOB Kay Hian (Hong Kong) Limited as our Compliance Advisor in compliance with Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including: (i) before the publication of any regulatory announcement, circular or financial report; (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; (iii) where we propose to use the [**REDACTED**] from the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and (iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See "Business — Strategies" for more details of our future business plans.

USE OF [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], and fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] stated in this document, and assuming the [**REDACTED**] is not exercised.

We currently intend to apply these [**REDACTED**] from the [**REDACTED**] for the following purposes:

(a) Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the expansion of our product portfolio, of which:

  (i). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for strengthening our in-house R&D capabilities and continuously expanding our product mix, including:

    o Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to accelerate the R&D progress of our existing pipeline of drug candidates including: (i) [**REDACTED**]% for the clinical trial of ZYG24002 for the treatment of seborrheic dermatitis; (ii) [**REDACTED**]% for the clinical trial of ZYG24012 for the treatment of onychomcosis; (iii) [**REDACTED**]% for the clinical trial of ZYG24004 for the treatment of tinea pedis; (iv) [**REDACTED**]% for our other drug candidates;

    o Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to initiating new product development projects to enhance the construction of a tiered R&D pipeline and further optimize our product structure system, based on our diversified innovation strategy.

  (ii). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to rapidly expand our product portfolio through business collaborations. In addition to in-house development, we will leverage precise insights into user needs to identify unmet niches in segmented markets, and seek licensing and cooperation opportunities with domestic and overseas partners that possess high-quality and well-matched products, especially products that can effectively complement our product matrix, thereby building a more competitive branded product portfolio.

(b) Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the upgrades of our manufacturing platform and intelligence infrastructures, of which:

  (i). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the upgrade of our product manufacturing platform, including [**REDACTED**]% for the intelligent infrastructure development of our new production base to be constructed in Wuxi; [**REDACTED**]% for the construction of new intelligent manufacturing workshops in our established production base; and [**REDACTED**]% for the retrofitting and upgrading of existing equipment, to enhance the overall intelligent manufacturing capabilities of our production lines and to support the commercial-scale production of an expanded product portfolio;

(ii). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the development of our digital and AI infrastructure. In addition, we intend to strengthen the development of AI-driven services and demand analysis at the consumer level, and through in-depth insights into the needs of end-users of dermatological pharmaceutical products, allowing us to precisely capture and align with the rapidly changing consumer needs efficiently.

(iii). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the construction and upgrading of our technology platform, as well as the design and optimization of our product manufacturing processes. This includes research into emerging therapeutic mechanisms, manufacturing process bridging, and upgrading of formulation conversion technologies, to support the overall enhancement of our technical capabilities in product R&D.

(c) Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the enhancement of brand and market influence, of which:

(i). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the expansion of our sales network and distribution channels, to grow our sales team, and to implement an omnichannel marketing strategy encompassing both online and offline channels, ultimately broadening the reach and coverage of our market presence.

(ii). Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund our market penetration through a range of marketing initiatives, including the ongoing conduct of systematic training programs, the strengthening of brand promotional activities, and the establishment of collaborations with well-recognized institutions, to broaden our market outreach, enhance our competitive position and increase our brand recognition.

(d) Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund potential strategic acquisitions and investments in China and overseas. In the future, we may selectively acquire peer companies with complementary product portfolios or upstream and downstream enterprises in the industry to expand our product matrix. We may also pursue acquisitions or collaborations with companies possessing proprietary technology platforms to further strengthen our technological development capabilities.

(e) Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for working capital and general corporate purposes.

The above allocation of the [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the [**REDACTED**] stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the [**REDACTED**], the [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the [**REDACTED**], the [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

If the [**REDACTED**] is exercised in full, the [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**]). In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only deposit the [**REDACTED**] in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[**REDACTED**]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-[1] to I-[63], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 江蘇知原藥業股份有限公司 ZIYOND PHARMACEUTICAL CO., LTD.* AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 江蘇知原藥業股份有限公司 Ziyond Pharmaceutical Co., Ltd.* (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[63], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 31 March 2026, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[63] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the

* For identification purpose only

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025 and 31 March 2026, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of the stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2025 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 30(c) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[*date*]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	1,030,560	1,125,700	1,323,670	293,195	336,778
Cost of sales		(290,586)	(349,430)	(439,541)	(93,816)	(114,038)
Gross profit		739,974	776,270	884,129	199,379	222,740
Other income	5	14,811	14,105	24,921	3,842	4,921
Selling expenses		(407,258)	(456,186)	(475,300)	(110,492)	(147,317)
Administrative expenses		(112,215)	(159,144)	(221,788)	(32,161)	(40,796)
Research and development costs		(48,784)	(59,512)	(70,971)	(11,537)	(10,781)
Reversal/(recognition) of impairment loss on trade and other receivables		510	(558)	1,579	109	(1,478)
Impairment losses on goodwill, intangible assets and assets held-for-sale	6(c)	(220)	(39,990)	–	–	–
Profit from operations		186,818	74,985	142,570	49,140	27,289
Finance costs	6(a)	(6,045)	(6,910)	(11,151)	(2,993)	(1,541)
Changes in the carrying amount of financial instruments issued to investors	26	–	–	(3,625)	–	(7,582)
Share of losses of associates	16	(3,127)	(2,506)	(2,315)	(2,358)	(754)
Profit before taxation	6	177,646	65,569	125,479	43,789	17,412
Income tax	7(a)	(31,406)	(19,970)	(30,963)	(6,031)	(4,783)
Profit for the year/ period		146,240	45,599	94,516	37,758	12,629
Attributable to:						
Equity shareholders of the Company		146,951	48,042	95,854	38,239	12,544
Non-controlling interests		(711)	(2,443)	(1,338)	(481)	85
Profit for the year/ period		146,240	45,599	94,516	37,758	12,629
Earnings per share	10					
Basic and diluted (RMB)		1.13	0.37	0.79	0.31	0.09

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit for the year/period	146,240	45,599	94,516	37,758	12,629
Other comprehensive income for the year/period (after tax)					
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of overseas subsidiaries	(19)	(31)	(187)	(132)	(246)
Other comprehensive income for the year/period	(19)	(31)	(187)	(132)	(246)
Total comprehensive income for the year/period	146,221	45,568	94,329	37,626	12,383
Attributable to:					
Equity shareholders of the Company	146,932	48,011	95,667	38,107	12,298
Non-controlling interests	(711)	(2,443)	(1,338)	(481)	85
Total comprehensive income for the year/period	146,221	45,568	94,329	37,626	12,383

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	300,756	342,205	445,521	485,962
Right-of-use assets	*12*	33,366	82,859	78,025	85,316
Intangible assets	*13*	79,400	74,555	81,966	81,970
Goodwill	*14*	28,244	1,284	1,284	1,284
Investments in associates	*16*	56,343	53,837	51,522	50,768
Deferred tax assets	*29*	6,686	5,021	6,500	8,976
Other non-current assets	*17*	9,067	13,112	46,116	50,305
		513,862	572,873	710,934	764,581
Current assets					
Inventories	*18*	98,053	105,093	129,560	137,406
Trade and other receivables	*19*	143,161	151,786	161,903	208,037
Cash and cash equivalents	*20*	245,026	367,508	433,450	343,254
Assets held-for-sale	*21*	7,099	4,717	4,717	4,717
		493,339	629,104	729,630	693,414
Current liabilities					
Trade and other payables	*22*	99,962	180,721	214,264	199,156
Contract liabilities	*23*	17,139	7,801	6,472	12,595
Bank loans	*24*	29,441	90,465	109,124	160,243
Lease liabilities	*25*	3,504	2,809	1,311	2,905
Financial instruments issued to investors	*26*	–	–	292,244	396,524
Deferred income	*27*	–	3,311	3,182	3,648
Income tax payable	*29*	9,095	4,824	10,971	7,828
		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	*24*	149,336	187,206	166,620	106,470
Lease liabilities	*25*	1,999	2,887	2,100	8,460
Deferred income	*27*	38,166	41,892	43,359	46,956
Deferred tax liabilities	*29*	6,934	2,617	2,161	2,050
		196,435	234,602	214,240	163,936
Net assets		651,625	677,444	588,756	511,160
Capital and reserves					
Share capital	*30(b)*	129,900	129,900	138,168	138,168
Reserves	*30(d)*	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

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December			As at 31 March
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	212,861	222,797	332,253	370,969
Right-of-use assets	*12*	17,267	70,615	68,445	67,903
Intangible assets	*13*	53,757	48,368	52,596	53,574
Investments in subsidiaries	*15*	238,970	239,394	223,729	231,685
Investments in associates	*16*	56,343	53,837	51,522	50,768
Deferred tax assets		5,838	6,042	4,725	5,568
Other non-current assets	*17*	6,882	5,726	43,065	46,172
		591,918	646,779	776,335	826,639
Current assets					
Inventories	*18*	45,790	66,636	84,801	84,215
Trade and other receivables	*19*	105,263	98,213	150,306	188,753
Cash and cash equivalents	*20*	64,742	269,516	319,419	265,080
Assets held-for-sale	*21*	7,099	4,717	4,717	4,717
		222,894	439,082	559,243	542,765
Current liabilities					
Trade and other payables	*22*	76,437	143,092	204,731	193,787
Contract liabilities	*23*	7,063	6,803	5,876	11,419
Bank loans	*24*	17,013	71,562	84,845	128,908
Lease liabilities	*25*	95	755	704	713
Financial instruments issued to investors	*26*	–	–	292,244	396,524
Deferred income	*27*	–	2,544	2,424	2,822
Income tax payable		5,067	1,783	4,564	3,316
		105,675	226,539	595,388	737,489
Net current assets/(liabilities)		117,219	212,543	(36,145)	(194,724)
Total assets less current liabilities		709,137	859,322	740,190	631,915
Non-current liabilities					
Bank loans	*24*	101,801	121,819	141,620	106,470
Lease liabilities	*25*	–	2,599	2,015	2,038
Deferred income	*27*	24,648	22,401	20,621	24,512
Deferred tax liabilities		2,597	–	–	–
Total non-current liabilities		129,046	146,819	164,256	133,020
Net assets		580,091	712,503	575,934	498,895
Capital and reserves					
Share capital	*30(b)*	129,900	129,900	138,168	138,168
Reserves	*30(d)*	450,191	582,603	437,766	360,727
Total equity		580,091	712,503	575,934	498,895

The accompanying notes form part of the Historical Financial Information.

This document is in draft form, incomplete and subject to change and the information must be read in conjunction with the section headed "Warning" on the cover of this document

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		129,900	200,207	9,193	19,131	127	168,812	527,370	32,701	560,071
Changes in equity for 2023:										
Profit for the year		–	–	–	–	–	146,951	146,951	(711)	146,240
Other comprehensive income		–	–	–	–	(19)	–	(19)	–	(19)
Total comprehensive income for the year		–	–	–	–	(19)	146,951	146,932	(711)	146,221
Capital injection from non-controlling interests		–	–	–	–	–	–	–	1,960	1,960
Acquisition of non-controlling interests in a subsidiary	*30(e)*	–	(3,756)	–	–	–	–	(3,756)	(14,244)	(18,000)
Dividend declared and approved in respect of previous year	*30(c)*	–	–	–	–	–	(38,970)	(38,970)	–	(38,970)
Equity-settled share-based payment	*28*	–	–	343	–	–	–	343	–	343
Appropriation for statutory reserves	*30(d)(iv)*	–	–	–	10,571	–	(10,571)	–	–	–
Balance at 31 December 2023		129,900	196,451	9,536	29,702	108	266,222	631,919	19,706	651,625

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024		129,900	196,451	–	9,536	29,702	108	266,222	631,919	19,706	651,625
Changes in equity for 2024:											
Profit for the year		–	–	–	–	–	–	48,042	48,042	(2,443)	45,599
Other comprehensive income		–	–	–	–	–	(31)	–	(31)	–	(31)
Total comprehensive income for the year		–	–	–	–	–	(31)	48,042	48,011	(2,443)	45,568
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	1,540	1,540
Shares repurchased for share award scheme	*30(d)(ii)*	–	–	(9,180)	–	–	–	–	(9,180)	–	(9,180)
Shares granted under the share award scheme	*30(d)(ii)*	–	–	9,180	(8,100)	–	–	–	1,080	–	1,080
Dividend declared and approved in respect of previous year	*30(c)*	–	–	–	–	–	–	(38,622)	(38,622)	(490)	(39,112)
Equity-settled share-based payment	*28*	–	–	–	25,923	–	–	–	25,923	–	25,923
Appropriation for statutory reserves	*30(d)(iv)*	–	–	–	–	15,321	–	(15,321)	–	–	–
Balance at 31 December 2024		129,900	196,451	–	27,359	45,023	77	260,321	659,131	18,313	677,444

The accompanying notes form part of the Historical Financial Information.

This document is in draft form, incomplete and subject to change and the information must be read in conjunction with the section headed "Warning" on the cover of this document

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2025		129,900	196,451	–	27,359	45,023	77	–	260,321	659,131	18,313	677,444
Changes in equity for 2025:												
Profit for the year		–	–	–	–	–	–	–	95,854	95,854	(1,338)	94,516
Other comprehensive income		–	–	–	–	–	(187)	–	–	(187)	–	(187)
Total comprehensive income for the year		–	–	–	–	–	(187)	–	95,854	95,667	(1,338)	94,329
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	875	875
Repurchase and cancellation of ordinary shares	*30(b)*	(10,985)	(156,523)	–	–	–	–	–	–	(167,508)	–	(167,508)
Issuance of ordinary shares with preferred rights, net of transaction cost	*30(b)*	12,346	244,510	–	–	–	–	–	–	256,856	–	256,856
Recognition of financial instruments issued to investors	*26*	–	–	–	–	–	–	(288,619)	–	(288,619)	–	(288,619)
Subscription of shares under share award scheme	*30(b)*	6,907	–	(4,800)	–	–	–	–	–	2,107	–	2,107
Shares repurchased for share award scheme	*30(d)(ii)*	–	–	(43,091)	–	–	–	–	–	(43,091)	–	(43,091)
Shares granted under the share award scheme	*30(d)(ii)*	–	–	43,091	(40,398)	–	–	–	–	2,693	–	2,693
Dividend declared and approved in respect of previous year	*30(c)*	–	–	–	–	–	–	–	(25,714)	(25,714)	–	(25,714)
Equity-settled share-based payment	*28*	–	–	–	79,384	–	–	–	–	79,384	–	79,384
Appropriation for statutory reserves	*30(d)(iv)*	–	–	–	–	4,732	–	–	(4,732)	–	–	–
Balance at 31 December 2025		138,168	284,438	(4,800)	66,345	49,755	(110)	(288,619)	325,729	570,906	17,850	588,756

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company										
		Share capital	Share premium	Shares held for the share award scheme	Capital reserve	Statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2026		138,168	284,438	(4,800)	66,345	49,755	(110)	(288,619)	325,729	570,906	17,850	588,756
Changes in equity for the three months ended 31 March 2026:												
Profit for the period		–	–	–	–	–	–	–	12,544	12,544	85	12,629
Other comprehensive income		–	–	–	–	–	(246)	–	–	(246)	–	(246)
Total comprehensive income for the period		–	–	–	–	–	(246)	–	12,544	12,298	85	12,383
Recognition of financial instruments issued to investors	*26*	–	–	–	–	–	–	(96,698)	–	(96,698)	–	(96,698)
Equity-settled share-based payment	*28*	–	–	–	6,719	–	–	–	–	6,719	–	6,719
Balance at 31 March 2026		138,168	284,438	(4,800)	73,064	49,755	(356)	(385,317)	338,273	493,225	17,935	511,160

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
Balance at 1 January 2025		129,900	196,451	27,359	45,023	77	260,321	659,131	18,313	677,444
Changes in equity for the three months ended 31 March 2025:										
Profit for the period		–	–	–	–	–	38,239	38,239	(481)	37,758
Other comprehensive income		–	–	–	–	(132)	–	(132)	–	(132)
Total comprehensive income for the period		–	–	–	–	(132)	38,239	38,107	(481)	37,626
Capital injection from non-controlling interests		–	–	–	–	–	–	–	700	700
Repurchase of ordinary shares	*30(b)*	–	(167,508)	–	–	–	–	(167,508)	–	(167,508)
Equity-settled share-based payment		–	–	390	–	–	–	390	–	390
Balance at 31 March 2025		129,900	28,943	27,749	45,023	(55)	298,560	530,120	18,532	548,652

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities:						
Cash generated from operations	*20(b)*	212,097	188,037	233,686	45,482	23,264
Income tax paid		(28,927)	(26,893)	(26,751)	(6,216)	(10,513)
Net cash generated from operating activities		183,170	161,144	206,935	39,266	12,751
Investing activities:						
Payments for purchase of property, plant and equipment, land-use rights and intangible assets		(115,692)	(120,196)	(121,997)	(24,510)	(88,590)
Proceeds from disposal of property, plant and equipment		2,971	1,877	3,685	3,233	2
Payment for purchase of wealth management products measured at fair value through profit or loss		(18,000)	(17,500)	(90,000)	(40,000)	–
Proceeds from sale of wealth management products measured at fair value through profit or loss		18,013	17,532	90,119	40,084	–
Payment for investments in associates		(35,000)	–	–	–	–
Others		–	(300)	620	–	–
Net cash used in investing activities		(147,708)	(118,587)	(117,573)	(21,193)	(88,588)
Financing activities:						
Proceeds from bank loans	*20(c)*	149,700	163,000	229,619	129,600	126,966
Repayment of bank loans	*20(c)*	(108,795)	(64,183)	(231,480)	(8,000)	(135,990)
Interest paid for bank loans	*20(c)*	(6,697)	(7,816)	(11,204)	(2,931)	(1,738)
Payment of dividends		(42,359)	(490)	(63,810)	(38,622)	(526)
Proceeds from employees for subscription of shares under share award scheme		–	1,080	9,600	–	–
Shares repurchased for share award scheme		–	(9,180)	(43,091)	–	–
Shares repurchased for cancellation		–	–	(167,508)	(167,508)	–

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Proceeds from the issuance of ordinary shares with preferred rights, net of transaction costs		–	–	256,856	–	–
Payments for acquisition of non-controlling interests in a subsidiary		(18,000)	–	–	–	–
Payment of [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Capital injection received from holders of non-controlling interests		1,960	1,540	875	700	–
Capital element of lease rentals paid	*20(c)*	(4,613)	(3,586)	(2,290)	(945)	(663)
Interest element of lease rentals paid	*20(c)*	(471)	(250)	(230)	(67)	(103)
Net cash (used in)/ generated from financing activities		(29,275)	80,115	(23,832)	(87,773)	(14,104)
Net increase/(decrease) in cash and cash equivalents		6,187	122,672	65,530	(69,700)	(89,941)
Cash and cash equivalents at the beginning of the year/period		238,869	245,026	367,508	367,508	433,450
Effect of foreign exchange rate changes		(30)	(190)	412	(120)	(255)
Cash and cash equivalents at the end of the year/period	*20(a)*	245,026	367,508	433,450	297,688	343,254

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司) (the "Company") was established in Wuxi, Jiangsu Province, People's Republic of China (the "PRC") on 11 March 1999 as a company with limited liability under the Company Law of the PRC. On 27 November 2020, the Company was converted into a joint stock company with limited liability.

The Company and its subsidiaries (the "Group") are principally engaged in the research and development, manufacturing and sales of dermatological pharmaceuticals and medical-grade skincare products in the PRC.

The statutory financial statements of the Company for the years ended 31 December 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)).

As at the date of the report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies.

Company name	Place of incorporation/ establishment and business and date of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Wuxi Langrun Pharmaceutical Co., Ltd. (無錫朗潤醫藥有限公司)*/***	Chinese Mainland, 29 March 2019	RMB25 million/ RMB25 million	100%	–	Sale of products
Wuxi Zhiyan E-commerce Co., Ltd. (無錫知妍電子商務有限公司), formerly known as Wuxi Langrun E-commerce Co., Ltd. (無錫朗潤電子商務有限公司)*/**	Chinese Mainland, 30 May 2019	RMB5 million/ RMB5 million	–	80%	Sale of products
Wuxi Zhiyan Biotechnology Co., Ltd. (無錫知妍生物科技有限公司)*/**	Chinese Mainland, 5 July 2021	RMB20 million/ RMB20 million	80%	–	Research and development and sale of products
Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. (重慶市藥研院製藥有限公司)*/**	Chinese Mainland, 13 November 1986	RMB28 million/ RMB28 million	–	84%	Research and development, production and sale of products
Chongqing Zhiyuan Pharmacy Co., Ltd. (重慶知原大藥房有限公司)*/***	Chinese Mainland, 29 November 2022	RMB10 million/ RMB10 million	100%	–	Sale of products

* The official names of the above entities are in Chinese. The English names are for identification purpose only.

** The statutory financial statements for Wuxi Zhiyan E-commerce Co., Ltd. for the year ended 31 December 2024 were audited by Wuxi Donglin Certified Public Accountants Co., Ltd. (無錫東林會計師事務所有限公司). No statutory financial statements were prepared for the year ended 31 December 2023. The statutory financial statements for the year ended 31 December 2025 have not been issued as at the date of the report.

The statutory financial statements for Wuxi Zhiyan Biotechnology Co., Ltd. for the years ended 31 December 2023 and 2025 were audited by Jiangsu Gong Qin CPAs Co., Ltd. (江蘇公勤會計師事務所有限公司), and the statutory financial statements for the year ended 31 December 2024 were audited by Wuxi Donglin Certified Public Accountants Co., Ltd. (無錫東林會計師事務所有限公司).

The statutory financial statements for Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. for the year ended 31 December 2023 were audited by Chongqing Yonghe Certified Public Accountants (重慶永和會計師事務所), and the statutory financial statements for the years ended 31 December 2024 and 2025 were audited by Chongqing Zhonglongxin Certified Public Accountants (重慶中隆信會計師事務所).

*** No statutory financial statements have been prepared for these entities during the Track Record Period.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB89,485,000 as at 31 March 2026, which is primarily due to the recognition of financial instruments issued to investors of RMB396,524,000 as current liabilities (see Note 26). All of the special rights granted to the investors would be terminated upon the Company's [**REDACTED**], and the financial instruments issued to investors would be reclassified from liability to equity. The directors of the Company are satisfied that the Group have sufficient financial resources to meet its financial obligations as they fall due and to sustain its operations for the foreseeable future after reviewing the Group's

cash flow projection prepared by the management, taking into account the expected working capital requirements covering the next twelve months from 31 March 2026. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

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.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any amendments, 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 Track Record Period are set out in Note 34.

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 accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for the assets and liabilities as set out in Notes 2(f) and 2(q).

Assets held-for-sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(x)).

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held-for-sale (or included in a disposal group classified as held-for-sale) (see Note 2(x)). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i))).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statements of financial position, an investment in associate is accounted for using the equity method, unless it is classified as held-for-sale.

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(j)(ii)).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries and associates, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value, plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is initially recognised at cost. Cost comprises cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)). The construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss, as follows:

Buildings	20 – 50 years
Machineries	5 – 15 years
Office and other equipment	3 – 5 years
Leasehold improvement	shorter of useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Other intangible assets, including patent and license, software and trademark, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Capitalised development costs ready for use	10 years
Software	3 – 10 years
Patent and license	5 – 10 years
Trademark	5 – 10 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the cash generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(f)(i) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income (OCI) and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulties of the debtor;
- A breach of contract, such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(ii)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration, and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(w).

(q) Financial instruments issued to investors

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising a right to redeem. The financial instruments issued to investors are recognised as financial liabilities initially at the present value of the redemption amount, and are reclassified from equity. Subsequently, changes in the carrying amount of the financial liabilities are recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The carrying amount of the financial instruments derecognised is credited into the equity.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The fair value of equity-settled share-based payment granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The grant-date fair value is measured using the valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The subscription price received from the grantees, which is refundable when the awards are forfeited, is recognised as a deposit liability until the award vests.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provision and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax and is after deduction of any trade rebates.

For the sale of dermatological pharmaceuticals and medical-grade skincare products, revenue is recognised at the point in time when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location and the customer accepts the products. Revenue from rendering of services is recognised over time by measuring the progress of that performance obligation. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(v) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets and financial assets (other than investments in subsidiaries, associates and joint ventures), which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Development expenditures

Development expenditures incurred on the Group's pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenditures which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine the criteria met for capitalization.

(b) Sources of estimation uncertainty

Notes 14 and 28 contains information about the assumptions and their risk factors relating to goodwill and equity-settled share-based transactions. Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(i) Depreciation and amortisation

Right-of-use assets, property, plant and equipment and intangible assets, are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation and amortisation expenses for future periods are adjusted if there are material changes from previous estimates.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iii) Impairment of trade and other receivables

The Group's management determines the loss allowance for expected credit losses on trade and other receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. The Group's management reassesses the loss allowance at each reporting period end.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's profit or loss and net asset value.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Sales of products	1,019,698	1,109,755	1,308,220	290,969	331,504
Others	10,862	15,945	15,450	2,226	5,274
	1,030,560	1,125,700	1,323,670	293,195	336,778

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Disaggregation by timing of revenue recognition					
– Point in time	1,023,654	1,113,450	1,314,094	292,026	332,943
– Over time	6,906	12,250	9,576	1,169	3,835
	1,030,560	1,125,700	1,323,670	293,195	336,778

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Company has determined that it only has one operating segment which is the research and development, manufacturing and sales of dermatological pharmaceuticals and medical-grade skincare products.

(i) Geographic information

No geographical information is shown as the revenue and profit from operations of the Group is substantially all derived from activities in the PRC, and substantially all of the Group's non-current assets are located physically or operationally in the PRC.

(ii) Information about major customers

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Customer A	236,807	253,838	264,195	57,456	45,439
Customer B	170,674	N/A*	N/A*	N/A*	N/A*
Customer C	117,614	N/A*	134,098	N/A*	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	35,978
Customer E	N/A*	N/A*	N/A*	N/A*	35,760

* Less than 10% of the Group's revenue in the respective periods.

5 OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest income	1,919	3,000	1,601	721	139
Government grants *(i)*	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)
	14,811	14,105	24,921	3,842	4,921

(i) Government grants mainly represent the reward and subsidies provided to the Group for its contribution to the local economic growth.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Finance costs					
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 capitalised into property, plant and equipment	(1,135)	(1,233)	(217)	–	(293)
Finance costs	6,045	6,910	11,151	2,993	1,541

(b) Staff costs:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages and other benefits	140,341	153,686	158,942	36,887	42,502
Contributions to retirement schemes *(i)*	13,009	15,457	15,581	3,714	4,844
Equity-settled share-based payment expenses *(Note 28)*	343	25,923	79,384	390	6,719
	153,693	195,066	253,907	40,991	54,065

(i) Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

(c) Other items:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Depreciation and amortisation					
– Owned property, plant and equipment	16,573	20,687	26,477	6,357	6,942
– Right-of-use assets	5,001	4,534	4,853	1,156	1,326
– Intangible assets	6,441	7,361	8,466	2,249	2,288
Less: amount capitalised as development costs	(722)	(403)	(319)	(134)	(6)
	27,293	32,179	39,477	9,628	10,550
Impairment losses recognized					
– Intangible assets	–	10,648	–	–	–
– Goodwill	220	26,960	–	–	–
– Assets held-for-sale	–	2,382	–	–	–
	220	39,990	–	–	–
Research and development expenses *(i)*	48,784	59,512	70,971	11,537	10,781
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Cost of inventories sold *(ii)*	276,214	320,421	408,789	87,469	105,259

(i) Research and development expenses include RMB16,543,000, RMB19,641,000, RMB23,914,000, RMB4,754,000 (unaudited) and RMB7,632,000 for the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 respectively relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(ii) Cost of inventories sold include RMB24,980,000, RMB27,754,000, RMB40,016,000, RMB8,775,000 (unaudited) and RMB10,417,000 for the years ended 31 December 2023, 2024 and 2025 and three months ended 31 March 2025 and 2026 respectively relating to staff costs and depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statements of profit and loss and other comprehensive represents:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Provision of income tax for the year/period	32,648	22,622	32,898	7,968	7,370
Deferred tax	(1,242)	(2,652)	(1,935)	(1,937)	(2,587)
	31,406	19,970	30,963	6,031	4,783

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	177,646	65,569	125,479	43,789	17,412
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned *(i)*	44,412	16,392	31,370	10,947	4,353
Effect of preferential tax rate *(ii)*	(11,334)	(6,398)	(7,517)	(3,593)	(3,143)
Tax effect of non-deductible expenses	2,215	14,958	14,322	284	1,810
Tax effect of deductible temporary differences and unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	1,961	994	(389)	(875)	2,763
Tax effect of super deduction for research and development expenses *(iii)*	(6,530)	(7,222)	(7,170)	(1,086)	(1,113)
Others	682	1,246	347	354	113
Actual income tax expense	31,406	19,970	30,963	6,031	4,783

(i) Pursuant to the PRC Enterprise Income Tax (the "EIT"), the Company and its subsidiaries in the Chinese Mainland are subject to EIT at a rate of 25%.

No provision for Hong Kong Profits Tax and Korea Corporate Income Tax were made for the subsidiaries located in Hong Kong and South Korea as the subsidiaries did not have assessable profits during the Track Record Period.

(ii) During the Track Record Period, certain subsidiaries were qualified as High and New Technology Enterprises ("HNTE") and enjoyed a preferential EIT at a rate of 15%, and certain subsidiaries were entitled to a preferential EIT at a rate of 5% as they were accredited as small and micro business.

(iii) According to the new tax incentive policies promulgated by the State Tax Bureau of the PRC, effective for the period from 1 January 2023, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Year ended 31 December 2023

	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment *(i)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Xu Jun (徐軍)	–	1,221	–	19	–	1,240
Mr. Xie Hongwei (謝宏偉)	–	1,116	–	13	–	1,129
Mr. You Bin (尤斌)	–	970	100	12	–	1,082
Dr. Cai Beilei (蔡蓓蕾)	–	1,288	200	15	–	1,503
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	120	–	–	–	–	120
Mr. Li Yuanchao (李援朝)	120	–	–	–	–	120
Mr. Jiang Dequan (蔣德權)	120	–	–	–	–	120
Supervisors:						
Mr. Deng Wei (鄧偉)	–	498	–	16	–	514
Mr. Wang Xuezheng (王學政)	–	537	80	19	–	636
Mrs. Wang Jing (王晶)	–	404	210	13	–	627
	360	6,034	590	107	–	7,091

Year ended 31 December 2024

	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment *(i)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Xu Jun (徐軍)	–	1,221	–	21	2,868	4,110
Mr. Xie Hongwei (謝宏偉)	–	1,117	–	13	1,215	2,345
Mr. You Bin (尤斌)	–	968	–	12	352	1,332
Dr. Cai Beilei (蔡蓓蕾)	–	1,257	250	14	856	2,377
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	180	–	–	–	–	180
Mr. Li Yuanchao (李援朝)	180	–	–	–	–	180
Mr. Jiang Dequan (蔣德權)	180	–	–	–	–	180
Supervisors:						
Mr. Deng Wei (鄧偉)	–	466	–	17	1,278	1,761
Mr. Wang Xuezheng (王學政)	–	413	–	19	133	565
Mrs. Wang Jing (王晶)	–	395	160	13	221	789
	540	5,837	410	109	6,923	13,819

Year ended 31 December 2025

	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment *(i)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Xu Jun (徐軍)	–	1,219	–	21	75,941	77,181
Mr. Xie Hongwei (謝宏偉)	–	1,117	–	13	520	1,650
Mr. You Bin (尤斌)	–	971	–	12	234	1,217
Dr. Cai Beilei (蔡蓓蕾)	–	1,384	–	14	260	1,658
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋) *(ii)*	–	–	–	–	–	–
Mr. Yang Xiaolong (楊小龍) *(iii)*	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	180	–	–	–	–	180
Mr. Li Yuanchao (李援朝) *(v)*	180	–	–	–	–	180
Mr. Jiang Dequan (蔣德權) *(v)*	180	–	–	–	–	180
Supervisors:						
Mr. Deng Wei (鄧偉) *(iv)*	–	215	–	8	–	223
Mr. Wang Xuezheng (王學政) *(iv)*	–	187	–	6	–	193
Mrs. Wang Jing (王晶) *(iv)*	–	179	75	6	–	260
	540	5,272	75	80	76,955	82,922

Three months ended 31 March 2026

	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment *(i)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Xu Jun (徐軍)	–	305	200	5	–	510
Mr. Xie Hongwei (謝宏偉)	–	280	200	3	1,582	2,065
Mr. You Bin (尤斌)	–	243	100	3	791	1,137
Dr. Cai Beilei (蔡蓓蕾)	–	353	150	4	791	1,298
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mr. Yang Xiaolong (楊小龍)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	45	–	–	–	–	45
Mr. Li Yuanchao (李援朝)	45	–	–	–	–	45
Mr. Jiang Dequan (蔣德權)	45	–	–	–	–	45
	135	1,181	650	15	3,164	5,145

Three months ended 31 March 2025 (unaudited)

	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Equity-settled share-based payment *(i)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Xu Jun (徐軍)	–	305	–	5	–	310
Mr. Xie Hongwei (謝宏偉)	–	280	–	3	–	283
Mr. You Bin (尤斌)	–	243	–	3	–	246
Dr. Cai Beilei (蔡蓓蕾)	–	352	–	4	–	356
Non-executive Directors:						
Mr. Xu Dacheng (徐大成)	–	–	–	–	–	–
Mrs. Ren Zhiping (任芷蘋)	–	–	–	–	–	–
Independent Non-executive Directors:						
Dr. Zhang Weijiong (張維炯)	45	–	–	–	–	45
Mr. Li Yuanchao (李援朝)	45	–	–	–	–	45
Mr. Jiang Dequan (蔣德權)	45	–	–	–	–	45
Supervisors:						
Mr. Deng Wei (鄧偉)	–	112	–	4	–	116
Mr. Wang Xuezheng (王學政)	–	93	–	3	–	96
Mrs. Wang Jing (王晶)	–	97	19	3	–	119
	135	1,482	19	25	–	1,661

(i) These amounts represent the estimated value of restricted shares granted to the directors and supervisors of the Company under the Company's share award scheme. The value of these restricted shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(ii). The details of share-based payment transactions are disclosed in Note 28.

(ii) Mrs. Ren Zhiping (任芷蘋) ceased to act as a non-executive director of the Company in September 2025.

(iii) Mr. Yang Xiaolong (楊小龍) was appointed as a non-executive director of the Company in September 2025.

(iv) Mr. Deng Wei (鄧偉), Mr. Wang Xuezheng (王學政) and Mrs. Wang Jing (王晶) ceased to act as supervisors of the Company, and the Company abolished the supervisor committee in June 2025.

(v) Mr. Li Yuanchao (李援朝) and Mr. Jiang Dequan (蔣德權) ceased to act as independent non-executive directors of the Company in June 2026.

(vi) Dr. Ng Lai Ping Angela (吳麗萍) and Dr. Xia Lijun (夏立軍) were appointed as independent non-executive directors of the Company in June 2026.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or supervisors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2025 and 2026, two, two, three, one (unaudited) and three are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining three, three, two, four (unaudited) and two individuals during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	8,771	5,020	3,973	1,636	741
Discretionary bonuses	1,575	2,059	4,500	1,030	520
Contributions to retirement benefit schemes	34	36	26	13	7
Equity-settled share-based payment	67	14,309	403	–	1,582
	10,447	21,424	8,902	2,679	2,850

The emoluments of the individuals who are not directors or supervisors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil – HKD1,000,000	–	–	–	2	–
HKD1,000,001 – HKD1,500,000	–	–	–	2	1
HKD1,500,001 – HKD2,000,000	1	–	–	–	1
HKD2,500,001 – HKD3,000,000	–	1	–	–	–
HKD4,500,001 – HKD5,000,000	1	–	1	–	–
HKD5,000,001 – HKD5,500,000	1	–	1	–	–
HKD7,000,001 – HKD7,500,000	–	1	–	–	–
HKD13,000,001 – HKD13,500,000	–	1	–	–	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Track Record Period, which are calculated as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Profit for the year/period attributable to ordinary equity shareholders of the Company (RMB'000)	146,951	48,042	93,997	38,239	11,085
Weighted average number of ordinary shares (in thousands)	129,900	129,900	119,225	125,228	117,300
Basic earnings per share (RMB)	1.13	0.37	0.79	0.31	0.09

Profit for the year/period attributable to equity shareholders of the Company:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit attributable to equity shareholders of the Company	146,951	48,042	95,854	38,239	12,544
Allocation of profit for the year/period attributable to ordinary shares with preferred rights issued to investors *(Note 26)*	–	–	(1,857)	–	(1,459)
Profit attributable to ordinary equity shareholders of the Company	146,951	48,042	93,997	38,239	11,085

Weighted average number of ordinary shares:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	'000	*'000*	*'000*	*'000 (unaudited)*	*'000*
Ordinary shares at 1 January in issue	129,900	129,900	129,900	129,900	138,168
Effect of issuance of new shares, net of shares repurchase and cancellation	–	–	(7,837)	(4,672)	–
Effect of the ordinary shares with preferred rights issued to investors	–	–	(2,365)	–	(16,068)
Effect of shares under share award scheme	–	–	(473)	–	(4,800)
Weighted average number of ordinary shares at the end of the year/period in issue	129,900	129,900	119,225	125,228	117,300

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the above profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares (diluted), calculated as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	'000	*'000*	*'000*	*'000 (unaudited)*	*'000*
Weighted average number of ordinary shares at the end of the year/period in issue	129,900	129,900	119,225	125,228	117,300
Effect of shares under share award scheme	–	–	–	–	519
Weighted average number of ordinary shares (diluted) at the end of the year/period in issue	129,900	129,900	119,225	125,228	117,819

The ordinary shares with preferred rights issued to investors (Note 26) and restricted shares granted under the Company's Share Award Scheme (Note 28) (except for the three months ended 31 March 2026 as disclosed above) were not included in the calculation of diluted profit per share because their effect would have been anti-dilutive. Accordingly, diluted profit per share were the same as basic profit per share in the relevant periods.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machineries	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2023	122,882	88,727	7,374	5,983	30,789	255,755
Additions	126	4,406	3,551	606	101,805	110,494
Transfer	52,519	2,679	887	–	(56,085)	–
Disposals	–	(1,300)	(78)	–	–	(1,378)
At 31 December 2023 and 1 January 2024	175,527	94,512	11,734	6,589	76,509	364,871
Additions	–	17,813	807	1,052	44,513	64,185
Transfer	96,252	18,545	627	–	(115,424)	–
Disposals	(1,630)	(784)	(354)	–	–	(2,768)
At 31 December 2024 and 1 January 2025	270,149	130,086	12,814	7,641	5,598	426,288
Additions	1,027	20,840	1,112	1,759	109,003	133,741
Transfer	1,370	457	–	–	(1,827)	–
Disposals	(2,838)	(2,148)	(382)	–	–	(5,368)
At 31 December 2025 and 1 January 2026	269,708	149,235	13,544	9,400	112,774	554,661
Additions	–	3,189	237	10	43,949	47,385
Disposals	–	(5)	(51)	–	–	(56)
At 31 March 2026	269,708	152,419	13,730	9,410	156,723	601,990
Accumulated depreciation:						
At 1 January 2023	(18,098)	(20,764)	(3,916)	(5,795)	–	(48,573)
Charge for the year	(4,955)	(10,040)	(1,329)	(249)	–	(16,573)
Written back on disposals	–	964	67	–	–	1,031
At 31 December 2023 and 1 January 2024	(23,053)	(29,840)	(5,178)	(6,044)	–	(64,115)
Charge for the year	(6,693)	(12,215)	(1,656)	(123)	–	(20,687)
Written back on disposals	–	398	321	–	–	719
At 31 December 2024 and 1 January 2025	(29,746)	(41,657)	(6,513)	(6,167)	–	(84,083)
Charge for the year	(8,992)	(15,676)	(1,599)	(210)	–	(26,477)
Written back on disposals	–	1,089	331	–	–	1,420
At 31 December 2025 and 1 January 2026	(38,738)	(56,244)	(7,781)	(6,377)	–	(109,140)
Charge for the period	(2,250)	(4,273)	(398)	(21)	–	(6,942)
Written back on disposals	–	5	49	–	–	54
At 31 March 2026	(40,988)	(60,512)	(8,130)	(6,398)	–	(116,028)
Net book value:						
At 31 December 2023	152,474	64,672	6,556	545	76,509	300,756
At 31 December 2024	240,403	88,429	6,301	1,474	5,598	342,205
At 31 December 2025	230,970	92,991	5,763	3,023	112,774	445,521
At 31 March 2026	228,720	91,907	5,600	3,012	156,723	485,962

Property, plant and equipment with net book value of RMB211,872,000, RMB110,853,000, nil and nil are pledged as security for bank loans as at 31 December 2023, 2024 and 2025 and 31 March 2026.

The Company

	Buildings	Machineries	Office and other equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2023	122,871	80,945	5,648	–	22,252	231,716
Additions	–	4,368	3,142	–	27,684	35,194
Transfer	30,486	1,380	–	–	(31,728)	138
Disposals	–	(333)	(23)	–	–	(356)
At 31 December 2023 and 1 January 2024	153,357	86,360	8,767	–	18,208	266,692
Additions	–	16,041	681	1,047	9,909	27,678
Transfer	19,169	3,041	309	–	(22,519)	–
Disposals	(503)	(334)	(283)	–	–	(1,120)
At 31 December 2024 and 1 January 2025	172,023	105,108	9,474	1,047	5,598	293,250
Additions	–	19,140	1,011	1,708	107,964	129,823
Transfer	1,240	–	–	–	(1,240)	–
Disposals	–	(1,740)	(102)	–	–	(1,842)
At 31 December 2025 and 1 January 2026	173,263	122,508	10,383	2,755	112,322	421,231
Additions	–	3,026	219	10	40,814	44,069
Disposals	–	(5)	(48)	–	–	(53)
At 31 March 2026	173,263	125,529	10,554	2,765	153,136	465,247
Accumulated depreciation:						
At 1 January 2023	(18,098)	(17,733)	(3,077)	–	–	(38,908)
Charge for the year	(4,955)	(9,229)	(1,050)	–	–	(15,234)
Written back on disposals	–	293	18	–	–	311
At 31 December 2023 and 1 January 2024	(23,053)	(26,669)	(4,109)	–	–	(53,831)
Charge for the year	(5,380)	(10,595)	(1,202)	–	–	(17,177)
Written back on disposals	–	296	259	–	–	555
At 31 December 2024 and 1 January 2025	(28,433)	(36,968)	(5,052)	–	–	(70,453)
Charge for the year	(5,907)	(12,611)	(1,171)	–	–	(19,689)
Written back on disposals	–	1,077	87	–	–	1,164
At 31 December 2025 and 1 January 2026	(34,340)	(48,502)	(6,136)	–	–	(88,978)
Charge for the period	(1,487)	(3,563)	(301)	–	–	(5,351)
Written back on disposals	–	5	46	–	–	51
At 31 March 2026	(35,827)	(52,060)	(6,391)	–	–	(94,278)
Net book value:						
At 31 December 2023	130,304	59,691	4,658	–	18,208	212,861
At 31 December 2024	143,590	68,140	4,422	1,047	5,598	222,797
At 31 December 2025	138,923	74,006	4,247	2,755	112,322	332,253
At 31 March 2026	137,436	73,469	4,163	2,765	153,136	370,969

12 RIGHT-OF-USE ASSETS

The Group

	Land use-rights	Properties leased for own use	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2023	29,780	13,874	1,913	45,567
Additions	–	2,769	–	2,769
Effects of lease termination	–	(6,779)	–	(6,779)
At 31 December 2023 and 1 January 2024	29,780	9,864	1,913	41,557
Additions	50,664	4,827	–	55,491
Effects of lease termination	–	(4,995)	(966)	(5,961)
At 31 December 2024 and 1 January 2025	80,444	9,696	947	91,087
Additions	–	635	–	635
Effects of lease termination	–	(663)	(947)	(1,610)
At 31 December 2025 and 1 January 2026	80,444	9,668	–	90,112
Additions	–	8,617	–	8,617
Effects of lease termination	–	(4,207)	–	(4,207)
At 31 March 2026	80,444	14,078	–	94,522
Accumulated depreciation:				
At 1 January 2023	(3,060)	(4,533)	(104)	(7,697)
Charge for the year	(596)	(4,178)	(227)	(5,001)
Effects of lease termination	–	4,507	–	4,507
At 31 December 2023 and 1 January 2024	(3,656)	(4,204)	(331)	(8,191)
Charge for the year	(1,018)	(3,327)	(189)	(4,534)
Effects of lease termination	–	4,261	236	4,497
At 31 December 2024 and 1 January 2025	(4,674)	(3,270)	(284)	(8,228)
Charge for the year	(1,609)	(3,197)	(47)	(4,853)
Effects of lease termination	–	663	331	994
At 31 December 2025 and 1 January 2026	(6,283)	(5,804)	–	(12,087)
Charge for the period	(402)	(924)	–	(1,326)
Effects of lease termination	–	4,207	–	4,207
At 31 March 2026	(6,685)	(2,521)	–	(9,206)
Net book value:				
At 31 December 2023	26,124	5,660	1,582	33,366
At 31 December 2024	75,770	6,426	663	82,859
At 31 December 2025	74,161	3,864	–	78,025
At 31 March 2026	73,759	11,557	–	85,316

Land use-rights with net book value of RMB26,124,000, RMB8,825,000, RMB49,229,000 and RMB48,976,000 are pledged as security for bank loans as at 31 December 2023, 2024 and 2025 and 31 March 2026, respectively.

The Company

	Land use-rights	Properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2023	20,506	2,098	22,604
Additions	–	410	410
Effects of lease termination	–	(2,098)	(2,098)
At 31 December 2023 and 1 January 2024	20,506	410	20,916
Additions	50,664	3,732	54,396
Effects of lease termination	–	(410)	(410)
At 31 December 2024, 31 December 2025 and 31 March 2026	71,170	3,732	74,902

	Land use-rights	Properties leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated depreciation:			
At 1 January 2023	(2,983)	(985)	(3,968)
Charge for the year	(410)	(305)	(715)
Effects of lease termination	–	1,034	1,034
At 31 December 2023 and 1 January 2024	(3,393)	(256)	(3,649)
Charge for the year	(832)	(216)	(1,048)
Effects of lease termination	–	410	410
At 31 December 2024 and 1 January 2025	(4,225)	(62)	(4,287)
Charge for the year	(1,423)	(747)	(2,170)
At 31 December 2025 and 1 January 2026	(5,648)	(809)	(6,457)
Charge for the period	(356)	(186)	(542)
At 31 March 2026	(6,004)	(995)	(6,999)
Net book value:			
At 31 December 2023	17,113	154	17,267
At 31 December 2024	66,945	3,670	70,615
At 31 December 2025	65,522	2,923	68,445
At 31 March 2026	65,166	2,737	67,903

Upfront lump sum payments were made to acquire the land use-rights in the PRC with a lease period of 50 years when granted, and there are no ongoing payments to be made under the terms of the land lease.

The Group obtains the right to use properties and vehicles through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

The analysis of expense items in relation to lease recognised in the Group's profit or loss is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
– Properties leased for own use	4,178	3,327	3,197	726	924
– Land use-rights	596	1,018	1,609	402	402
– Motor vehicles	227	189	47	28	–
	5,001	4,534	4,853	1,156	1,326
Interest on lease liabilities	471	250	230	67	103
Short-term lease expenses	3,942	3,862	6,431	1,320	967

13 INTANGIBLE ASSETS

The Group

	Capitalised development costs not ready for use	Capitalised development costs ready for use	Patent and license	Software	Trademark	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2023	24,110	8,113	44,360	6,353	5,487	88,423
Additions	7,308	–	9,898	2,367	–	19,573
Transfer to assets held-for-sale *(Note 21)*	–	(8,113)	–	–	–	(8,113)
At 31 December 2023 and 1 January 2024	31,418	–	54,258	8,720	5,487	99,883
Additions	5,982	–	6,472	710	–	13,164
At 31 December 2024 and 1 January 2025	37,400	–	60,730	9,430	5,487	113,047
Additions	3,541	–	12,103	409	–	16,053
Disposals	–	–	(201)	–	–	(201)
At 31 December 2025 and 1 January 2026	40,941	–	72,632	9,839	5,487	128,899
Additions	877	–	1,415	–	–	2,292
At 31 March 2026	41,818	–	74,047	9,839	5,487	131,191
Amortisation and impairment:						
At 1 January 2023	–	(879)	(11,107)	(1,936)	(1,134)	(15,056)
Charge for the year	–	(135)	(4,480)	(1,277)	(549)	(6,441)
Transfer to assets held-for-sale *(Note 21)*	–	1,014	–	–	–	1,014
At 31 December 2023 and 1 January 2024	–	–	(15,587)	(3,213)	(1,683)	(20,483)
Charge for the year	–	–	(5,083)	(1,731)	(547)	(7,361)
Impairment loss recognised	(10,648)	–	–	–	–	(10,648)
At 31 December 2024 and 1 January 2025	(10,648)	–	(20,670)	(4,944)	(2,230)	(38,492)
Charge for the year	–	–	(6,076)	(1,711)	(679)	(8,466)
Written back on disposals	–	–	25	–	–	25
At 31 December 2025 and 1 January 2026	(10,648)	–	(26,721)	(6,655)	(2,909)	(46,933)
Charge for the period	–	–	(1,693)	(424)	(171)	(2,288)
At 31 March 2026	(10,648)	–	(28,414)	(7,079)	(3,080)	(49,221)
Net book value:						
At 31 December 2023	31,418	–	38,671	5,507	3,804	79,400
At 31 December 2024	26,752	–	40,060	4,486	3,257	74,555
At 31 December 2025	30,293	–	45,911	3,184	2,578	81,966
At 31 March 2026	31,170	–	45,633	2,760	2,407	81,970

The Company

	Capitalised development costs not ready for use	Capitalised development costs ready for use	Patent and license	Software	Trademark	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2023	23,160	8,113	15,636	5,894	180	52,983
Additions	4,656	–	8,298	2,367	–	15,321
Transfer to assets held-for-sale *(Note 21)*	–	(8,113)	–	–	–	(8,113)
At 31 December 2023 and 1 January 2024	27,816	–	23,934	8,261	180	60,191
Additions	2,484	–	6,271	710	–	9,465
At 31 December 2024 and 1 January 2025	30,300	–	30,205	8,971	180	69,656
Additions	3,528	–	5,137	409	–	9,074
At 31 December 2025 and 1 January 2026	33,828	–	35,342	9,380	180	78,730
Additions	890	–	1,415	–	–	2,305
At 31 March 2026	34,718	–	36,757	9,380	180	81,035
Accumulated amortisation:						
At 1 January 2023	–	(879)	(1,366)	(1,802)	(22)	(4,069)
Charge for the year	–	(135)	(2,013)	(1,213)	(18)	(3,379)
Transfer to assets held-for-sale *(Note 21)*	–	1,014	–	–	–	1,014
At 31 December 2023 and 1 January 2024	–	–	(3,379)	(3,015)	(40)	(6,434)
Charge for the year	–	–	(2,521)	(1,667)	(18)	(4,206)
Impairment loss recognised	(10,648)	–	–	–	–	(10,648)
At 31 December 2024 and 1 January 2025	(10,648)	–	(5,900)	(4,682)	(58)	(21,288)
Charge for the year	–	–	(3,181)	(1,647)	(18)	(4,846)
At 31 December 2025 and 1 January 2026	(10,648)	–	(9,081)	(6,329)	(76)	(26,134)
Charge for the period	–	–	(913)	(409)	(5)	(1,327)
At 31 March 2026	(10,648)	–	(9,994)	(6,738)	(81)	(27,461)
Net book value:						
At 31 December 2023	27,816	–	20,555	5,246	140	53,757
At 31 December 2024	19,652	–	24,305	4,289	122	48,368
At 31 December 2025	23,180	–	26,261	3,051	104	52,596
At 31 March 2026	24,070	–	26,763	2,642	99	53,574

This capitalised development costs not ready for use is not subject to amortisation and is tested annually for impairment based on the recoverable amount of the cash-generating unit ("CGU"), or more frequently if events or changes in circumstances indicate that it might be impaired. The appropriate CGU is at the product level. The impairment assessment was performed by engaging an independent appraiser to estimate fair value less costs of disposal as the recoverable amount. The fair value is based on the multi-period excessive earning method, and the Group estimated the forecast period of each product based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for product. The estimated revenue is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels with adjustments made to reflect the expected future price changes. The discount rates used are pre-tax and reflect the general business and market risk of the Group. The discount rates are derived from capital asset pricing model by taking applicable market data into account, such as risk-free rate, market premium, beta, company specific risk and size premium, etc.

Based on the result of assessments, an impairment loss of RMB10,648,000 was recognised for the year ended 31 December 2024.

14 GOODWILL

	Amount
	RMB'000
Cost:	
At 1 January 2023, 31 December 2023, 31 December 2024, 31 December 2025 and 31 March 2026	28,627
Accumulated impairment losses:	
At 1 January 2023	(163)
Impairment loss	(220)
At 31 December 2023 and 1 January 2024	(383)
Impairment loss	(26,960)
At 31 December 2024, 31 December 2025 and 31 March 2026	(27,343)
Carrying amount:	
At 31 December 2023	28,244
At 31 December 2024	1,284
At 31 December 2025	1,284
At 31 March 2026	1,284

Goodwill arose from the acquisition of equity interest from an independent third party in November 2020.

As of the end of each reporting period, the Group engaged an independent appraiser to assist the impairment test for goodwill, and the recoverable amount of the CGU has been determined based on the value-in-use calculations.

The following table sets out the key assumptions for the value-in-use calculation of the CGU.

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
Annual revenue growth rate during the forecast period	5.76%~28.07%	2.17%~48.15%	1.00%~48.00%	0.73%~48.15%
Gross profit margin	83.20%~84.90%	63.86%~73.17%	62.68%~71.97%	62.59%~71.92%
Pre-tax discount rate	14.21%	13.84%	14.30%	14.80%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%	0.00%

15 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company are listed as below:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in subsidiaries	248,009	248,433	228,410	236,366
Less: provision for impairment losses *(i)*	(9,039)	(9,039)	(4,681)	(4,681)
	238,970	239,394	223,729	231,685

(i) The provision for impairment losses were mainly for the investments in those subsidiaries which had ceased their operation. The Group performed the assessment of recoverable amount of the investments in subsidiaries where indication of impairment existed and recognised relevant impairment losses in the Company's statements of profit or loss.

Further details of the principal subsidiaries are set out in Note 1.

16 INVESTMENTS IN ASSOCIATES

(a) The balances recognised in the balance sheets are as follows:

The Group and the Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	56,343	53,837	51,522	50,768
Aggregate amounts of the Group's share of those associates' results for the year/period	(3,127)	(2,506)	(2,315)	(754)
Other comprehensive income	–	–	–	–
Total comprehensive income	(3,127)	(2,506)	(2,315)	(754)

Associates are accounted for using the equity method in the financial statements.

(b) As of the end of each reporting period, the Group had interests in the following associates:

Name of associates	Place of incorporation/ establishment and business and date of incorporation/ establishment	Particulars of registered and paid-up capital	Effective interest held by the Group				Principal activities
			As at 31 December			As at 31 March	
			2023	2024	2025	2026	
Shandong Aigelin Pharmaceutical Co., Ltd. (山東艾格林製藥有限公司)	Chinese Mainland, 9 December 2020	RMB120 million/ RMB120 million	25%	25%	25%	25%	Production of medicines
Chongqing Jiubing Pharmaceutical Co., Ltd. (重慶九秉醫藥有限公司)	Chinese Mainland, 30 July 2021	RMB10 million/ RMB10 million	30%	30%	30%	30%	Sale of medicines

17 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for property, plant and equipment	9,067	13,112	18,890	23,079
Upfront payments for exclusive commercialization rights *(i)*	–	–	27,226	27,226
	9,067	13,112	46,116	50,305

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for property, plant and equipment	6,882	5,726	15,839	18,946
Upfront payments for exclusive commercialization rights *(i)*	–	–	27,226	27,226
	6,882	5,726	43,065	46,172

(i) In December 2025, the Company entered into an exclusive licence agreement with a third party, pursuant to which the Company was granted the licence to commercialize certain drug in Chinese Mainland, Hong Kong and Macau. The Company recognized upfront payments of RMB27,226,000 as other non-current assets and will amortize upon the first commercial launch of the drug in the above territories.

18 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	98,053	105,093	129,560	137,406

Inventories in the statements of financial position of the Company comprise:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	22,090	33,848	45,805	49,314
Work in progress	–	357	–	522
Finished goods	23,700	32,431	38,996	34,379
	45,790	66,636	84,801	84,215

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Three months ended 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	276,214	320,421	408,789	105,259
Write-down of inventories	2,647	6,211	1,908	187

19 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– due from third parties	60,295	73,040	40,464	63,205
– due from related parties	131	12	–	–
Less: loss allowance on trade receivables	(3,315)	(3,795)	(1,834)	(3,157)
	57,111	69,257	38,630	60,048
Bills receivable	41,032	33,281	75,893	64,358
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 recoverable	1,476	1,899	279	160
	143,161	151,786	161,903	208,037

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– due from third parties	46,024	53,275	22,839	32,050
– due from subsidiaries	6,407	11,296	175	12,835
– due from related parties	19	12	–	–
Less: loss allowance on trade receivables	(2,573)	(2,960)	(1,206)	(1,661)
	49,877	61,623	21,808	43,224
Bills receivable	15,965	1,899	59,892	47,848
Other receivables				
– due from third parties	25	323	310	995
– due from subsidiaries	12,856	10,106	53,221	63,993
Less: loss allowance on other receivables	(2)	(16)	(17)	(21)
	12,879	10,413	53,514	64,967
Deposits	5,628	7,328	4,396	4,385
Prepayments to suppliers	20,914	16,950	9,264	24,952
Prepayments for [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	105,263	98,213	150,306	188,753

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	56,981	69,005	38,408	59,831
1-2 years	64	233	179	170
2-3 years	66	19	43	47
	57,111	69,257	38,630	60,048

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	49,769	61,371	21,586	43,019
1-2 years	64	233	179	170
2-3 years	44	19	43	35
	49,877	61,623	21,808	43,224

Details of the Group's credit policy and credit risk arising from trade receivables are set out in Note 31(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and cash on hand	245,026	367,508	433,450	343,254

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and cash on hand	64,742	269,516	319,419	265,080

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Three months ended 31 March	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation		177,646	65,569	125,479	43,789	17,412
Adjustments for:						
Depreciation and amortisation						
– Owned property, plant and equipment		16,071	20,290	26,171	6,229	6,936
– Right-of-use assets		5,001	4,534	4,853	1,156	1,326
– Intangible assets		6,221	7,355	8,453	2,243	2,288
Impairment losses	*6(c)*					
– Intangible assets		–	10,648	–	–	–
– Goodwill		220	26,960	–	–	–
– Assets held-for-sale		–	2,382	–	–	–
Finance costs	*6(a)*	6,045	6,910	11,151	2,993	1,541
Changes in the carrying amount of financial instruments issued to investors	*26*	–	–	3,625	–	7,582
Gain on wealth management products	*5*	(13)	(32)	(119)	(84)	–
Shares of results of associates	*16(a)*	3,127	2,506	2,315	2,358	754
Net loss/(gain) on disposal of property, plant and equipment		164	(55)	248	(3)	–
Equity-settled share-based payment expenses	*28(c)*	343	25,923	79,384	390	6,719
Foreign exchange loss/(gain)		12	159	(599)	(11)	9
Other gains		–	–	(412)	–	–
Changes in working capital						
Increase in inventories		(9,239)	(7,040)	(24,467)	(15,569)	(7,846)
Increase in operating receivables		(18,656)	(14,829)	(9,283)	(9,720)	(44,075)
Increase in operating payables		25,155	36,757	6,887	11,711	30,618
Cash generated from operations		212,097	188,037	233,686	45,482	23,264

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 24)	*RMB'000 (Note 25)*	*RMB'000 (Note 26)*	*RMB'000*
At 1 January 2023	137,860	9,483	–	147,343
Changes from financing cash flows:				
Proceeds from bank loans	149,700	–	–	149,700
Repayments of bank loans	(108,795)	–	–	(108,795)
Interest paid for bank loans	(6,697)	–	–	(6,697)
Capital element of lease rentals paid	–	(4,613)	–	(4,613)
Interest element of lease rentals paid	–	(471)	–	(471)
Total changes from financing cash flows	34,208	(5,084)	–	29,124
Other changes:				
Interest expenses	6,709	471	–	7,180
Increase in lease liabilities from entering into new leases during the year	–	2,769	–	2,769
Termination of leases during the year	–	(2,136)	–	(2,136)
Total other changes	6,709	1,104	–	7,813
At 31 December 2023 and 1 January 2024	178,777	5,503	–	184,280
Changes from financing cash flows:				
Proceeds from bank loans	163,000	–	–	163,000
Repayments of bank loans	(64,183)	–	–	(64,183)
Interest paid for bank loans	(7,816)	–	–	(7,816)
Capital element of lease rentals paid	–	(3,586)	–	(3,586)
Interest element of lease rentals paid	–	(250)	–	(250)
Total changes from financing cash flows	91,001	(3,836)	–	87,165
Other changes:				
Interest expenses	7,893	250	–	8,143
Increase in lease liabilities from entering into new leases during the year	–	4,827	–	4,827
Termination of leases during the year	–	(1,048)	–	(1,048)
Total other changes	7,893	4,029	–	11,922
At 31 December 2024 and 1 January 2025	277,671	5,696	–	283,367
Changes from financing cash flows:				
Proceeds from bank loans	229,619	–	–	229,619
Repayments of bank loans	(231,480)	–	–	(231,480)
Interest paid for bank loans	(11,204)	–	–	(11,204)
Capital element of lease rentals paid	–	(2,290)	–	(2,290)
Interest element of lease rentals paid	–	(230)	–	(230)
Recognition of financial instruments to investors	–	–	288,619	288,619
Total changes from financing cash flows	(13,065)	(2,520)	288,619	273,034
Other changes:				
Interest expenses	11,138	230	–	11,368
Changes in the carrying amount of financial instruments issued to investors	–	–	3,625	3,625
Increase in lease liabilities from entering into new leases during the year	–	635	–	635
Termination of leases during the year	–	(630)	–	(630)
Total other changes	11,138	235	3,625	14,998
At 31 December 2025 and 1 January 2026	275,744	3,411	292,244	571,399

	Bank loans	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 24)	*RMB'000 (Note 25)*	*RMB'000 (Note 26)*	*RMB'000*
Changes from financing cash flows:				
Proceeds from bank loans	126,966	–	–	126,966
Repayments of bank loans	(135,990)	–	–	(135,990)
Interest paid for bank loans	(1,738)	–	–	(1,738)
Capital element of lease rentals paid	–	(663)	–	(663)
Interest element of lease rentals paid	–	(103)	–	(103)
Recognition of financial instruments to investors	–	–	96,698	96,698
Total changes from financing cash flows	(10,762)	(766)	96,698	85,170
Other changes:				
Interest expenses	1,731	103	–	1,834
Changes in the carrying amount of financial instruments issued to investors	–	–	7,582	7,582
Increase in lease liabilities from entering into new leases during the period	–	8,617	–	8,617
Total other changes	1,731	8,720	7,582	18,033
At 31 March 2026	266,713	11,365	396,524	674,602

	Bank loans	Lease liabilities	Total
	RMB'000 (Note 24)	*RMB'000 (Note 25)*	*RMB'000*
(unaudited)			
At 1 January 2025	277,671	5,696	283,367
Changes from financing cash flows:			
Proceeds from bank loans	129,600	–	129,600
Repayments of bank loans	(8,000)	–	(8,000)
Interest paid for bank loans	(2,931)	–	(2,931)
Capital element of lease rentals paid	–	(945)	(945)
Interest element of lease rentals paid	–	(67)	(67)
Total changes from financing cash flows	118,669	(1,012)	117,657
Other changes:			
Interest expenses	2,926	67	2,993
Termination of leases during the period	–	(3)	(3)
Total other changes	2,926	64	2,990
At 31 March 2025	399,266	4,748	404,014

(d) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December			As at 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Within operating cash flows	(3,942)	(3,862)	(6,431)	(1,320)	(967)
Within investing cash flows	–	(50,664)	–	–	–
Within financing cash flows	(5,084)	(3,836)	(2,520)	(1,012)	(766)
	(9,026)	(58,362)	(8,951)	(2,332)	(1,733)

21 ASSETS HELD-FOR-SALE

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Intangible assets *(Note 13)*	7,099	7,099	7,099	7,099
Less: provision for impairment loss	–	(2,382)	(2,382)	(2,382)
	7,099	4,717	4,717	4,717

During the Track Record Period, the Group entered into agreements with third parties to transfer certain intangible asset, therefore the intangible asset was classified as assets held-for-sale and subsequently measured in accordance with the accounting policy set out in Note 2(x). The transfer was completed in May 2026.

22 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	99,962	180,721	214,264	199,156

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	18,739	32,283	82,671	96,285
Amount due to subsidiaries	17,799	13,800	34,500	34,500
Payroll payables	18,152	21,552	20,005	11,328
Dividends payable	–	38,622	526	–
Other payables and accruals	21,747	36,835	67,029	51,674
	76,437	143,092	204,731	193,787

As of the end of each reporting Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	30,715	47,619	95,396	103,935

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	15,705	30,526	77,884	92,296
1 year to 2 years	623	65	3,035	2,343
Over 2 years	2,411	1,692	1,752	1,646
	18,739	32,283	82,671	96,285

23 CONTRACT LIABILITIES

The Group

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
Receipts in advance from customers	17,139	7,801	6,472	12,595
Movements in contract liabilities				
Balance at 1 January	7,219	17,139	7,801	6,472
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(6,511)	(15,028)	(5,578)	(2,111)
Increase in contract liabilities as a result of cash received	16,431	5,690	4,249	8,234
Balance at 31 December/31 March	17,139	7,801	6,472	12,595

The Company

	Year ended 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
Receipts in advance from customers	7,063	6,803	5,876	11,419
Movements in contract liabilities				
Balance at 1 January	7,213	7,063	6,803	5,876
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(6,505)	(5,004)	(4,617)	(1,874)
Increase in contract liabilities as a result of cash received	6,355	4,744	3,690	7,417
Balance at 31 December/31 March	7,063	6,803	5,876	11,419

24 BANK LOANS

(a) The analysis of the carrying amount of bank loans in the consolidated statements of financial position is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Short-term bank loans	18,066	58,447	41,073	91,270
Current portion of long-term bank loans	11,375	32,018	68,051	68,973
	29,441	90,465	109,124	160,243
Non-current				
Long-term bank loans	149,336	187,206	166,620	106,470
	178,777	277,671	275,744	266,713

The analysis of the carrying amount of bank loans in the statements of financial position of the Company is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Short-term bank loans	11,059	55,444	19,814	59,935
Current portion of long-term bank loans	5,954	16,118	65,031	68,973
	17,013	71,562	84,845	128,908
Non-current				
Long-term bank loans	101,801	121,819	141,620	106,470
	118,814	193,381	226,465	235,378

(b) As of the end of each reporting period, the bank loans were repayable as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	29,441	90,465	109,124	160,243
After 1 year but within 2 years	38,347	85,880	90,280	15,340
After 2 years but within 5 years	89,137	77,521	50,240	45,455
After 5 years	21,852	23,805	26,100	45,675
	178,777	277,671	275,744	266,713

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	17,013	71,562	84,845	128,908
After 1 year but within 2 years	25,920	77,976	73,280	15,340
After 2 years but within 5 years	75,881	43,843	42,240	45,455
After 5 years	–	–	26,100	45,675
	118,814	193,381	226,465	235,378

(c) As of the end of each reporting period, the bank loans of the Group were secured as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Secured and guaranteed *(i)(ii)*	43,946	53,260	–	–
– Secured and unguaranteed *(i)*	–	–	36,020	63,048
– Unsecured and guaranteed *(ii)*	69,211	105,794	95,771	–
– Unsecured and unguaranteed	65,620	118,617	143,953	203,665
	178,777	277,671	275,744	266,713

(i) Certain bank loans were secured by certain assets of the Group, with the net book value as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	211,872	110,853	–	–
Right-of-use assets	26,124	8,825	49,229	48,976
	237,996	119,678	49,229	48,976

(ii) Certain bank loans were guaranteed by Mr. Xu Jun and Mr. Xie Hongwei, the directors of the Group and Mr. Wang Xuezheng, the supervisor of the Group.

25 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,504	2,809	1,311	2,905
After 1 year but within 2 years	1,999	992	860	2,589
After 2 years but within 5 years	–	1,895	1,240	5,871
	1,999	2,887	2,100	8,460
	5,503	5,696	3,411	11,365

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	95	755	704	713
After 1 year but within 2 years	–	704	778	787
After 2 years but within 5 years	–	1,895	1,237	1,251
	–	2,599	2,015	2,038
	95	3,354	2,719	2,751

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group and the Company

	Amount
	RMB'000
At 1 January 2023, 31 December 2023, 31 December 2024 and 1 January 2025	–
Recognition of financial instruments issued to investors	288,619
Changes in the carrying amount	3,625
At 31 December 2025	292,244
Recognition of financial instruments issued to investors	96,698
Changes in the carrying amount	7,582
At 31 March 2026	396,524

Pursuant to the agreements between the Company and its investors in 2025, certain investors were granted preferred rights, and the key terms are outlined below:

Redemption rights

Certain investors had the right to require the Company to redeem their share capital for cash upon certain events, including but not limited to: (i) a qualified [**REDACTED**] does not occur before specified dates; (ii) a change in the actual controllers of the Company.

The redemption price is the investment amount paid by the investors, plus an annual simple rate of 8% on the investment amount for the period commencing from the investment amount payment date to the redemption settlement date, deducting all accumulated distributed dividends.

Liquidation preference

In the event of any liquidation, dissolution, winding up of the Company or in the event of any deemed liquidation event, all assets and funds ("Distributable Liquidation Assets") of the Group should be used to distributed in the sequence as stipulated in the shareholders' agreement. Certain investors shall be entitled to receive Distributable Liquidation Assets of the Group in preference

with the higher of: (i) the investment amount paid by the investors, plus an annual simple rate of 8% on the investment amount for the period commencing from the investment amount payment date to the settlement date, deducting all accumulated distributed dividends; and (ii) a pro-rata share of Distributable Liquidation Assets of the Group.

A deemed liquidation event includes (i) a sale or transfer of all or a significant portion of assets or business of the Group, or (ii) a change in control of the Company upon a merger, acquisition, reorganisation or consolidation of the Group.

Presentation and classification

The Company did not have an unconditional right to avoid redeeming its share capital for cash, since not all specified contingent events were within its control. The Company recognised financial liabilities that were initially measured at the highest present value of those redemption amounts in accordance with the accounting policies set out in Note 2(q). 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".

27 DEFERRED INCOME

The Group

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	25,518	38,166	45,203	46,541
Additions	15,000	9,990	4,897	5,000
Credited to profit or loss	(2,352)	(2,953)	(3,559)	(937)
At the end of the year/period	38,166	45,203	46,541	50,604
Deferred income-current	–	3,311	3,182	3,648
Deferred income-non current	38,166	41,892	43,359	46,956

The Company

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	25,209	24,648	24,945	23,045
Additions	1,700	2,990	847	5,000
Credited to profit or loss	(2,261)	(2,693)	(2,747)	(711)
At the end of the year/period	24,648	24,945	23,045	27,334
Deferred income-current	–	2,544	2,424	2,822
Deferred income-non current	24,648	22,401	20,621	24,512

The balances mainly represented the subsidies received from local government to compensate the Group's capital expenditures, which would be recognised as "other income" on a straight-line basis over its expected useful life of the relevant assets.

28 EQUITY-SETTLED SHARE-BASED PAYMENT

The Company has adopted share award scheme ("Share Award Scheme"), whereby the board of directors of the Company may, at their discretion, grant restricted shares to eligible employees, for long-term development of the Company. Pursuant to the Share Award Scheme, the Company has granted certain restricted shares to the holder at the designated subscription price.

(a) The terms and conditions of the grants are as follows:

	Number of restricted shares	Subscription price	Vesting conditions
	'000	*RMB*	
Restricted shares granted to eligible employees:			
– on 14 November 2024	1,058	8.50	3 years
– on 14 November 2024	2,898	8.50	Nil
– on 5 December 2024	1,080	1.00	Nil
– on 25 November 2025	4,800	1.00	3 years
– on 25 November 2025	4,800	1.00	Nil

(b) Set out below is the movement in number of the underlying shares of the Company under the Share Award Scheme:

	As at 31 December						As at 31 March	
	2023		2024		2025		2026	
	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares	Weighted average fair value	Number of restricted shares
	RMB	*'000*	*RMB*	*'000*	*RMB*	*'000*	*RMB*	*'000*
Outstanding at the beginning of the year/period	6.43	370	–	–	4.43	1,058	13.76	5,858
Granted during the year/period	–	–	6.04	5,036	15.82	9,600	–	–
Vested during the year/period	6.43	(370)	6.47	(3,978)	15.82	(4,800)	–	–
Outstanding at the end of the year/period		–	4.43	1,058	13.76	5,858	13.76	5,858

(c) Expenses for the equity-settled share-based payment have been charged to the consolidated statements of profit or loss as follow:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Selling expenses	–	5,836	1,253	280	675
Administrative expenses	343	20,053	77,735	44	5,582
Research and development costs	–	34	396	66	462
	343	25,923	79,384	390	6,719

(d) Fair value of restricted shares and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted.

The Company used the income approach to determine the fair value of the restricted shares granted in 2024. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The Company used the equity allocation model to determine the fair value of the restricted shares granted in 2025.

Key valuation assumptions used to determine the fair value of the restricted shares are as follows.

	2024
Weighted average cost of capital ("WACC")	9.70%
Market premium	6.31%
Risk-free interest rate	2.15%

	2025
Exercise price	1.00
Expected dividend yield	8.00%

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	5,374	9,095	4,824	10,971
Provision of income tax for the year/period	32,648	22,622	32,898	7,370
Payment during the year/period	(28,927)	(26,893)	(26,751)	(10,513)
	9,095	4,824	10,971	7,828

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	Inventory provision and credits loss allowance	Deferred income	Unrealised profits	Right-of-use assets	Lease liabilities	Depreciation and amortisation of long-term assets	Fair value adjustment arising from business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:									
At 1 January 2023	765	3,781	579	(2,074)	1,887	(2,949)	(3,479)	–	(1,490)
Credited/(charged) to profit or loss	190	(84)	286	754	(718)	375	439	–	1,242
At 31 December 2023 and 1 January 2024	955	3,697	865	(1,320)	1,169	(2,574)	(3,040)	–	(248)
Credited/(charged) to profit or loss	801	45	(601)	124	(131)	377	440	1,597	2,652
At 31 December 2024 and 1 January 2025	1,756	3,742	264	(1,196)	1,038	(2,197)	(2,600)	1,597	2,404
(Charged)/credited to profit or loss	(819)	(285)	2,161	520	(458)	377	439	–	1,935
At 31 December 2025 and 1 January 2026	937	3,457	2,425	(676)	580	(1,820)	(2,161)	1,597	4,339
Credited/(charged) to profit or loss	251	643	427	(1,941)	2,074	94	110	929	2,587
At 31 March 2026	1,188	4,100	2,852	(2,617)	2,654	(1,726)	(2,051)	2,526	6,926

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax asset	6,686	5,021	6,500	8,976
Net deferred tax liability	(6,934)	(2,617)	(2,161)	(2,050)
	(248)	2,404	4,339	6,926

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group had not recognised deferred tax assets in respect of cumulative tax losses and deductible temporary differences of RMB46,080,000, RMB22,753,000, RMB16,930,000 and RMB19,522,000 as at 31 December 2023, 2024 and 2025 and 31 March 2026 respectively, as it was not probable that future taxable profits against which the losses and the deductible temporary difference can be utilised would be available in the relevant tax jurisdiction and entity. The tax losses arising from operations in Chinese Mainland can be carried forward to offset against taxable profits of subsequent years for up to five years for general enterprise and ten years for high-technology enterprise, from the year in which they arose.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the Track Record Period are set out below:

	Share capital	Share premium	Shares held for the Restricted Share Scheme	Capital Reserve	Other reserve	Statutory reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	129,900	195,464	–	2,067	–	19,070	167,059	513,560
Total comprehensive income	–	–	–	–	–	–	105,708	105,708
Acquisition of non-controlling interests in a subsidiary	–	(550)	–	–	–	–	–	(550)
Dividend declared and approved in respect of previous year	–	–	–	–	–	–	(38,970)	(38,970)
Equity settled share-based payment	–	–	–	343	–	–	–	343
Appropriation for statutory reserves	–	–	–	–	–	10,571	(10,571)	–
Balance at 31 December 2023	129,900	194,914	–	2,410	–	29,641	223,226	580,091
Total comprehensive income	–	–	–	–	–	–	153,211	153,211
Shares repurchased for share award scheme	–	–	(9,180)	–	–	–	–	(9,180)
Shares granted under the share award scheme	–	–	9,180	(8,100)	–	–	–	1,080
Dividend declared and approved in respect of previous year	–	–	–	–	–	–	(38,622)	(38,622)
Equity settled share-based payment	–	–	–	25,923	–	–	–	25,923
Appropriation for statutory reserves	–	–	–	–	–	15,321	(15,321)	–
Balance at 31 December 2024	129,900	194,914	–	20,233	–	44,962	322,494	712,503
Total comprehensive income	–	–	–	–	–	–	47,323	47,323
Subscription of shares under share award scheme	6,907	–	(4,800)	–	–	–	–	2,107
Issuance of ordinary shares with preferred rights, net of transaction cost	12,346	244,510	–	–	–	–	–	256,856
Recognition of financial instruments issued to investors	–	–	–	–	(288,619)	–	–	(288,619)
Shares repurchased for share award scheme	–	–	(43,091)	–	–	–	–	(43,091)
Shares granted under the share award scheme	–	–	43,091	(40,398)	–	–	–	2,693
Repurchase and cancellation of ordinary shares	(10,985)	(156,523)	–	–	–	–	–	(167,508)
Dividend declared and approved in respect of previous year	–	–	–	–	–	–	(25,714)	(25,714)
Equity settled share-based payment	–	–	–	79,384	–	–	–	79,384
Appropriation for statutory reserves	–	–	–	–	–	4,732	(4,732)	–

	Share capital	Share premium	Shares held for the Restricted Share Scheme	Capital Reserve	Other reserve	Statutory reserve	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2025	138,168	282,901	(4,800)	59,219	(288,619)	49,694	339,371	575,934
Total comprehensive income	–	–	–	–	–	–	12,940	12,940
Recognition of financial instruments issued to investors	–	–	–	–	(96,698)	–	–	(96,698)
Equity settled share-based payment	–	–	–	6,719	–	–	–	6,719
Balance at 31 March 2026	138,168	282,901	(4,800)	65,938	(385,317)	49,694	352,311	498,895

(b) Share capital

	No. of ordinary shares	Nominal value of ordinary shares
		RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2023, 31 December 2023 and 2024	129,900,000	129,900
Repurchase and cancellation of ordinary shares *(i)*	(10,985,356)	(10,985)
Issuance of ordinary shares with preferred rights net of transaction cost *(ii)*	12,346,248	12,346
Subscription of shares under share award scheme *(iii)*	6,907,108	6,907
At 31 December 2025 and 31 March 2026	138,168,000	138,168

(i) In January 2025, the Company entered into share repurchase agreements with certain investors, pursuant to which the Company repurchased 10,985,356 ordinary shares of the Company from certain investors at a consideration of RMB167,508,000. The repurchased ordinary shares were cancelled in April 2025.

(ii) In September 2025, the Company entered into agreements with Series C Investors, pursuant to which the Series C Investors subscribed for 12,346,248 ordinary shares of the Company at a consideration of RMB263,538,000. The excess of the consideration of RMB263,538,000, over the increase in the share capital of RMB12,346,000, net of transaction cost of RMB6,682,000, amounting to RMB244,510,000 was credited to share premium.

(iii) In November 2025, the Company issued 6,907,108 ordinary shares under the Share Award Scheme to eligible employees, at a subscription price of RMB6,907,000.

(c) Dividends

For the years ended 31 December 2023, 2024 and 2025, the Company approved the dividends of RMB38,970,000, RMB38,622,000 and RMB25,714,000, respectively, with dividends proposed at RMB0.30, RMB0.30 and RMB0.20 per share.

(d) Nature and purpose of reserves

(i) Share premium

Under the PRC rules and regulations, share premium is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Shares held for the share award scheme

In December 2024, the Group repurchased 1,080,000 shares of its own ordinary shares at a total consideration of RMB9,180,000, which were used for the Share Award Scheme. In December 2024, 1,080,000 ordinary shares were all granted to eligible employees, at a subscription price of RMB1,080,000.

In July 2025, the Group repurchased 2,693,200 shares of its own ordinary shares at a total consideration of RMB43,091,000, which were used for the Share Award Scheme. In November 2025, 2,693,200 ordinary shares were all granted to eligible employees, at a subscription price of RMB2,693,000.

In November 2025, subscription price of RMB4,800,000 received from grantees, which would be refundable when the awards are forfeited, was recognised as a deposit liability in accordance with the accounting policy set out in Note 2(r).

As at 31 December 2023, 2024 and 2025 and 31 March 2026, the shares held for the share award scheme were nil, nil, 4,800,000 and 4,800,000 shares, respectively.

(iii) Capital reserve

The capital reserve primarily represents the equity-settled share-based payment (see Note 28).

(iv) Statutory reserve

According to the PRC Company Law, the PRC entities within the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years) to the statutory reserves until the reserve balance reaches 50% of their registered capital.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group.

(vi) Other reserve

The other reserve primarily comprises the recognition of financial instruments issued to investors as described in Note 26.

(e) Acquisition of non-controlling interests in a subsidiary

In 2023, the Group acquired 12.86% equity interests in Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. at a consideration of RMB18,000,000 and recognised a decrease in non-controlling interests and share premium of RMB14,244,000 and RMB3,756,000, respectively.

(f) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and lease liabilities but excludes financial instruments issued to investors) less cash and cash equivalents. Adjusted capital comprises all components of equity and financial instruments issued to investors.

The Group's adjusted net debt-to-capital ratio at 31 December 2023, 2024 and 2025 and 31 March 2026 were as follows:

		As at 31 December			As at 31 March
	Note	**2023**	**2024**	**2025**	**2026**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:					
Bank loans	*24*	29,441	90,465	109,124	160,243
Lease liabilities	*25*	3,504	2,809	1,311	2,905
		32,945	93,274	110,435	163,148
Non-current liabilities:					
Bank loans	*24*	149,336	187,206	166,620	106,470
Lease liabilities	*25*	1,999	2,887	2,100	8,460
Total debt		184,280	283,367	279,155	278,078
Less: Cash and cash equivalents	*20*	(245,026)	(367,508)	(433,450)	(343,254)
Adjusted net debt		(60,746)	(84,141)	(154,295)	(65,176)
Total capital		651,625	677,444	492,058	511,160
Financial instruments issued to investors	*26*	–	–	292,244	396,524
Adjusted capital		651,625	677,444	784,302	907,684
Adjusted net debt-to-capital ratio		N/A	N/A	N/A	N/A

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's 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 the Group.

The Group also expects that there is no significant credit risk associated with other receivables since the counterparties to these financial assets have no material default history.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has 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.

The Group has no significant concentration of credit risk in industries in which the customers operate. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 1 year past due	5%	59,922	2,941
1-3 years past due	12%	148	18
More than 3 years past due	100%	356	356
		60,426	3,315

	As at 31 December 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 1 year past due	5%	72,475	3,470
1-3 years past due	12%	286	34
More than 3 years past due	100%	291	291
		73,052	3,795

	As at 31 December 2025		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current and less than 1 year past due	4%	40,180	1,772
1-3 years past due	12%	252	30
More than 3 years past due	100%	32	32
		40,464	1,834

	As at 31 March 2026		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current and less than 1 year past due	5%	62,880	3,049
1-3 years past due	12%	247	30
More than 3 years past due	100%	78	78
		63,205	3,157

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	3,826	3,315	3,795	1,834
Impairment (reversal)/losses recognised	(511)	543	(1,606)	1,323
Amount written-off during the year/period	–	(63)	(355)	–
At the end of the year/period	3,315	3,795	1,834	3,157

(b) Liquidity risk

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group and can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	35,663	43,508	93,910	23,849	196,930	178,777
Trade and other payables	57,186	–	–	–	57,186	57,186
Lease liabilities	3,750	2,052	–	–	5,802	5,503
	96,599	45,560	93,910	23,849	259,918	241,466

	As at 31 December 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	98,948	90,981	79,928	25,308	295,165	277,671
Trade and other payables	136,370	–	–	–	136,370	136,370
Lease liabilities	2,901	1,111	2,151	–	6,163	5,696
	238,219	92,092	82,079	25,308	437,698	419,737

	As at 31 December 2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	115,323	93,732	53,301	27,973	290,329	275,744
Trade and other payables	173,889	–	–	–	173,889	173,889
Lease liabilities	1,442	943	1,290	–	3,675	3,411
Financial instrument issued to investors	292,244	–	–	–	292,244	292,244
	582,898	94,675	54,591	27,973	760,137	745,288

	As at 31 March 2026					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	165,847	17,962	50,558	48,642	283,009	266,713
Trade and other payables	167,088	–	–	–	167,088	167,088
Lease liabilities	3,380	2,939	6,560	–	12,879	11,365
Financial instrument issued to investors	396,524	–	–	–	396,524	396,524
	732,839	20,901	57,118	48,642	859,500	841,690

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is 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. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

(i) The Group's interest rate profile as monitored by management is set out below.

	As at 31 December						As at 31 March	
	2023		2024		2025		2026	
	Interest rate		Interest rate		Interest rate		Interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate:								
Lease liabilities	3.45%-4.75%	(5,503)	3.45%-4.75%	(5,696)	3.45%-4.75%	(3,411)	3.45%-4.75%	(11,365)
Current bank loans	2.9%-3.85%	(21,418)	2.6%-3.85%	(64,658)	2.11%-4.5%	(53,546)	2.11%-4.5%	(71,420)
Non-current bank loans	3.6%-3.85%	(58,412)	3.1%-3.85%	(56,458)	2.7%-3.3%	(25,000)	2.34%	(9,980)
Financial instrument issued to investors	–	–	–	–	8.00%	(292,244)	8.00%	(396,524)
		(85,333)		(126,812)		(374,201)		(489,289)
Variable rate:								
Cash and cash equivalents	0.01%-1.5%	245,026	0.01%-1.55%	367,508	0.01%-1.12%	433,450	0.01%-0.83%	343,254
Current bank loans	one-year LPR-0.45%-+0.45% or five-year LPR-0.45%	(8,023)	one-year LPR-0.4%-+0.4% or five-year LPR-0.45%	(25,807)	one-year LPR-0.59%-+0.4%	(55,578)	one-year LPR-0.88%-+0.4%	(88,823)
Non-current bank loans	one-year LPR-0.45%-+0.5% or five-year LPR-0.45%	(90,924)	one-year LPR-0.4%-+0.4% or five-year LPR-0.45%	(130,748)	one-year LPR-0.59%-+0.4% or five-year LPR-0.74%	(141,620)	one-year LPR-0.67%–0.4% or five-year LPR-0.74%	(96,490)
Net exposure		146,079		210,953		236,252		157,941

(ii) Sensitivity analysis

At 31 December 2023, 2024 and 2025 and 31 March 2026, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB1,096,000, RMB1,582,000, RMB1,772,000 and RMB1,185,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax (and retained earnings) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates.

(d) Currency risk

The Group mainly operates in Chinese Mainland, and most of the Group's monetary assets and liabilities are denominated in RMB. The management considers the Group's exposure to currency risk is insignificant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

As of the end of each reporting period, the Group had no assets and liabilities measured at fair value.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2023, 2024 and 2025 and 31 March 2026.

32 CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2023, 2024 and 2025 and 31 March 2026 not provided for in the consolidated financial statements were as follows:

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment and intangible assets	53,412	35,500	207,454	166,095

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationship of the related parties that had material transactions with the Group during the Track Record Period

Name of related parties	Relationship
Mr. Xu Jun (徐軍)	One of the controlling shareholders and directors
Mr. Xie Hongwei (謝宏偉)	One of the controlling shareholders and directors
Mr. Wang Xuezheng (王學政) *(i)*	One of the supervisors
Sinomune Healthcare Co., Ltd. 無錫中和醫藥投資有限公司 and its subsidiaries	A group controlled by the controlling shareholders
Chongqing Jiubing Pharmaceutical Co., Ltd 重慶九兼醫藥有限公司	Associate of the Company
Shandong Aigelin Pharmaceutical Co., Ltd 山東艾格林製藥有限公司	Associate of the Company

(i) Mr. Wang Xuezheng (王學政) ceased to act as supervisor of the Company in June 2025.

(b) Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Procurement of goods and services	493	1,273	184	–	–
Sales of goods and provision of services	3,091	3,829	2,145	15	1,056

(c) Balance with related parties

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	131	12	–	–

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	–	30	30	30

All of the balances with related parties are in trade nature.

(d) Guarantees provided by related parties

	As at 31 December			As at 31 March
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans guaranteed	113,157	159,054	95,771	–

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Three months ended 31 March	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	10,072	7,744	8,008	2,017	2,304
Discretionary bonuses	400	1,740	2,000	400	1,270
Contributions to retirement benefit schemes	84	87	87	22	44
Equity-settled share-based payment	–	14,324	77,302	–	5,537
	10,556	23,895	87,397	2,439	9,155

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period, and which have not been adopted in preparing the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
Amendments to IAS 21, *Translation to a hyperinflationary presentation currency*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidate financial statements of the Group except for the following.

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statements of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

35 SUBSEQUENT EVENTS

On 15 June 2026, the Company approved a dividend of RMB52,504,000.

36 ULTIMATE CONTROLLING PARTY

As at the date of this report, the directors of the Company consider the ultimate controlling party of the Group to be Mr. Xu Jun and Mr. Xie Hongwei.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to 31 March 2026.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at [30 April 2026] of the property interests held by the Company.

AVISTA Valuation Advisory
艾華迪評估諮詢

Suites 2401-06, 24/F, Everbright Centre, 108 Gloucester Road,
Wan Chai, Hong Kong

TEL: +852 3702 7338 FAX : +852 3914 6388

info@avaval.com

www.avaval.com

[●] 2026

The Board of Directors
Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司)
No. 35 Jingxin Road, Xibei Town Industrial Park,
Xishan District, Wuxi City, Jiangsu Province,
the PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司) (the "Company") for us to carry out the valuation of the property interests (the "Properties") located in the People's Republic of China (the "PRC") held by the Company we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at [*30 April 2026*] (the "Valuation Date").

BASIS OF VALUATION AND VALUATION STANDARDS

Our valuation is carried out on a market value basis, which is defined by the Royal Institution of Chartered Surveyors as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

In valuing the Properties, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the RICS Valuation – Global Standards 2024 published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised Properties have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I – Property interests held for owner occupation by the Company in the PRC

Group II – Property interests held for development by the Company in the PRC

VALUATION ASSUMPTIONS

Our valuation of the Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the Properties in the PRC, we have relied on the advice given by the Company and its legal advisors, being Zhong Lun Law Firm (北京市中倫律師事務所) (the "PRC Legal Advisors"), regarding the title to the Properties.

In valuing the Properties, we have relied on a legal opinion regarding the Properties provided by the PRC Legal Advisors dated [●] (the "PRC Legal Opinion"). Unless otherwise stated, the Company has legally obtained the land use rights of the Properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

VALUATION METHODOLOGY

In valuing the Property in Group I, due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. We have valued the property interests on the basis of their depreciated replacement cost. Depreciated replacement cost is defined as "*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization*". It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

In valuing the Property in Group II, where the corresponding property was under construction as at the Valuation Date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Company. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of the cost and fees expected to be incurred for completing the developments. We have relied on the accrued construction cost and professional fees information provided by the Company for the different stages of construction of the subject property as at the Valuation Date, and we did not find any material inconsistency from those of other similar developments.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Properties in the PRC. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the PRC Legal Opinion given by the PRC Legal Advisors, concerning the validity of the title of the Properties in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the subject properties. The site inspection was carried out on 05 June 2026 by Arya Lin (Manager) and Zoey Zhuang (Senior Analyst). Arya Lin is a public valuer. They have over 5 years and 3 years of experience, respectively, in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject properties are free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company, the PRC Legal Advisors, or other professional advisors on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of the properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Note: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 15 years' experience in valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.

SUMMARY OF VALUES

Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Market value in existing state as at [30 April 2026]	Interest Attributable to the Company	Market value Attributable to the Company as at [30 April 2026]
		RMB		*RMB*
1.	No. 35 Jingxin Road, Xibei Town, Xishan District, Wuxi City, Jiangsu Province, the PRC (中國江蘇省無錫市錫山區錫北鎮涇新路35號)	[174,880,000]	100%	[174,880,000]
	Sub-total:	[174,880,000]		[174,880,000]

Group II – Property interests held for development by the Company in the PRC

No.	Property	Market value in existing state as at [30 April 2026]	Interest Attributable to the Company	Market value Attributable to the Company as at [30 April 2026]
		RMB		*RMB*
1.	East of Xixin Road, North of Jingxin Road, Xibei Town, Xishan District, Wuxi City, Jiangsu Province, the PRC (中國江蘇省無錫市錫山區錫北鎮西新路東、涇新路北)	[317,990,000]	100%	[317,990,000]
	Sub-total:	[317,990,000]		[317,990,000]
	Grand-total:	[492,870,000]		[492,870,000]

VALUATION CERTIFICATE

Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at [30 April 2026]
				RMB
1.	No. 35 Jingxin Road, Xibei Town, Xishan District, Wuxi City, Jiangsu Province, the PRC (中國江蘇省無錫市錫山區錫北鎮涇新路35號)	The property comprises ten industrial buildings ranging from 1 to 3 storeys, with a total gross floor area of approximately 32,682.05 sq.m. The property was held for owner occupation as at the Valuation Date. As advised by the Company, the property was completed in phases between 2014 and 2023. The property is located on Jingxin Road in Xishan District of Wuxi City, with approximately 12 km from Wuxi East Railway Station and 26 km from Sunan Shuofang International Airport. The land use rights of the property have been granted for a term expiring on 21 March 2062 for industrial use.	The property was occupied by the Company as at the Valuation Date for pharmaceutical purposes.	[174,880,000] (100% interest attributable to the Company]: [174,880,000])

Notes:

1. Pursuant to a Real Estate Ownership Certificate – Su (2024) Wu Xi Shi Bu Dong Chan Quan Di No. 0039196 issued by the Wuxi Natural Resources and Planning Bureau (無錫市自然資源和規劃局), the land use rights of the property with a total site area of approximately 37,746.00 sq.m. for a term expiring on 21 March 2062 for Industrial use and the building ownership of the property with a total gross floor area of approximately 32,682.05 sq.m. for Industrial use have been vested in Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司, "Ziyond").

2. In undertaking our valuation, we have assigned no commercial value to the structure with a total gross floor area of approximately 338.50 sq.m. since Ziyond has yet to obtain proper title certificates for building ownership. For reference purposes, we are of the opinion that the estimated value of the rights-of-use of the structure as at the Valuation Date would be RMB420,000, assuming the rights-of-use could be freely transferable in the market without legal impediments.

3. As advised by the Company, the details of the property are set out as below:

Classification	Usage	Gross Floor Area
		(sq.m.)
Group I – Property interests held for owner occupation by the Company in the PRC	Industrial	24,130.32
	Warehouse	3,137.34
	Office	4,186.35
	Ancillary	1,228.04
	Total:	32,682.05

4. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following: -

   a. The Company has obtained the land use rights and the building ownership of the property under the terms of the Real Estate Ownership Certificates; and

   b. The property has not been mortgaged, seized or subject to any other encumbrances.

5. In the course of our valuation, we assume that the property is transferable without legal impediment.

6. Our valuation has been made on the following basis and analysis:

   In our valuation of the land use rights, we have considered and analyzed 3 land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB543 to RMB544 per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

   Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB4,900 per sq.m. to RMB5,900 per sq.m. for industrial buildings, from RMB4,200 per sq.m. to RMB4,500 per sq.m. for warehouses, from RMB5,400 per sq.m. to RMB5,800 per sq.m. for office buildings, and from RMB5,200 per sq.m. to RMB7,100 per sq.m. for ancillary buildings based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

VALUATION CERTIFICATE

Group II – Property interests held for development by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at [30 April 2026]
				RMB
1.	East of Xixin Road, North of Jingxin Road, Xibei Town, Xishan District, Wuxi City, Jiangsu Province, the PRC (中國江蘇省無錫市錫山區錫北鎮西新路東、涇新路北)	The property comprises a parcel of land with a site area of approximately 81,814.00 sq.m. which is being developed into an industrial development with a total planned gross floor area of approximately 48,274.00 sq.m. (the "Development"). As at the Valuation Date, the property was under development and was scheduled to be completed in August 2026. Upon completion, the property will have a total planned gross floor area of approximately 48,274.00 sq.m. As advised by the Company, the total construction cost of the property was estimated to be approximately RMB291,095,210 of which RMB118,498,616 had been paid as at the Valuation Date. The classification, usage and area details are set out in Note 6. The Development is located on Xixin Road in Xishan District of Wuxi City, with approximately 12 km from Wuxi East Railway Station and 26 km from Sunan Shuofang International Airport The land use rights of the Development have been granted for a term expiring on 08 August 2074 for industrial use.	As at the Valuation Date, the property was under construction.	[317,990,000] (100% interest attributable to the Company: [317,990,000])

Notes:

1. Pursuant to a Land Use Rights Grant Contract – 3202832024CR0016 dated 05 August 2024 between Wuxi Natural Resources and Planning Bureau (無錫市自然資源和規劃局) and Ziyond Pharmaceutical Co., Ltd. (江蘇知原藥業股份有限公司, "Ziyond"), the land use rights of a parcel of land with a site area of approximately 81,814.00 sq.m. have been granted to Ziyond for a term of 50 years for industrial use at a total land premium of approximately RMB49,090,000.

   As revealed from the aforesaid contract, the land lot is subject to the following material development conditions:

Permitted Use	:	Industrial
Plot Ratio	:	≥1.5
Minimum Permitted Accountable Gross Floor Area	:	122,721 sq.m.
Site Coverage	:	To be determined based on the approved planning scheme
Greening Rate	:	To be determined based on the approved planning scheme
Height Restriction	:	No height limit, subject to relevant provincial and municipal codes.
Building Covenant	:	To commence construction before 13 August 2025 and to complete construction before 13 August 2027

2. Pursuant to a Real Estate Ownership Certificate (for land) – Su (2024) Wu Xi Shi Bu Dong Chan Quan Di No. 0131506 issued by the Wuxi Natural Resources and Planning Bureau (無錫市自然資源和規劃局), the land use rights of Development with a total site area of approximately 81,814.00 sq.m. have been granted to Ziyond, for a term expiring on 08 August 2074 for industrial use.

3. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 3202052024YG0058486, permission for the planning of a land parcel with a total site area of approximately 81,814.00 sq.m. has been granted to Ziyond.

4. Pursuant to 2 Construction Works Planning Permits – Jian Zi Di No. 3202052024GG0144411 and Jian Zi Di No. 3202052025GG0030519 in favour of Ziyond, the construction work of the Development with a total gross floor area of approximately 48,274.00 sq.m. has been approved for construction.

5. Pursuant to 2 Construction Work Commencement Permits – No. 320205202412310201 and No. 320205202504100101 in favour of Ziyond, permission has been given by the relevant local authority to commence the construction work of the Development with a total gross floor area of approximately 48,274.00 sq.m.

6. As advised by the Company, the details of the property are set out as below:

Classification	Usage	Planned Gross Floor Area
		(sq.m.)
Group II – Property interests held for development by the Company in the PRC	Industrial	20,759.00
	Warehouse	12,611.00
	Office	11,384.00
	Ancillary	3,520.00
	Total:	48,274.00

7. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following: -

   a. The Company has obtained the land use rights of the property under the terms of the Real Estate Ownership Certificates;

   b. The Company has obtained the necessary approvals and permissions for the corresponding stages of the construction of the property; and

   c. The land use rights of the property has been mortgaged to China Merchants Bank Co., Ltd., Wuxi Branch (招商銀行股份有限公司無錫分行);

   d. The property has not been subject to any other encumbrances.

8. In the course of our valuation, we assume that the property is transferable without legal impediment.

9. Our valuation has been made on the following basis and analysis:

   In our valuation of the land use rights, we have considered and analyzed 3 land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB595 to RMB596 per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

   Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB5,900 per sq.m. to RMB6,800 per sq.m. for industrial buildings, from RMB5,200 per sq.m. to RMB5,400 per sq.m. for warehouses, from RMB6,900 per sq.m. to RMB7,500 per sq.m. for office buildings, and from RMB6,200 per sq.m. to RMB8,000 per sq.m. for ancillary buildings based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

Set out herein is a summary of the Articles of Association for the main purpose of providing an overview of the Articles of Association to potential [**REDACTED**]. As the information contained herein is only a summary, it may not contain all the information that is important to potential [**REDACTED**].

OVERVIEW

This Appendix contains a summary of the principal provisions of the Articles of Association. The Articles of Association of the Company shall take effect on the date of the H Shares being [**REDACTED**] on the Stock Exchange.

SHARES AND REGISTERED CAPITAL

All the shares issued by the Company are ordinary shares. All the shares issued by the Company are denominated in RMB.

The shares of the Company shall be issued in accordance with the principles of openness, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual subscribing to the shares shall pay the same price for each share.

INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES

Increase of Shares

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws, regulations and the securities regulatory rules of the places where the Company's shares are [**REDACTED**] and subject to respective resolution of the shareholders' meeting, by any of the following methods:

(i) Issuance of shares to unspecified recipients;

(ii) Issuance of shares to specific recipients;

(iii) allotment of bonus shares to existing shareholders;

(iv) conversion of reserve funds to share capital; or

(v) other methods as prescribed by laws, administrative regulations, the CSRC and the securities regulatory authorities of the stock exchange where the Company's shares are [**REDACTED**].

Reduction of Capital

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the PRC Company Law, other relevant regulations, as well as the Articles of Association.

Repurchase of Shares

The Company shall not acquire its own shares. However, the following circumstances are excluded.

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies that hold shares in the Company;

(iii) to use the shares for employee shareholding schemes or as share incentives;

(iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any shareholders' meeting on the merger or division of the Company;

(v) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company; or

(vi) to safeguard corporate value and shareholders' equity as the Company deems necessary.

Transfer of Shares

The shares of the Company shall be transferred in accordance with the law.

The shares issued by the Company before [**REDACTED**] shall not be transferred within one year from the date on which the Company's shares are [**REDACTED**] on the stock exchange.

Directors and senior management of the Company shall report their shareholding in the Company and changes thereof to the Company, and during their tenure determined at the time of taking office, the shares transferred each year shall not exceed 25% of the total Company shares held by them (excluding changes in shares resulting from judicial enforcement, inheritance, bequest, or property division in accordance with the law); the Company shares held by them shall not be transferred within one year from the date when the shares of the Company are [**REDACTED**] and [**REDACTED**]; within half a year from departure from the Company, the aforesaid persons shall not transfer the Company shares held by them.

If the securities regulatory rules of the place where the Company is [**REDACTED**] have other provisions on the transfer restrictions of the Company's shares, such provisions shall prevail.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The Company shall, on the basis of the certificates provided by the approved securities registrar, establish a register of members. The register of members is sufficient evidence of the shareholders' shareholding in the Company. A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations. The Company shall make available the Hong Kong branch register of holders for inspection by shareholders, provided that the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the rules of the securities regulatory authorities of the place where the Company is [**REDACTED**].

When the Company intends to convene a shareholders' meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholders, the Board of Directors or the convenor of a meeting shall determine an equity record date, and the shareholders registered after the close of the equity record date shall be the shareholders entitled to the relevant rights and interests.

Rights and Obligations of the Shareholders

Shareholders of the ordinary shares of the Company shall enjoy the following rights:

(i) the right to dividends and other distributions in proportion to the number of shares held;

(ii) the right to apply legally for, convene, preside, attend or appoint proxies to attend shareholders' meetings and to exercise the corresponding voting right;

(iii) the right to supervise, present proposals or raise enquiries in respect of the Company's business operations;

(iv) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the rules of the securities regulatory authorities of the place where the Company is [**REDACTED**];

(v) the right to inspect and copy the Articles of Association, the register of members (including the register of holders of H shares), corporate bonds counterfoil book, the minutes of shareholders' meetings, resolutions of the Board of Directors and financial and accounting reports; In accordance with laws and regulations, Shareholders who, alone or in aggregate, have held more than 3% of the Company's shares for more than 180 consecutive days may inspect the Company's accounting books and accounting vouchers;

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(vii) shareholders who object to resolutions of merger or division made by the shareholders' meeting of may request the Company to purchase their shares; and

(viii) such other rights provided by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

Shareholders of ordinary shares of the Company shall have the following obligations:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(iii) not to withdraw capital unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal person or the limited liability of shareholders to harm the interests of the Company's creditors; and

(v) other obligations that should be assumed under the laws, administrative regulations, and the securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

If a shareholder of the Company abuses shareholder rights and causes losses to the Company or other shareholders, he shall bear compensation liability in accordance with the laws. If a shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and seriously damages the interests of the Company's creditors, he shall be jointly and severally liable for the Company's debts.

General Rules for the Shareholders' Meeting

The shareholders' meeting is the power organ of the Company and exercises the following functions and powers in accordance with the law:

(i) to elect and replace directors who are not employee representatives; and to decide on matters relating to their remuneration;

(ii) to review and approve reports of the Board of Directors;

(iii) to review and approve the profit distribution plans and loss recovery plans of the Company;

(iv) to adopt resolutions on increasing or reducing the registered capital of the Company;

(v) to adopt resolutions on the issuance of bonds of the Company;

(vi) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(vii) to amend the Articles of Association;

(viii) to make resolutions on the hiring and dismissal of accounting firms responsible for the Company's audit services by the Company;

(ix) to review and approve the guarantee matters under Article 46 of the Articles of Association;

(x) to review and approve the purchase or the sale of major assets by the Company within one year, and the amount of which exceeds 30% of the latest audited total assets of the Company;

(xi) to review and approve matters relating to the modification of use of [**REDACTED**];

(xii) to review the Company's share incentives schemes and employee shareholding schemes; and

(xiii) to view other matters that are required to be resolved by the shareholders' meeting as prescribed by the law, administrative regulations, departmental rules and other securities regulatory rules of the place where the Company's shares are [**REDACTED**] or these articles of association.

The shareholders' meeting may authorize the board of directors to pass resolutions on the issuance of corporate bonds.

The Company may, upon resolution of the shareholders' meeting or, upon authorization by the articles of association or the shareholders' meeting and resolution by the board of directors, issue stocks or corporate bonds convertible into stocks. The specific implementation shall comply with laws, administrative regulations, the provisions of the CSRC and the stock exchange.

Shareholders' meetings include annual shareholders' meetings and extraordinary shareholders' meetings. Annual shareholders' meetings shall be convened once a year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary shareholders' meeting within two months from the date of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or two-thirds of the number prescribed in the Articles of Association;

(ii) the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(iii) such is requested in writing by a shareholder alone or shareholders jointly holding no less than 10% of the Company's outstanding voting shares (excluding treasury shares);

(iv) the Board of Directors considers it necessary;

(v) the audit committee proposes that such a meeting shall be held; or

(vi) other circumstances as specified by laws, administrative regulations, department rules, and other securities regulatory rules of the place where the shares of the Company are [**REDACTED**] and the Articles of Association.

Proposals and Notices of Shareholders' Meetings

The contents of proposals shall fall within the authority of shareholders' meetings, have a clear topic and specific resolution, and be in compliance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the relevant provisions of the Articles of Association.

The Board of Directors, the Audit Committee and shareholders individually or jointly holding no less than 1% of the shares of the Company shall be entitled to put forward proposals to the Company.

Shareholders individually or jointly holding no less than 1% of the shares of the Company may submit interim proposals in writing to the convenor ten days prior to the date of shareholders' meeting. The convenor shall issue a supplemental notice of shareholders' meeting within two days after receipt of the motion, with such interim proposals announced.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the shareholders' meeting, shall neither modify the proposals stated in the notice of shareholders' meetings nor add new proposals.

The convenor shall issue an announcement 21 days prior to the convening of the annual shareholders' meeting to notify every shareholder or 15 days prior to the convening of the extraordinary shareholders' meeting to notify every shareholder.

Notice of the shareholders' meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) subject matters and proposals submitted for consideration and approval on the meeting;

(iii) particulars shall be in clear text that all shareholders are entitled to attend shareholders' meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;

(iv) the record date of equity for shareholders who are entitled to attend the shareholders' meeting;

(v) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(vi) online or other means of voting time and voting procedures; and

(vii) Other matters that need to be specified.

Holding of Shareholders' Meetings

All shareholders or their proxies of the Company registered on the register of holders on the equity record date shall have the right to attend shareholders' meetings and exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association.

Shareholders may attend a shareholders' meeting in person and may appoint a proxy to attend and vote on their behalf.

Shareholders' meetings shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, the vice chairman of the Board of Directors shall preside over the shareholders' meeting; when the vice chairman of the Board of Directors is unable or fails to perform his/her duties, a director shall be jointly elected by more than half of the directors to preside over the meeting.

Voting and Resolutions of Shareholders' Meeting

Resolutions of the shareholders' meeting include ordinary resolutions and special resolutions. Ordinary resolution at a shareholders' meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolution at a shareholders' meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights (excluding treasury shares, if any).

Shares in the Company which are held by the Company do not carry any voting rights, and such shares shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' meeting.

Decisions of the shareholders' meeting on any of the following matters shall be adopted by special resolution:

(i) the increase or reduction of the registered capital by the Company;

(ii) the division, spin-off, merger, dissolution, liquidation and change of corporate form of the Company;

(iii) the amendment to the Articles of Association;

(iv) the purchase or the sale of major assets by the Company within one year, or the guarantee provided to others amount of which exceeds 30% of the latest audited total assets of the Company;

(v) the share incentive schemes;

(vi) other matters that are stipulated by laws, administrative regulations, the Articles of Association of the Company or the securities regulatory rules of the place where the Company is [**REDACTED**], and matters are recognized by the shareholders' meeting through an ordinary resolution as having a significant impact on the Company and requiring adoption by a special resolution.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they held, with one vote for each share.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Non-employee representative director is elected or replaced by the shareholders' meeting and may be removed from office by the shareholders' meeting before the expiration of their term. The term of office for a director is 3 years, and upon expiration, re-election is possible in accordance with the regulations of the securities regulatory authority where the Company's shares are [**REDACTED**].

The term of office of a director shall commence on the date of taking office and end on the expiration of the term of the current session of the Board. If a director is not re-elected in a timely manner upon the expiration of his term of office, the former director shall perform his duties as a director in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association before the re-elected director takes office.

The directors may be held concurrently by the general manager or other senior management members, but the total number of directors who concurrently hold the positions of general manager or other senior management and the directors who are serving as employee representatives shall not exceed one-half of the total number of directors of the Company.

The directors shall abide by the laws, administrative regulations and the Articles of Association and have the following duty of loyalty to the Company:

(i) shall neither embezzle the assets of the Company nor misappropriate the Company's funds;

(ii) shall not deposit the Company's assets or funds in accounts under his/her own name or the names of other individuals;

(iii) shall not accept bribery or other illegal income by taking advantage of his/her power;

(iv) shall not directly or indirectly enter into contracts or conduct transactions with the Company without reporting to the shareholders' meeting or the Board of Directors and obtaining approval through resolutions passed by the Board of Directors or at the shareholders' meeting in accordance with the provisions of the Articles of Association;

(v) shall not take advantage of his/her position to seek business opportunities that should otherwise belong to the Company for himself/herself or others, except where it has been reported to the Board of Directors or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or where the Company is unable to utilize such business opportunity in accordance with laws, administrative regulations or the provisions of these Articles of Association;

(vi) shall not engage in the same kind of business as the Company for his/her own account or for the benefits of others, without reporting to the Board of Directors or the shareholders' meeting and obtaining approval through resolutions passed at the shareholders' meeting;

(vii) shall not accept commissions as theirs' from transactions conducted by the others and the Company;

(viii) shall not disclose the Company's secrets without authorization;

(ix) shall not make use of the affiliated relationship to prejudice the interests of the Company; or

(x) other duties of loyalty stipulated by the provisions of laws, administrative regulations, departmental rules, the Articles of Association, and the securities regulatory rules where the Company's shares are [**REDACTED**].

Any income derived by a director from violation of the provisions of the preceding paragraph shall belong to the Company; for any resulting loss to the Company, such director shall be liable for compensation.

Directors shall abide by the laws, administrative regulations and the Articles of Association and shall be subject to the following diligence obligations to the Company:

(i) shall exercise the rights granted by the Company in a prudent, conscientious and diligent manner to ensure that the Company's commercial activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that the extent of the commercial activities do not exceed the business scope stipulated in the business license;

(ii) shall treat all Shareholders fairly;

(iii) shall keep abreast of the Company's business operation and management;

(iv) shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

(v) shall truthfully provide relevant information and materials to the Audit Committee, and shall not hinder the Audit Committee from performing their duties; and

(vi) other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Articles of Association, and the securities regulatory rules where the Company's shares are [**REDACTED**].

Board of Directors

The Company shall set up a Board of Directors, which shall consist of 9 directors. The Board of Directors shall consist of one chairman and one vice-chairman.

The Board of Directors exercises the following functions and powers:

(i) to convene shareholders' meetings and report to the shareholders' meetings;

(ii) to implement resolutions of the shareholders' meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the Company's profit distribution plans and plans on making up losses;

(v) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and the [**REDACTED**] of shares of the Company;

(vi) formulate plans for major acquisitions of the Company, the repurchase of the Company's shares, or plans for mergers, divisions, and dissolutions;

(vii) within the scope of the authorization granted by the shareholders' meeting, decide on matters such as the Company's external investments, acquisition and sale of assets, asset mortgages, external guarantees, entrusted financial management, related party transactions, and external donations;

(viii) to decide on the establishment of internal management organs of the Company;

(ix) to appoint or dismiss the general manager of the Company, the secretary of the Board of Directors and other senior management personnel, and to decide on matters regarding their remunerations, rewards and punishments; based on the nomination of the general manager, to appoint or dismiss senior management personnel such as the vice president and the chief financial officer of the Company, and to decide on matters regarding their remunerations, rewards and punishments;

(x) to formulate the basic management system of the Company;

(xi) to formulate proposals to amend the Articles of Association;

(xii) to manage information disclosure of the Company;

(xiii) to propose to the shareholders' meeting the appointment or replacement of the accounting firm that provides audit services to the Company;

(xiv) to listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company; and

(xv) other duties stipulated by laws, administrative regulations, the Articles of Association, and the securities regulatory rules where the Company's shares are [**REDACTED**], as well as other powers granted by the shareholders' meetings.

Meetings of the Board of Directors may be held only if more than one half of the directors are present. A resolution of the Board of Directors must be passed by more than half of all directors. Vote on the Board of Directors resolution shall be carried out on the basis of one person one vote.

SENIOR MANAGEMENT

The Company has one general manager, who is appointed or dismissed by the Board of Directors. The Company also has several vice presidents, appointed or dismissed by the Board of Directors. The general manager, vice general manager, chief financial officer, secretary of the Board of Directors of the Company and other senior management personnel proposed by the general manager for recognition by the board of directors are the senior management personnel of the Company.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(ii) to organize the implementation of the Company's annual business plans and investment plans;

(iii) to draft plans for the establishment of the Company's internal management organization;

(iv) to draft the Company's basic management system;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose to the Board of Directors appointment or dismissal of the vice general manager and the person in charge of finance of the Company;

(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors; and

(viii) such other functions and powers conferred by the securities regulatory rules where the Company's shares are [**REDACTED**], the Articles of Association or the Board of Directors.

The general manager shall be present at the meetings of the Board of Directors.

AUDIT COMMITTEE

In accordance with the Company Law and the Guidelines on Articles of Association, the Company's Board of Directors has established an Audit Committee to exercise the authority of the Supervisory Committee as stipulated in the Company Law. The Audit Committee consists of three members who are directors not serving as senior management of the Company, with two independent non-executive directors. The committee shall be convened by an accounting professional from among the independent non-executive directors. Employee representatives on the Board of Directors may serve as members of the Audit Committee.

The Audit Committee meets at least quarterly. An interim meeting may be convened upon the proposal of two or more members or when the convener deems it necessary. Meetings of the Audit Committee shall be held only when at least two-thirds of the members are present. Resolutions of the Audit Committee shall be adopted by a majority vote of its members. Voting on resolutions by the Audit Committee shall be conducted on a one-person-one-vote basis. Rules of Procedure of the Audit Committee shall be formulated by the board of directors.

The Audit Committee is responsible for reviewing the Company's financial information and its disclosures, overseeing and evaluating internal and external audits and internal controls. The following matters shall be submitted to the Board of Directors for deliberation after approval by a majority of all Audit Committee members:

(i) Disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;

(ii) Hire or terminate an accounting firm responsible for auditing the Company;

(iii) Appoint or dismiss the financial controller of the Company;

(iv) Changes in accounting policies, changes in accounting estimates, or corrections of significant accounting errors are made for reasons other than changes in accounting standards;

(v) Other matters as stipulated by laws, administrative regulations, the CSRC, the securities regulatory rules of the place where the Company's shares are [**REDACTED**], and the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTIONS AND AUDITING

Financial and Accounting Systems

The Company shall establish financial and accounting systems according to laws, administrative regulations, the regulations of competent state authorities and the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

Within four months after the end of each fiscal year, the Company shall prepare and disclose the annual report to the stock exchange where the Company is [**REDACTED**]. Within three months after the end of the first six months of each fiscal year, the Company shall prepare and disclose the semi-annual report to the stock exchange where the Company is [**REDACTED**].

The aforementioned regular reports shall be prepared in accordance with relevant laws, administrative regulations, and the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

Profit Distributions

The profit distribution policy of the Company is as follows:

(i) Basic principles of the Company's profit distribution policy

The Company implements a continuous and stable profit distribution policy, and the specific method of profit distribution shall be determined by combining the Company's profit realization status, cash flow position, and share capital size.

(ii) Details of the profit distribution policy

(1) Form of profit distribution

The Company may distribute dividends in cash, stocks or a combination of cash and stocks, and give priority to profit distribution in cash, where eligible.

(2) When the Company distributes its after-tax profits for the current year, it shall set aside 10% of the profits to be included in the Company's statutory reserve. The Company may elect not to do so if its aggregate statutory reserve reaches 50% or more of its registered capital.

If the company's statutory reserve is insufficient to cover previous years' losses, the current year's profits shall first be used to cover such losses before being set aside as provided in the preceding paragraph. After the Company sets aside an amount for statutory reserve from its after-tax profits, it may, subject to a resolution of the shareholders' meeting, set aside an amount for discretionary reserve from its after-tax profits. If any after-tax profits remain after losses are covered and reserves are set aside, the profits shall be distributed on a pro rata basis, reflecting the respective proportion of shares held by each shareholder, unless otherwise stipulated in the Articles of Association. No profit shall be distributed for shares held by the Company itself.

Internal Auditing

The Company has implemented an internal audit system that defines the leadership structure, responsibilities, staffing, funding, application of audit results, and accountability for internal audit operations. The Company's internal audit system is implemented upon approval by the Board of Directors and disclosed to the public.

The Company's internal audit department oversees and inspects business activities, risk management, internal controls, financial information, and other related matters.

Merger, Division, Increase of Capital and Reduction of Capital of the Company

In a merger of companies, the Company shall execute a merger agreement and prepare the balance sheet and property list. The Company shall notify their creditors within ten days of adopting merger resolutions, and shall publish the announcement within 30 days on the designated information disclosure media of the company or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

In the event of a merger of companies, the debts and liabilities of the merging parties shall be assumed by the surviving Company or the newly established Company after the merger.

If the Company is to be divided, its assets shall be divided accordingly.

In a division of the Company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within ten days of the date on which the division resolution is adopted, and shall publish the announcement within 30 days on the designated information disclosure media of the company or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

The debts of a Company prior to its separation shall be jointly and severally liable to the Company after separation. However, unless otherwise agreed in the written agreement reached between the Company and the creditors on the settlement of debts before the separation.

When the Company needs to reduce its registered capital, it must prepare the balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of making the resolution on reducing the registered capital, and shall announce it on the designated information disclosure media of the company or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

When reducing its registered capital, the Company shall reduce the amount of capital contribution or Shares held by the Shareholders in proportion to their respective Shareholdings, unless otherwise provided for by law or the Articles of Association.

Dissolution and Liquidation of the Company

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(i) the term of business operation expires as specified by the Articles of Association or other matters leading to dissolution occur as specified by the Articles of Association;

(ii) the shareholders' meeting resolves to dissolve the Company;

(iii) dissolution is necessary as a result of the merger or division of the Company;

(iv) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws; or

(v) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

In the event of the circumstances specified in Article 188(1) and (2) of the Articles of Association, and if the property has not been distributed to the shareholders, the Company may continue its existence by amending the Articles of Association or by resolution of the shareholders' meeting.

Amendments to the Articles of Association in accordance with the preceding paragraph must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. If the Company is dissolved due to the reasons specified in Article 188(1), (2), (4), and (5) of these Articles of Association, a liquidation committee shall be established within 15 days to commence liquidation. The liquidation committee shall comprise the directors, unless these Articles of Association stipulate otherwise or the general meeting resolves to elect other person(s). If the liquidation obligors fail to perform their liquidation obligations in a timely manner, causing losses to the Company or creditors, they shall bear the liability for compensation.

The liquidation committee shall notify creditors within ten days of its establishment, and shall announce it on the designated information disclosure media of the company or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not repay the debts to creditors.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the shareholders' meeting or the People's Court where the Company is registered for confirmation.

The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company's debts shall be distributed by the Company to the shareholders in proportion to the shares they hold. During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy in accordance with the law. After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the bankruptcy administrator appointed by the competent People's Court.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

In any of the following circumstances, the Company shall amend the Articles of Association:

(i) after the PRC Company Law or relevant laws, administrative regulations, or securities regulatory rules of the place where the Company is [**REDACTED**] are amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, or securities regulatory rules;

(ii) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association; or

(iii) the shareholders' meeting decides to amend the Articles of Association.

If the matters regarding the amendment of the Articles of Association approved by the resolutions of the shareholders' meeting require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. If the amendments involve the items subject to Company registration, the alteration registration shall be handled in accordance with the laws.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established as a limited liability company in the PRC on March 11, 1999 and was converted into a joint stock limited company on November 27, 2020. Our registered office is located at No. 35 Jingxin Road, Industrial Park, Xibei Town, Xishan District, Wuxi, Jiangsu Province, PRC. Our Company has established a place of business in Hong Kong, at 40th Floor, Dah Sing Financial Center, No. 248 Queen's Road East, Wanchai, and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 2, 2026. Ms. Au Wing Han (區泳嫻) has been appointed as our authorized representative for acceptance of service of process and notices in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company is established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix IV — Summary of Articles of Association."

2. Changes in the Share Capital of Our Company

Save as disclosed below and in "History, Development and Corporate Structure," there has been no change in the share capital of our Company within the two years immediately preceding the date of this document.

Pursuant to the 2024 Outstanding Contribution Incentive Plan as approved at the 2024 second extraordinary Shareholders' general meeting dated December 5, 2024, the Company repurchased a total of 2,240,000 Shares from Wuxi Jinrunyang at the price of RMB8.50 per Share. Further, as approved at the 2025 first extraordinary Shareholders' general meeting dated January 27, 2025, the Company completed the cancelation of 1,160,000 Shares repurchased from Wuxi Jinrunyang, which had not been granted under the 2024 Outstanding Contribution Incentive Plan on April 1, 2025. As a result, the total share capital of the Company decreased from RMB129,900,000.00 comprising 129,900,000 Shares to RMB128,740,000.00 comprising 128,740,000 Shares.

Pursuant to the 2025 Share Incentive Plan as approved at the 2025 seventh extraordinary Shareholders' general meeting dated November 25, 2025, the Company completed the grant of an aggregate of 9,600,308 Shares to ten incentive participants by way of issuance of new Shares and transfer of repurchased Shares at a grant price of RMB1.00 per Share on the same date. Among such Shares, 6,907,108 Shares were newly issued by the Company to the incentive participants. As a result, the total share capital of the Company increased from RMB131,260,892.00 comprising 131,260,892 Shares to RMB138,168,000.00 comprising 138,168,000 Shares.

3. Change in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report.

Save as disclosed below, there has been no change in the share capital of our subsidiaries within the two years preceding the date of this document.

Langrun Tech

On September 8, 2025, Langrun Tech was deregistered under the laws of the PRC on a voluntary basis due to cessation of its business with a registered share capital of RMB20,418,668.

Wuxi Zhiming Pharmaceutical Technology Co., Ltd. (無錫知明醫藥科技有限公司)

On December 24, 2025, Wuxi Zhiming Pharmaceutical Technology Co., Ltd. was deregistered under the laws of the PRC on a voluntary basis due to cessation of its business with a registered share capital of RMB20,000,000.

Wuxi Beirun Enterprise Management Co., Ltd. (無錫倍潤企業管理有限公司)

On December 25, 2025, Wuxi Beirun Enterprise Management Co., Ltd. was deregistered under the laws of the PRC on a voluntary basis due to cessation of its business with a registered share capital of RMB5,000,000.

Zhiyan Bio Korea Co., Ltd.

On January 8, 2025, the registered share capital of Zhiyan Bio Korea Co., Ltd. was increased from KRW900,000,000 to KRW1,240,000,000. On January 5, 2026, the registered share capital of Zhiyan Bio Korea Co., Ltd was increased from KRW1,240,000,000 to KRW1,910,000,000.

Chongqing Zhifu Pharmacy Co., Ltd. (重慶知芙大藥房有限公司)

On March 20, 2026, Chongqing Zhifu Pharmacy Co., Ltd. was established under the laws of the PRC with a registered share capital of RMB5,000,000.

4. Resolutions of Our Shareholders

Pursuant to the resolutions passed at a duly convened extraordinary general meeting of our Shareholders held on June 16, 2026, our Shareholders resolved that, among other things, that:

(a) the issuance of H Shares with a nominal value of RMB1.00 each and such H Shares being [**REDACTED**] on the Stock Exchange;

(b) the number of H Shares to be issued pursuant to the [**REDACTED**], and the grant to the [**REDACTED**] (or its representatives) of the [**REDACTED**] of not more than 15% of the number of H Shares initially available under the [**REDACTED**];

(c) subject to the filing procedure with the CSRC, upon the completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by existing Shareholders will be converted into H Shares on a one-for-one basis;

(d) subject to the completion of the [**REDACTED**], the grant of a general mandate to our Board to allot and issue new Shares or sell and/or transfer treasury Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deems fit, and to make necessary amendments to the Articles of Association, provided that the number of Shares to be issued shall not exceed 20% of the number of the H Shares in issue (without taking into account any H Shares that may be issued upon the exercise of the [**REDACTED**] and treasury Shares, if any) as of the [**REDACTED**];

(e) subject to the completion of the [**REDACTED**], the grant of a general mandate to our Board to repurchase H Shares issued on the Stock Exchange at any time within a period up to the date of the conclusion of the next annual general meeting of our Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, and to complete all necessary procedures, provided that, the number of H Shares to be repurchased shall not exceed 10% of the number of the total H Shares in issue as of the [**REDACTED**] (without taking into account any H Shares that may be issued upon the exercise of the [**REDACTED**] and treasury Shares, if any);

(f) subject to the completion of the [**REDACTED**], the adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to our Board to amend the Articles of Association to the extent necessary for the purpose of the [**REDACTED**]; and

(g) authorization of our Board or its authorized individual(s) to deal with all matters relating to the [**REDACTED**] and the [**REDACTED**].

5. Restriction on Share Repurchase

For details of the restrictions on share repurchase by our Company, see "Appendix IV — Summary of Articles of Association."

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

We [have] entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) the [**REDACTED**].

2. Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business.

No.	Trademark	Registration number	Owner	Place of registration	Class	Expiry date
1.	Ziyond	307145857	The Company	Hong Kong	3, 5, 10, 35, 44	December 29, 2035
2. . . .	丽芙	1472605	The Company	PRC	5	November 13, 2030
3. . . .	洛芙	1472606	The Company	PRC	5	November 13, 2030
4. . . .	金纽尔	3554642	The Company	PRC	5	April 20, 2035
5. . . .	金玉尔	14206451	The Company	PRC	5	April 27, 2035
6. . . .	质茂	59748964	The Company	PRC	3	March 27, 2032
7. . . .	质茂	59771836	The Company	PRC	5	March 27, 2032
8. . . .	知原丽芙	76887294	The Company	PRC	3	July 27, 2034
9. . . .	知原	55141485	The Company	PRC	3	May 20, 2032
10. . .	知原	10073467	The Company	PRC	5	January 6, 2033
11. . .	朗杰	11962867	The Company	PRC	5	June 13, 2034
12. . .	玉雅	12613762	The Company	PRC	5	March 20, 2035
13. . .	质润	22281992	Wuxi Zhiyan Biotechnology Co., Ltd. (無錫知妍生物科技有限公司) ("**Zhiyan Biotechnology**")	PRC	3	January 27, 2028
14. . .	质润	69370664	Zhiyan Biotechnology	PRC	3	September 6, 2033
15. . .	修芙世家	67651351	Zhiyan Biotechnology	PRC	3	April 13, 2033
16. . .	火把花 HuoBaHua	1343330	Chongqing Yaoyanyuan	PRC	5	December 13, 2029

Patents

As of the Latest Practicable Date, we had registered the following patents which we considered to be material to our business.

No.	Owner	Patent name	Expiry date	Category	Place of registration
1. . . .	The Company	A method for transdermal detection of azelaic acid (一種用於壬二酸透皮檢測的方法)	March 22, 2043	Invention	PRC
2. . . .	The Company	A method for detecting the content of impurity XV in tacrolimus ointment using reversed-phase chromatography (一種用反相色譜法檢測他克莫司軟膏中雜質XV含量的方法)	December 28, 2041	Invention	PRC
3. . . .	The Company	A tacrolimus ointment and preparation method thereof	January 3, 2043	Invention	PRC
4. . . .	The Company	A cream for dermatitis and its manufacturing process and manufacturing equipment	July 5, 2043	Invention	PRC
5. . . .	The Company	A pharmaceutical composition comprising hydroxychloroquine sulfate and preparation method thereof	December 18, 2041	Invention	PRC
6. . . .	The Company	A bifonazole solution and preparation process thereof	April 11, 2043	Invention	PRC
7. . . .	The Company	A sprayable metronidazole gel composition	August 18, 2034	Invention	PRC
8. . . .	The Company	A method for detecting related substances in a calcipotriol scalp solution	July 27, 2042	Invention	PRC
9. . . .	The Company	A soft ointment formulation comprising a tretinoin inclusion complex and clobetasol propionate, and preparation method thereof	August 26, 2033	Invention	PRC
10. . .	The Company	A selenium disulfide shampoo and a method for improving the stability of selenium disulfide shampoo	December 9, 2041	Invention	PRC
11. . .	The Company	A preparation process for a desonide cream	December 29, 2042	Invention	PRC
12. . .	The Company	Compound Clobetasol Propionate and Tretinoin Ointment	May 16, 2032	Invention	PRC
13. . .	The Company	Solid dispersion comprising clobetasol propionate and tretinoin, and preparation method thereof	January 29, 2033	Invention	PRC
14. . .	Zhiyan Biotechnology	An external cosmetic composition for acne treatment and skin repair and applications thereof	July 13, 2043	Invention	PRC

No.	Owner	Patent name	Expiry date	Category	Place of registration
15.	Zhiyan Biotechnology	A facial cleansing mousse with acne-treating efficacy, and methods for its preparation and use	January 25, 2042	Invention	PRC
16.	Zhiyan Biotechnology	A composition and shampoo for preventing discoloration of selenium disulfide	November 24, 2042	Invention	PRC
17.	Chongqing Yaoyanyuan	A filtration device for preparing the extract of colquhounia root tablets	December 30, 2041	Invention	PRC
18.	Chongqing Yaoyanyuan	A medicinal material sorting device and its use method	July 25, 2042	Invention	PRC
19.	Chongqing Yaoyanyuan	A concentration device for extract of colquhounia root tablets and the concentration method thereof	August 4, 2042	Invention	PRC
20.	Chongqing Yaoyanyuan	A method for extracting the main active ingredient from colquhounia root and its application in preparing drugs for membranous nephropathy	March 22, 2043	Invention	PRC

Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we considered to be material to our business.

No.	Copyright name	Owner	Registration date	Place of registration
1.	Logo of Zhiyuan	The Company	May 24, 2023	PRC
2.	Packaging for Luofu® (洛芙®) New Series Products	The Company	October 30, 2023	PRC
3.	Metronidazole Gel	The Company	May 8, 2024	PRC
4.	Tranexamic Acid Tablets	The Company	May 16, 2024	PRC
5.	Clindamycin phosphate topical solution	The Company	January 24, 2025	PRC
6.	ZRVIVE Selenium Sulfide Anti-Dandruff Shampoo	Zhiyan Biotechnology	June 13, 2024	PRC
7.	ZRVIVE Whitening, Freckle-Lightening and Acne-Treating Essence Cream	Zhiyan Biotechnology	August 30, 2024	PRC
8.	ZRVIVE Selenium Sulfide Shampoo (Orange Selenium Bottle)	Zhiyan Biotechnology	September 4, 2025	PRC
9.	ZRVIVE	Zhiyan Biotechnology	December 4, 2025	PRC
10.	ZRVIVE Z + LOGO	Zhiyan Biotechnology	December 4, 2025	PRC

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we considered to be material to our business:

No.	Domain name	Owner	Registration date	Expiry date
1. . .	ziyondpharma.com	The Company	February 6, 2026	February 6, 2027
2. . .	zhirunskin.com	Zhiyan Biotechnology	July 12, 2022	July 12, 2027

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' Service Contracts

We [have] entered into a service contract with each of our Directors which contains provisions in relation to, among others, term of service and termination. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed in "Directors and Senior Management" and above, we have not entered into, and do not propose to enter into, any service contracts with any of our Directors in their respective capacities as Directors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

2. Remuneration of Directors

For details of remunerations of Directors, see "Directors and Senior Management" and "Appendix I — Accountants' Report — Notes to the Historical Financial Information — Note 8. Directors' and Supervisors' Emoluments" in this document.

Disclosure of Interests

Interests of our Directors and Chief Executive of the Company

Save as disclosed below, immediately following the completion of the [**REDACTED**] (assuming no exercise of the [**REDACTED**]) and the conversion of the Unlisted Shares into H Shares, so far as the Directors are aware, none of the Directors or chief executive of the Company will have any interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or our associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange, once the H Shares are [**REDACTED**] on the Stock Exchange.

Name	Position	Nature of interest	Description of Shares	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[1]	Approximate percentage of shareholding in the total share capital of the Company[1]
Mr. Xu	Chairman of the Board and executive Director	Beneficial owner; interests jointly held with other persons[2]	Domestic Shares H Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

Name	Position	Nature of interest	Description of Shares	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in the total share capital of the Company[(1)]
Mr. Xie	Executive Director, chief executive officer and general manager of the Company	Beneficial owner; interests jointly held with other persons[(2)]	Domestic Shares H Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Mr. Xu Dacheng (徐大成).	Non-executive Director and vice chairman of the Board	Interested in controlled corporation[(3)]	Unlisted Shares H Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Mr. You Bin (尤斌).	Executive Director and deputy general manager of the Company	Beneficial owner	Domestic Shares H Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Dr. Cai Beilei (蔡蓓蕾)	Executive Director and deputy general manager of the Company	Beneficial owner	Domestic Shares H Shares	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Domestic Shares and [**REDACTED**] H Shares in issue upon the [**REDACTED**] comprising (i) an aggregate of [**REDACTED**] H Shares to be converted from the Unlisted Shares and (ii) [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) Pursuant to the Acting-in-Concert Agreement, Mr. Xie agreed to act in concert with Mr. Xu by aligning their votes at the board meetings and shareholders' meetings at the level of both Wuxi Zhonghe and our Company. As of the Latest Practicable Date, (i) Wuxi Zhonghe was the general partner of Wuxi Langming, Wuxi Langwei and Wuxi Langyi; and (ii) Mr. Xu was the general partner of Wuxi Langxing and Wuxi Zhiwen. As a result, each of Mr. Xu, Mr. Xie, Wuxi Zhonghe, Wuxi Langming, Wuxi Langwei, Wuxi Langyi, Wuxi Langxing and Wuxi Zhiwen is deemed to be interested in all the Shares in which each of them is interested under the SFO. For more details, see "Relationship with our Controlling Shareholders."

(3) Wuxi Boyi is a limited partnership managed by Mr. Xu Dacheng as its general partner. Harbour Avenue is owned as to 99.00% by Ms. Cai Huiyu, who is the spouse of Mr. Xu Dacheng. As a result, Mr. Xu Dacheng is deemed to be interested in an aggregate of 12,096,442 Shares held by Harbour Avenue and Wuxi Boyi under the SFO.

Interests of Substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this document, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who will, immediately following the completion of the [**REDACTED**] (assuming no exercise of the [**REDACTED**]) and the conversion of the Unlisted Shares into H Shares, have an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

3. Agency Fees or [REDACTED] Received

The [**REDACTED**] will receive an [**REDACTED**] in connection with the [**REDACTED**]. See "[**REDACTED**]." Save in connection with the [**REDACTED**], no [**REDACTED**], discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters

and experts referred to in "— Other Information — Qualifications of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no [**REDACTED**] has been paid or is payable for [**REDACTED**], agreeing to [**REDACTED**], procuring [**REDACTED**] or agreeing to procure [**REDACTED**] for any share in or debentures of the Company.

4. Disclaimers

(i) Save as disclosed in "History, Development and Corporate Structure," none of our Directors nor any of the experts referred to under the paragraph headed "— Other Information — Qualifications of Experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this document, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) Save in connection with the [**REDACTED**], none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iii) None of our Directors or their respective close associates or our Shareholders which to the knowledge of our Directors own more than 5% of our issued Shares (excluding treasury shares) has any interest in our five largest customers or suppliers during the Track Record Period; and

(iv) Save as disclosed in "Directors and Senior Management," none of our Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance were pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] and the H Shares to be converted from Unlisted Shares, on the Main Board of the Stock Exchange. The Sole Sponsor will receive an aggregate fee of US$500,000 for acting as sole sponsor for the [**REDACTED**].

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

4. Preliminary Expense

The Company did not incur any material preliminary expenses.

5. Promoters

The promoters of the Company are all then 17 shareholders of the Company as of November 27, 2020 before our conversion into a joint stock company with limited liability. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] or the related transactions described in this document.

6. Qualifications of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited	A corporation licensed to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Zhong Lun Law Firm	Legal advisor to the Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
AVISTA Valuation Advisory Limited	Property valuer

7. Consents of Experts

Each of the experts named above [has given and has not withdrawn] its written consent to the issue of this document with the inclusion of its reports, letters or opinions (as the case may be) and the references to its name included herein in the form and context in which they are included.

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Stamp Duty

The sale, purchase and transfer of H Shares will be subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

9. Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as otherwise disclosed "Financial Information," "History, Development and Corporate Structure" and "[**REDACTED**]," within the two years immediately preceding the issue of this document:

(i) no share or debenture of any member of our Group has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid up otherwise than in cash;

(ii) no share or debenture of any member of our Group is under option or agreed conditionally or unconditionally to be put under option;

(iii) no [**REDACTED**], discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group; and

(iv) no [**REDACTED**] has been paid or is payable for [**REDACTED**], agreeing to [**REDACTED**], procuring or agreeing to procure [**REDACTED**] for any shares in or debentures of our Company.

(b) There are no founder or management or deferred shares in the Company.

(c) There is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

(d) There is no arrangement under which future dividends are waived or agreed to be waived.

(e) There are no contracts for the hire or hire purchase of plant to or by our Group for a period of over one year which are substantial in relation to our Group's business.

(f) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

(g) No part of the equity or debt securities of the Company is [**REDACTED**] or [**REDACTED**] in on any stock exchange, and no such [**REDACTED**] or permission to [**REDACTED**] on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

(h) the Company has no outstanding convertible debt securities or debentures.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) the written consents referred to in the paragraph headed "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix V to this document; and

(ii) a copy of the material contract referred to in the paragraph headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix V to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at [**www.ziyondpharma.com**] during a period of 14 days from the date of this document:

(i) the Articles of Association;

(ii) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this document;

(iii) the audited consolidated financial statements of our Group for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026;

(iv) the report from KPMG on the unaudited [**REDACTED**] financial information of our Group, the text of which is set out in Appendix II to this document;

(v) the written consents referred to in the paragraph headed "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix V to this document;

(vi) the material contract referred to in the paragraph headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix V to this document;

(vii) the service contracts and the letters of appointment referred to in the paragraph headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' Service Contracts" in Appendix V to this document;

(viii) the PRC legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under PRC law;

(ix) the industry report issued by Frost & Sullivan, the summary of which is set forth in "Industry Overview";

(x) the property valuation report prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this document; and

(xi) the PRC Company Law, the PRC Securities Law and the Trial Measures for Overseas Listing, together with their unofficial English translations.