*You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this document. Our Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section "Risk Factors" of this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a clinical-stage pharmaceutical company headquartered in Guangzhou, China. The Company is committed to the development and commercialization of high-end innovative microneedle drug formulations and intranasal inhalation drug formulations, designed to overcome the limitations of traditional formulations and improve therapeutic outcomes without changing the drug molecules themselves. We have established two core platforms with proprietary technologies: a microneedle drug formulation platform and an inhalation drug formulation platform. These platforms serve as the foundation for a differentiated and competitive product pipeline aimed at improving clinical performance and patient compliance.

We have two Core Products, DHMP, the first microneedle drug patch to receive clinical trial approval in China, for which the conduct of Phase IIa clinical studies for the pediatric indication has been completed and the Phase II clinical trial for the adult indication is ongoing; and an intranasal inhalation drug formulation intended for the on-demand treatment of "Off" episodes in Parkinson's disease, the first nasal inhalation formulation approved to enter clinical trials in China in this therapeutic area, for which the conduct of Phase II clinical studies has been completed.

During the Track Record Period, we generated revenue from the provision of CRO Services to pharmaceutical clients in the PRC and sale of drugs in both the PRC and the United States. However, we currently have no self-developed products approved for commercial sale and have not generated any revenue from sales of our product candidates.

We expect to incur significant amount of expenses and operating losses for at least the next several years as we further our preclinical research efforts, continue the clinical development, and seek regulatory approvals for our pipeline products before launching these products to the market. Subsequent to the **[REDACTED]**, we expect to also incur costs associated with operating as a public company. We expect that our financial performance will fluctuate periodically due to the development status of our pipeline products, regulatory approval timeline and commercialization of our future approved drugs.

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on 14 November 2007 and converted into a joint stock company with limited liability on 26 November 2025. For details, see "History, Development and Corporate Structure" in this document.

The historical financial information of our Group has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Track Record Period.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in "Risk Factors" in this document and those set out below.

Our Ability to Successfully Develop Our Pipeline Products

Our business and financial results depend on our ability to successfully develop our pipeline products, demonstrate favorable tolerability and efficacy clinical trial results, obtain necessary regulatory approvals, and manufacture our pipeline products. All of our pipeline products are still in development. As of the Latest Practicable Date, we have identified and developed two Core Products and commenced Phase II clinical trail of our two Core Products. For details of the development of our pipeline products, see "Business" in this document.

Our Ability to Successfully Commercialize Our Pipeline Products

Although all of our pipeline products currently have not been approved for commercialization, and we have not generated any revenue from sales of our pipeline products, we expect to commercialize one or more of our pipeline products in the near future. Upon commercialization of our pipeline products, our business and results of operations will be driven by the market acceptance, sales of our commercialized drugs and our manufacturing capabilities to meet commercial demands. However, the commercialization may require significant marketing efforts and inputs before we are able to generate any revenue from sales of our pipeline products. If we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. For details, see "Risk Factors — Risks relating to manufacturing and commercialisation of our pipeline products" in this document.

Funding for Our Operation

During the Track Record Period, we funded our operations primarily through equity financing, cash flow generated from our CRO Services and borrowings. We expect to fund our future operations primarily with existing cash and cash equivalents, bank loans and net **[REDACTED]** from the **[REDACTED]**. Going forward, in the event of a successful commercialization of one or more of our pipeline products, we expect to fund our operations with revenue generated from sales of our commercialized drug products. However, with the continuing expansion of our business and product pipelines, we may require further funding through public or private offerings, debt financings, collaboration arrangements, licensing arrangements or other funding sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

Our Ability to Manage Research and Development of Our Products Candidate

In order to commercialize our two Core Products, to bring our pipeline products to market, and to develop new pipeline products, we have devoted and will continue to devote our resources on R&D activities, including conducting preclinical studies, clinical trials and activities related to seeking regulatory approvals. The success of such R&D activities significantly affects our ability to successfully develop our pipeline products, including the two Core Products.

While we expect to incur significant R&D expenses in the foreseeable future, we need to control the amount of such expenses at a reasonable level. Our ability to balance the need to invest in R&D activities and control our operating expenses is key to our ability to reach profitability and sustainable growth.

Our Ability to Improve Operating Efficiency

Our business and financial results will be affected by our ability to improve our operating efficiency and control our operating expenses. For the years ended December 31, 2024 and 2025 and the five months ended May 31, 2026, our administrative expenses was approximately RMB15.2 million , RMB44.1 million and RMB17.0 million, respectively. For the years ended December 31, 2024 and 2025 and the five months ended May 31, 2026, our selling and distribution expenses was approximately RMB7.2 million, RMB5.8 million and RMB1.5 million, respectively. We expect our administrative expenses and selling and distribution expenses to increase in the future for the commercialization, promotion and marketing of our two Core Products and other pipeline products, and to manage the growth in our business scale, therefore, our ability to operate efficiently will have a significant impact on our business and financial results.

MATERIAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

The preparation of historical financial information requires our management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. See Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this document for a description of our material accounting policies, and significant accounting judgments and estimates.

Revenue Recognition

Our revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

CRO Services

Our CRO Services agreements may contain multiple services which are separate performance obligations because the promises to transfer each service is capable of being distinct and separately identifiable. Accordingly, we develops assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified. In developing the stand-alone selling price for a performance obligation, we uses expected cost plus margin approach and considers all information that is reasonably available, including but not limited to, costs incurred to provide the service and related profit margins.

Revenue from CRO services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by us. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services. If we expects to recover the costs incurred in satisfying the performance obligation, revenue is recognized only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

MAH Business

Revenue is generated by us as the MAH, through the sale of licensed drugs to distributors. Revenue from the sale of drugs is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery and acceptance of the goods by the customers.

Fair Value Measurement

Our Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

Our Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for non-financial assets is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

DESCRIPTION OF CERTAIN SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	49,026	55,238	21,357	16,567
Cost of sales	(32,511)	(42,333)	(15,824)	(13,289)
Gross profit	16,515	12,905	5,533	3,278
Other income and gains	3,700	3,598	2,134	992
Selling and distribution expenses	(7,164)	(5,818)	(2,439)	(1,488)
Administrative expenses	(15,199)	(44,142)	(9,125)	(16,952)
Research and development expenses	(16,413)	(38,184)	(10,389)	(18,961)
Impairment losses on financial and contract assets, net	(449)	(430)	(211)	(797)
Other expenses	(4,237)	(2,842)	(2,132)	(916)
Finance costs	(3,388)	(6,226)	(687)	(584)
Loss before change in fair value of financial liabilities on series shares	(26,635)	(81,139)	(17,316)	(35,428)
Change in fair value of financial liabilities on series shares	(120,449)	(29,807)	(1,105)	(161,720)
LOSS BEFORE TAX	(147,084)	(110,946)	(18,421)	(197,148)
Income tax expense	—	—	—	(4)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(147,084)	(110,946)	(18,421)	(197,152)
Attributable to:				
Owners of the parent	(145,037)	(109,430)	(17,098)	(196,958)
Non-controlling interests	(2,047)	(1,516)	(1,323)	(194)
	(147,084)	(110,946)	(18,421)	(197,152)

Revenue

During the Track Record Period, we generated revenue from the provision of CRO services and our MAH Business. The following table sets forth a breakdown of our revenue by business segment for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
MAH Business	2,678	13,382	5,870	4,165
CRO Services	46,348	41,856	15,487	12,402
Total revenue	**49,026**	**55,238**	**21,357**	**16,567**

The following stable sets forth a breakdown of revenue by geographical markets for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Geographical markets				
The PRC	46,995	41,856	15,487	12,402
Overseas	2,031	13,382	5,870	4,165
Total revenue	**49,026**	**55,238**	**21,357**	**16,567**

Cost of Sales

Our cost of sales for the provision of CRO Services primarily consists of direct labor, outsourced consultation and testing fees, direct materials, depreciation and amortization and rent, utilities and electricity. Our cost of sales for the MAH Business primarily consists of contract manufacturing fees and amortization of MAH licenses.

Cost of Sales by business segment

The following table sets forth a breakdown of our cost of sales by business segment for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Types of goods or services				
MAH Business	2,463	12,741	5,300	3,925
CRO Services	30,048	29,592	10,524	9,364
Total cost of sales	**32,511**	**42,333**	**15,824**	**13,289**

Cost of Sales by Nature

The following table sets forth a breakdown of our cost of sales by nature for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs	17,964	16,894	6,070	6,486
Contract manufacturing fees	2,126	12,488	5,195	3,820
Consultation and testing fees	4,586	4,795	1,348	278
Material costs	3,076	3,425	871	1,209
Depreciation and amortization	2,392	1,745	834	637
Rent, utilities and electricity	1,751	1,566	576	485
Others	616	1,420	930	374
Total	**32,511**	**42,333**	**15,824**	**13,289**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the years and periods indicated:

	Year ended 31 December				Five months ended 31 May			
	2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
MAH Business	215	8.0	641	4.8	570	9.7	240	5.8
CRO Services	16,300	35.2	12,264	29.3	4,963	32.0	3,038	24.5
Total	**16,515**	**33.7**	**12,905**	**23.4**	**5,533**	**25.9**	**3,278**	**19.8**

Other Income and Gains

Our other income and gains consist of investment income on financial assets at fair value through profit or loss, bank interest income, sales of medical aesthetic products, government grants related to assets and income, others, fair value gains on financial assets at fair value through profit or loss and foreign exchange gains, net. The following table sets forth a breakdown of our other income and gains for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income				
Government grants	1,761	3,001	1,902	588
Sales of medical aesthetic products	1,831	291	198	—
Bank interest income	26	144	15	36
Investment income on financial assets at fair value through profit or loss	22	94	—	93
Others	—	8	—	81
Total other income	3,640	3,538	2,115	798
Gains				
Fair value gains on financial assets at fair value through profit or loss	—	60	19	194
Foreign exchange gains, net	60	—	—	—
Total gains	60	60	19	194
Total other income and gains	3,700	3,598	2,134	992

Our investment income on financial assets at fair value through profit or loss represents income from our investment in structured deposits products issued by a commercial bank. Our bank interest income represents the amount of interest we received from our deposits with commercial banks. Ourincome from sales of medical aesthetic products represents income generated from our cosmetics business, which we ceased such operation on September 1, 2025, for details, please refer to the section headed "Business — Our Other Businesses". Our government grants mainly represent amounts received from the local governments acknowledging our achievement and for the purpose of compensating the expenses spent on research and clinical trials and award for new drug development.

During the Track Record Period, income generated from and costs of sales incurred in our ceased cosmetics business were recognised as sales of medical aesthetic products under our other income, and costs of medical aesthetic products under our other expenses, respectively. Our gross loss in our ceased cosmetics business represents the sales of medical aesthetic products less costs of medical aesthetic products. The following table sets forth a breakdown of our gross loss and gross loss margin of our ceased cosmetics business for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of medical aesthetic products	1,831	291	198	—
Costs of medical aesthetic products	2,851	1,135	755	—
Gross (loss)	(1,020)	(844)	(557)	—
Gross (loss) margin	(55.7%)	(290.0%)	(281.3%)	—

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of staff costs, certificate maintenance fees, advertising and promotion expenses, entertainment expenses, travel expenses, share-based compensation, pharmaceutical insurance expenses and others. The following table sets forth a breakdown of our selling and distribution expenses for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs	3,302	2,033	1,016	635
Certificate maintenance fees	1,554	1,375	563	578
Advertising and promotion expenses	1,239	1,368	434	115
Entertainment expenses	378	605	295	39
Travel expenses	413	212	87	27
Share-based compensation	—	107	—	51
Pharmaceutical insurance expenses	263	82	39	39
Others	15	36	5	4
Total	**7,164**	**5,818**	**2,439**	**1,488**

Our staff costs primarily consist of salaries, benefits and bonuses for our sales related employee. Our advertising and promotion expenses primarily consist of exhibition expenses. Our pharmaceutical insurance expenses represents insurance premium related to the drugs we sale. Our certificate maintenance fees represent annual fees paid to maintain drug registration certificates.

Administrative Expenses

Our administrative expenses primarily consist of staff costs, **[REDACTED]** expenses, share-based compensation, professional and other services fees, travel expenses, entertainment expenses, depreciation and amortization, patent expenses and others. The following table sets forth a breakdown of our administrative expenses for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs	9,666	14,723	4,541	5,647
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Share-based compensation	—	8,976	—	4,995
Professional and other services fees	1,325	3,299	1,248	933
Depreciation and amortization	1,941	2,999	948	1,567
Travel expenses	1,229	2,825	1,266	1,020
Entertainment expenses	864	1,542	782	908
Patent expenses	44	126	70	104
Others	130	161	85	27
Total	**15,199**	**44,142**	**9,125**	**16,952**

Our staff costs primarily consist of salaries, benefits and bonuses for our supporting and administrative staff. Our professional and other services fees primarily consist of audit fees, tax audit fees and other services fees.

Research and Development Expenses

Our research and development expenses primarily consist of experiments and testing expenses, staff costs, share-based compensation, depreciation and amortization, material costs and others. The following table sets forth a breakdown of our research and development expenses for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Experiments and testing expenses	6,783	19,452	4,888	9,391
Staff costs	6,961	10,666	3,632	5,437
Share-based compensation	—	3,294	—	1,855
Depreciation and amortization	1,651	2,271	839	1,195
Material costs	598	1,439	660	373
Others	420	1,062	370	710
Total	**16,413**	**38,184**	**10,389**	**18,961**

The following table sets forth a breakdown of our research and development expenses attributable to each of the Core Products for the years and periods indicated:

	Year ended December 31,		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Research and development expenses attributable to each of the Core Products				
— DHMP	5,616	11,500	2,336	9,256
— XJN010	6,283	14,845	2,966	5,519
Total	**11,899**	**26,345**	**5,302**	**14,775**

Our staff costs primarily consist of salaries and benefits for employees from the research and development departments. Our experiment and testing expenses represent clinical trial expenses for our two Core Products and non-clinical research expenses for our pipeline products including our two Core Products resulting from the engagement of CROs. Our depreciation and amortization represent the depreciation of our equipment and the depreciation of right-of-use assets. Others are mainly office expenses and transportation expenses for our research and development activities.

Our research and development expenses incurred for our two Core Products were approximately RMB11.9 million, RMB26.3 million, RMB5.3 million and RMB14.8 million for the years ended December 31, 2024 and 2025 and the five months ended May 31, 2025 and 2026, respectively, accounting for 72.5%, 69.0%, 51.0% and 77.9% of our total research and development expenses, and 30.7%, 29.9%, 24.2% and 39.5% of our total operating expenses (i.e. selling and distribution expenses, administrative expenses, research and development expenses) during the same periods, respectively.

Impairment losses on financial and contract assets, net

Our impairment losses on financial and contract assets, net represent impairment losses on financial assets such as trade receivables and other receivables and impairment losses on contract assets from the CRO Services. For the two years ended December 31, 2024 and 2025 and the five months ended May 31, 2025 and 2026, we had impairment losses on financial and contract assets, net of approximately RMB0.4 million, RMB0.4 million, RMB0.2 million and RMB0.8 million, respectively.

Other Expenses

Our other expenses primarily consist of write-down of inventories to net realisable value, costs of medical aesthetic products, impairment of intangible assets, foreign exchanges losses, net and others. The following table sets forth a breakdown of our other expenses for the years and periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Write-down of inventories to net realisable value	462	1,310	1,271	—
Costs of medical aesthetic products	2,851	1,135	755	—
Impairment of intangible assets	664	—	—	—
Impairment of fixed assets	—	—	—	552
Foreign exchanges losses, net	—	74	5	352
Others	260	323	101	12
Total	**4,237**	**2,842**	**2,132**	**916**

Finance Costs

Our finance costs represent interest on bank and other borrowings, interest on lease liabilities and financing advisory fees.

Change in Fair Value of Financial Liabilities on Series Shares

Certain Pre-**[REDACTED]** Investors were granted by our Company with certain special rights, these series shares with special rights are considered as financial liabilities at fair value through profit or loss and presented as "financial liabilities on series shares". The change in fair value of the financial liabilities on series shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Our change in fair value of financial liabilities on series shares were approximately RMB120.4 million, RMB29.8 million, RMB1.1 million and RMB161.7 million for the years ended December 31, 2024 and 2025 and the five months ended May 31, 2025 and 2026, respectively.

Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate. During the Track Record Period, save for the income tax expense of approximately RMB4,000 during the five months ended May 31, 2026, we had no income tax expenses.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

For Five Months Ended May 31, 2025 Compared to Five Months Ended May 31, 2026

Revenue

Our revenue decreased by approximately RMB4.8 million or 22.4% from approximately RMB21.4 for the five months ended May 31, 2025 to approximately RMB16.6 million for the five months ended May 31, 2026 primarily due to the decrease in revenue generated from both the MAH Business and the provision of CRO Services.

MAH Business

Our revenue generated from the MAH Business decreased by approximately RMB1.7 million or approximately 29.0% from approximately RMB5.9 million for the five months ended May 31, 2025 to approximately RMB4.2 million for the five months ended May 31, 2026 primarily due to the decrease of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S..

CRO Services

Our revenue generated from the provision of CRO Services decreased by approximately RMB3.1 million or 19.9% from approximately RMB15.5 million for the five months ended May 31, 2025 to approximately RMB12.4million for the five months ended May 31, 2026, primarily due to the progressive scaling down of our CRO Services to focus on the development of our two Core Products.

Cost of Sales

Our cost of sales decreased by approximately RMB2.5 million or 16.0% from approximately RMB15.8 million for the five months ended May 31, 2025 to approximately RMB13.3 million for the five months ended May 31, 2026, which was in line with the decrease in revenue.

MAH Business

Our cost of sales for the MAH Business decreased by approximately RMB1.4 million or 25.9% from approximately RMB5.3 million for the five months ended May 31, 2025 to approximately RMB3.9 million for the five months ended May 31, 2026, which is in line with the decrease in revenue generated from the MAH Business due to the decrease of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S. during the five months ended May 31, 2026.

CRO Services

Our cost of sales for the provision of CRO Services decreased by approximately RMB1.2 million or 11.0% from approximately RMB10.5 million for the five months ended May 31, 2025 to approximately RMB9.4 million for the five months ended May 31, 2026, which is in line with the decrease in revenue generated from the provision of CRO Services as we have progressively scaled down our CRO Services to focus on the development of our two Core Products.

Gross Profit

As a result of the foregoing, our gross profit decreased by approximately RMB2.3 million or 40.8% from approximately RMB5.5 million for the five months ended May 31, 2025 to approximately RMB3.3 million for the five months ended May 31, 2026. Our gross profit margin decreased from approximately 25.9% for the five months ended May 31, 2025 to approximately 19.8% for the five months ended May 31, 2026, primarily due to the decrease in our gross profit margin for the MAH Business of approximately 4% and the provision of CRO Services of approximately 8% during the five months ended May 31, 2026, for reasons discussed below.

MAH Business

Our gross profit for the MAH Business decreased by approximately RMB0.3 million or 57.9% from approximately RMB0.6 million for the five months ended May 31, 2025 to approximately RMB0.2 million for the five months ended May 31, 2026. Our gross profit margin for the MAH Business also decreased from approximately 9.7% for the five months ended May 31, 2025 to approximately 5.8% for the five months ended May 31, 2026. The decrease in gross profit and gross profit margin was primarily due to the decrease of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S. during the five months ended May 31, 2026, and the increase in per-unit amortization costs in relation to the listing right as a result of decrease of sales volume of Esomeprazole Magnesium Delayed-Release Capsules.

CRO Services

Our gross profit for the provision of CRO Services decreased by approximately RMB1.9 million or 38.8% from approximately RMB5.0 million for the five months ended May 31, 2025 to approximately RMB3.0 million for the five months ended May 31, 2026. Our gross profit margin for the provision of CRO Services also decreased from approximately 32.0% for the five months ended May 31, 2025 to approximately 24.5% for the five months ended May 31, 2026. The decrease in gross profit and gross profit margin were primarily due to (i) the progressive scaling down of our CRO Services business to consolidate resources for the R&D of our two Core Products leading to a decrease in number of new projects engaged and decrease in revenue under this business segment for the five months ended May 31, 2026 and (ii) increase in staff and material costs due to additional resources allocated to address technical challenges associated with regulatory policies changes applicable to our customers' projects and the increase in share-based compensation recognised during the five months ended May 31, 2026 as a result of the vesting of certain share awards granted under the Pre-**[REDACTED]** Equity Incentive Scheme granted in the year ended December 31, 2025.

Other Income and Gains

Our other income and gains decreased by approximately RMB1.1 million or 53.7% from approximately RMB2.1 million for the five months ended May 31, 2025 to approximately RMB1.0 million for the five months ended May 31, 2026. The decrease was primarily due to (i) the decrease in government grants related income by approximately RMB1.3 million as a result of the reduce in one-off income related government grants for the five months ended May 31, 2026, and (ii) the decrease in the income from the sales of medical aesthetic products by approximately RMB0.2 million as a result of the cessation of our cosmetic business during the year ended December 31, 2025.

Cosmetic Business

Our gross loss for our cosmetic business (representing the sales of medical aesthetic products under our other income, less costs of medical aesthetic products under our other expenses) decreased by approximately RMB0.6 million or 100% from approximately RMB0.6 million for the five months ended May 31, 2025 to nil for the five months ended May 31, 2026. Our gross loss margin for our cosmetic business for the five months ended May 31, 2025 was approximately 281.3%. The gross loss and gross loss margin for our cosmetic business for the five months ended May 31, 2025 was primarily due to (i) the decrease in income from the sales of medical aesthetic products as a result of the progressive scaling down of our cosmetic business during the year ended December 31, 2024 and the complete cessation of our cosmetic business during the year ended December 31, 2025, and (ii) the continuing incurrence of certain fixed costs prior to the complete cessation of the cosmetic business.

Selling and Distribution Expenses

Our selling and distribution decreased by approximately RMB1.0 million or 39.0% from approximately RMB2.4 million for the five months ended May 31, 2025 to approximately RMB1.5 million for the five months ended May 31, 2026 primarily due to (i) the decrease in staff cost of approximately RMB0.4 million as a result of reduce in number of sales personnel following the cessation of operation of our cosmetic business during the year ended December 31, 2025 and the progressive scaling down of our CRO Services, and (ii) the decrease in advertising and promotion expenses of approximately RMB0.3 million and entertainment expenses of approximately RMB0.3 million as a result of the reduce in promotion and advertising activities in relation to our cosmetic business and CRO Services.

Administrative Expenses

Our administrative expenses increased by approximately RMB7.8 million or 85.8% from approximately RMB9.1 million for the five months ended May 31, 2025 to approximately RMB17.0 million for the five months ended May 31, 2026 primarily due to (i) the share-based compensation of approximately RMB5.0 million recognised during the five months ended May 31, 2026 as a result of the vesting of certain share awards granted under the Pre-**[REDACTED]** Equity Incentive Scheme granted in the year ended December 31, 2025; and (ii) the increase in **[REDACTED]** expenses of approximately RMB**[REDACTED]** million incurred during the five months ended May 31, 2026.

Research and Development Expenses

Our research and development expenses increased by approximately RMB8.6 million or 82.5% from approximately RMB10.4 million for the five months ended May 31, 2025 to approximately RMB19.0 million for the five months ended May 31, 2026 primarily due to (i) the increase in experiment and testing fees of approximately RMB5.1 million and staff costs of approximately RMB1.8 million as a result of the ongoing phase II clinical trials for our two Core Products during the five months ended May 31, 2026; and (ii) the share-based compensation of approximately RMB1.9 million recognised during the five months ended May 31, 2026 as a result of the vesting of certain share awards granted under the Pre-**[REDACTED]** Equity Incentive Scheme granted in the year ended December 31, 2025. Our research and development expenses attributed to our two Core Products were approximately RMB5.3 million and RMB14.8 million for the five months ended May 31, 2025 and 2026, respectively, accounting for approximately 51.0% and 77.9% of our total research and development expenses, and 24.2% and 39.5% of our total operating expenses (i.e. selling and distribution expenses, administrative expenses, research and development expenses) in the respective periods.

Impairment Losses on Financial and Contract Assets, net

Our impairment losses on financial and contract assets increased by approximately RMB0.6 million or 276.3% from approximately RMB0.2 million for the five months ended May 31, 2025 to approximately RMB0.8 million for the five months ended May 31, 2026.

Other Expenses

Our other expenses decreased by approximately RMB1.2 million or 57.0% from approximately RMB2.1 million for the five months ended May 31, 2025 to approximately RMB0.9 million for the five months ended May 31, 2026 primarily due to the decrease in write-down of inventories in our cosmetic business to net realizable value of approximately RMB1.3 million and decrease in costs of medical aesthetic products of approximately RMB0.8 million as a result of the cessation of our cosmetic business during the year ended December 31, 2025, partially offset by the increase in impairment of fixed assets of approximately RMB0.6 million and the increase in foreign exchange losses of approximately RMB0.4 million.

Finance Costs

Our finance costs decreased slightly by approximately RMB0.1 million or approximately 15.0% from approximately RMB0.7 million for the five months ended May 31, 2025 to approximately RMB0.6 million for the five months ended May 31, 2026 primarily due to the decrease in interest on bank and other borrowings of approximately RMB0.1 million.

Change in fair value of financial liabilities on series shares

Our change in fair value of financial liabilities on series shares were approximately RMB1.1 million and RMB161.7 million for the five months ended May 31, 2025 and 2026, respectively, primarily due to the continuing increase in our valuation during the respective periods as a result of the progress of development in our pipeline Products.

Loss and Total Comprehensive Loss for the Period

As a result of the foregoing, our loss and total comprehensive loss increased by approximately RMB178.7 million or 970.2% from approximately RMB18.4 million for the five months ended May 31, 2025 to approximately RMB197.1 million for the five months ended May 31, 2026.

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

Revenue

Our revenue increased by approximately RMB6.2 million or 12.7% from approximately RMB49.0 million for the year ended December 31, 2024 to approximately RMB55.2 million for the year ended December 31, 2025 primarily due to the increase in revenue generated from the MAH Business.

MAH Business

Our revenue generated from the MAH Business increased by approximately RMB10.7 million or 399.7% from approximately RMB2.7 million for the year ended December 31, 2024 to approximately RMB13.4 million for the year ended December 31, 2025 primarily due to the increase of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S..

CRO Services

Our revenue generated from the provision of CRO Services decreased by approximately RMB4.5 million or 9.7% from approximately RMB46.3 million for the year ended December 31, 2024 to approximately RMB41.9 million for the year ended December 31, 2025, primarily due to the increase in competition in the CRO market which had led to pricing pressure. Also, since initiating the research and development of the two Core Products, we have progressively scaled down our CRO Services to focus on the development of the two Core Products.

Cost of Sales

Our cost of sales increased by approximately RMB9.8 million or 30.2% from approximately RMB32.5 million for the year ended December 31, 2024 to approximately RMB42.3 million for the year ended December 31, 2025, which was in line with the increase in revenue.

MAH Business

Our cost of sales for the MAH Business increased by approximately RMB10.3 million or 417.3% from approximately RMB2.5 million for the year ended December 31, 2024 to approximately RMB12.7 million for the year ended December 31, 2025, primarily due to the increase of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S. during the year ended December 31, 2025.

CRO Services

Our cost of sales for the provision of CRO Services decreased slightly by approximately RMB0.4 million or 1.5% from approximately RMB30.0 million for the year ended December 31, 2024 to approximately RMB29.6 million for the year ended December 31, 2025, which is in line with the decrease in revenue generated from the provision of CRO Services as we have progressively scaled down our CRO Services to focus on the development of our two Core Products.

Gross Profit

As a result of the foregoing, our gross profit decreased by approximately RMB3.6 million or 21.9% from approximately RMB16.5 million for the year ended December 31, 2024 to approximately RMB12.9 million for the year ended December 31, 2025. Our gross profit margin decreased from approximately 33.7% for the year ended December 31, 2024 to approximately 23.4% for the year ended

December 31, 2025, primarily due to the decrease in our gross profit margin for the MAH Business of approximately 3.2% and decrease in our gross profit margin for the provision of CRO Services of approximately 5.9% during the year ended December 31, 2025, for reasons disucssed below.

MAH Business

Our gross profit for the MAH Business increased by approximately RMB0.4 million or 198.1% from approximately RMB0.2 million for the year ended December 31, 2024 to approximately RMB0.6 million for the year ended December 31, 2025, primarily due to the increase of sales of Esomeprazole Magnesium Delayed-Release Capsules to our distributor for such product in the U.S. during the year ended December 31, 2025. Our gross profit margin for the MAH Business decreased from approximately 8.0% for the year ended December 31, 2024 to approximately 4.8% for the year ended December 31, 2025 primarily due to the cessation of sale of Propofol Injectable Emulsion in the PRC during the year ended December 31, 2024, which had a higher gross profit margin during the year ended December 31, 2024 of approximately 30.9% and contributed approximately 7.5% to the gross profit margin of the MAH Business during the year ended December 31, 2024. Such decrease in gross profit margin for the MAH Business was partially offset by the increase in gross profit margin for the sale of Esomeprazole Magnesium Delayed-Release Capsules due to the decrease in per-unit amortization costs in relation to the listing right as a result of increase of sales volume of Esomeprazole Magnesium Delayed-Release Capsules.

CRO Services

Our gross profit for the provision of CRO Services decreased by approximately RMB4.0 million or 24.8% from approximately RMB16.3 million for the year ended December 31, 2024 to approximately RMB12.3 million for the year ended December 31, 2025. Our gross profit margin for the provision of CRO Services also decreased from approximately 35.2% for the year ended December 31, 2024 to approximately 29.3% for the year ended December 31, 2025. The decrease in gross profit and gross profit margin were primarily due to (i) our adjusted pricing strategy to retain clients, (ii) the progressive scaling down of the provision of CRO Services business to consolidate resources for the R&D of our two Core Products leading to a decrease in number of new projects engaged and decrease in revenue under this business segment for the year ended December 31, 2025, (iii) increase in the ratio of staff and material costs to segment revenue during the year ended December 31, 2025 due to additional resources allocated to address technical challenges associated with regulatory policies changes applicable to our customers' projects, and (iv) increase in share-based compensation during the year ended December 31, 2025.

Other Income and Gains

Our other income and gains remained stable at approximately RMB3.7 million for the years ended December 31, 2024 and approximately RMB3.6 million for the year ended December 31, 2025, respectively. This was primarily due to the decrease in the income from the sales of medical aesthetic products by approximately RMB1.5 million as a result of the cessation of our cosmetic business during the year ended December 31, 2025, partially offset by the increase in government grants related income by approximately RMB1.2 million as a result of new government grants awarded during the year ended December 31, 2025.

Cosmetic Business

Our gross loss for our cosmetic business (representing the sales of medical aesthetic products under our other income, less costs of medical aesthetic products under our other expenses) decreased by approximately RMB0.2 million or 17.3% from approximately RMB1.0 million for the year ended December 31, 2024 to approximately RMB0.8 million for the year ended December 31, 2025. Our gross loss margin for our cosmetic business increased from approximately 55.7% for the year ended December 31, 2024 to approximately 290.0% for the year ended December 31, 2025. The gross loss for our cosmetic business during the Track Record Period was primarily due to the decrease in income from the sales of medical aesthetic products as a result of the progressive scaling down of our cosmetic business during the year ended December 31, 2024 and the complete cessation of our cosmetic business during the year ended December 31, 2025. The increase in gross loss margin was primarily due to the further decrease in income for the sales of medical aesthetic products as a result of the complete cessation of our cosmetic business during the year ended December 31, 2025, while the Group continued to incur certain fixed costs prior to the cessation of the cosmetic business, as a result, the percentage decrease in the sales of medical aesthetic products was greater than the percentage decrease in the costs of medical aesthetic products, hence, the increase in the gross loss margin.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by approximately RMB1.4 million or 18.8% from approximately RMB7.2 million for the year ended December 31, 2024 to approximately RMB5.8 million for the year ended December 31, 2025 primarily due to the decrease in staff cost of approximately RMB1.3 million as a result of reduce in number of sales personnel following the cessation of operation of our cosmetic business during the year ended December 31, 2025.

Administrative Expenses

Our administrative expenses increased by approximately RMB28.9 million or 190.4% from approximately RMB15.2 million for the year ended December 31, 2024 to approximately RMB44.1 million for the year ended December 31, 2025 primarily due to (i) **[REDACTED]** expenses of approximately RMB**[REDACTED]** million incurred during year ended December 31, 2025 as a result of **[REDACTED]** related work commencing during the year; (ii) the increase in staff cost of approximately RMB5.1 million as a result of the increase in (a) number of employees performing management and administrative functions, such increase in headcount was to address additional workload in relation to the **[REDACTED]** and continuing business expansion of our Group; (b) year-on-year adjustment in salary of our employees; and (c) bonus payments to our management staff as recognition of their contribution to our Group; and (iii) the share-based compensation of approximately RMB9.0 million incurred as a result of awards granted under the Pre-**[REDACTED]** Equity Incentive Scheme during the year ended December 31, 2025.

Research and Development Expenses

Our research and development expenses increased by approximately RMB21.8 million or 132.6% from approximately RMB16.4 million for the year ended December 31,2024 to approximately RMB38.2 million for the year ended December 31, 2025 primarily due to (i) the increase in experiment and testing fees of approximately RMB12.7 million and staff cost of approximately RMB3.7 million as a result of the completion of phase I clinical trials and the commencement of phase II clinical trials for our two Core Products; and (ii) the increase in share-based compensation of approximately RMB3.3 million. Our research and development expenses attributed to our two Core Products were approximately RMB11.9 million and RMB26.3 million for the years ended December 31, 2024 and 2025, respectively, accounting for approximately 72.5% and 69.0% of our total research and development expenses, and 30.7% and 29.9% of our total operating expenses (i.e. selling and distribution expenses, administrative expenses, research and development expenses) in the respective periods.

Impairment Losses on Financial and Contract Assets, net

Our impairment losses on financial and contract assets, net remained stable at approximately RMB0.4 million for the years ended December 31, 2024 and 2025.

Other Expenses

Our other expenses decreased by approximately RMB1.4 million or 32.9% from approximately RMB4.2 million for the year ended December 31, 2024 to approximately RMB2.8 million for the year ended December 31, 2025 primarily due to the decrease in costs of medical aesthetic products of approximately RMB1.7 million as a result of the cessation of our cosmetic business during the year ended December 31, 2025, partially offset by the increase in write-down of inventories in our cosmetic business to net realisable value of approximately RMB0.8 million as a result of the cessation of our cosmetic business during the year ended December 31, 2025.

Finance Costs

Our finance costs increased by approximately RMB2.8 million or 83.8% from approximately RMB3.4 million for the year ended December 31, 2024 to approximately RMB6.2 million for the year ended December 31, 2025 primarily due to the increase in financing advisory fees of approximately RMB2.5 million during the year ended December 31, 2025.

Change in fair value of financial liabilities on series shares

Our change in fair value of financial liabilities on series shares decreased from approximately RMB120.4 million for the year ended December 31, 2024 to approximately RMB29.8 million for the year ended December 31, 2025 primarily due to the increase in our valuation during the period as a result of the progress of development in our Core Products.

Loss and Total Comprehensive Loss for the Period

As a result of the foregoing, our loss and total comprehensive loss for the year decreased by approximately RMB36.1 million or 24.6% from approximately RMB147.1 million for the year ended December 31, 2024 to approximately RMB110.9 million for the year ended December 31, 2025.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the components of our consolidated statements of financial position as at the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	24,683	30,672	31,677
Right-of-use assets	21,119	20,868	19,093
Intangible assets	2,314	2,163	2,004
Prepayments, other receivables and other assets	1,600	5,771	8,211
Total non-current assets	49,716	59,474	60,985
CURRENT ASSETS			
Inventories	1,789	1,596	1,685
Trade receivables	8,103	16,946	12,041
Contract assets	8,472	10,360	12,926
Prepayments, other receivables and other assets	4,176	8,076	8,453
Financial assets at fair value through profit or loss	—	1,402	8,191
Cash and cash equivalents	68,361	133,383	102,615
Total current assets	90,901	171,763	145,911
CURRENT LIABILITIES			
Trade payables	1,837	5,474	2,513
Contract liabilities	13,223	7,579	6,600
Other payables and accruals	32,732	20,179	13,892
Interest-bearing bank and other borrowings	12,949	9,807	24,689
Financial liabilities on series shares	335,309	505,116	666,836
Lease liabilities	3,419	4,415	4,650
Total current liabilities	399,469	552,570	719,180
NET CURRENT LIABILITIES	(308,568)	(380,807)	(573,269)
TOTAL ASSETS LESS CURRENT LIABILITIES	(258,852)	(321,333)	(512,284)
NON-CURRENT LIABILITIES			
Lease liabilities	19,423	18,652	17,401
Deferred income	4,891	3,621	3,150
Total non-current liabilities	24,314	22,273	20,551
Net liabilities	(283,166)	(343,606)	(532,835)
DEFICITS			
Deficits attributable to owners of the parent			
Paid-in capital	15,088	—	—
Share capital	—	20,352	20,352
Deficits	(296,200)	(363,103)	(552,138)
	(281,112)	(342,751)	(531,786)
Non-controlling interests	(2,054)	(855)	(1,049)
Total deficits	(283,166)	(343,606)	(532,835)

Property, Plant and Equipment

Our property, plant and equipment primarily consist of leasehold improvements, office equipment and furniture, plant and machinery, motor vehicles, other equipment and construction in progress. Our property, plant and equipment increased from approximately RMB24.7 million as at December 31, 2024 to approximately RMB30.7 million as at December 31, 2025 primarily due to the increase in value of construction in progress of approximately RMB6.1 million as a result of the construction of our

Microneedle Formulation Industrial Base during the year ended December 31, 2025. Our property, plant and equipment further increased to approximately RMB31.7 million as at May 31, 2026 as a result of the increase in value of construction in progress in relation to the construction of our Microneedle Formulation Industrial Base during the five months ended May, 31 2026.

Right-of-use Assets

Our right-of-use assets primarily consist of our rights to use leased plant and buildings, which are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Our right-of-use assets remained stable at approximately RMB21.1 million as at December 31, 2024 and approximately RMB20.9 million as at December 31, 2025 primarily due to depreciation and partially offset by the lease of a new property in Zhuhai for manufacturing, R&D, office and warehousing uses. Our right-of use assets decreased to approximately RMB19.1 million as at May 31, 2026 primarily due to depreciation.

Intangible Assets

Our intangible assets primarily consist of software and licenses acquired. Our intangible assets decreased from approximately RMB2.3 million as at December 31, 2024 to approximately RMB2.2 million as at December 31, 2025 and further decreased to approximately RMB2.0 million as at May 31, 2026, primarily due to amortization of software and licenses.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of prepayments for property, plant and equipment, deposits, prepayments, value-added tax and other taxes recoverable, deferred **[REDACTED]** expenses, other receivables and deposits and impairment allowance. Our prepayments, other receivables and other assets increased from approximately RMB5.8 million as at December 31, 2024 to approximately RMB13.8 million as at December 31, 2025 primarily due to (i) deferred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million incurred during the year ended December 31, 2025; (ii) increase in prepayments for property, plant and equipment of approximately RMB2.3 million as a result of the procurement of equipments for our Microneedle Formulation Industrial Base and (iii) increase in value-added tax and other taxes recoverable of approximately RMB3.1 million as a result of input value-added tax incurred on purchases exceeding output value-added tax generated from sales. Our prepayments, other receivables and other assets further increased to approximately RMB16.7 million as at May 31, 2026 primarily due to (i) the increase in value-added tax and other taxes recoverable of approximately RMB2.2 million as a result of input value-added tax incurred on purchases exceeding output value-added tax generated from sales; and (ii) deferred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million incurred during the five months ended May 31, 2026.

Inventories

Our inventories primarily consist of raw materials, work in progress and finished goods. During the Track Record Period, we procured raw materials for the purpose of research and development of our pipeline products, provision of CRO Services, and production of medical aesthetic products, and our work in progress and finished goods relate to medical aesthetic products, including items currently under production and those completed and ready for sale. Our inventories were net of a write-down of approximately RMB1.8 million, RMB0.9 million and RMB1.0 million as at December 31, 2024, 2025 and May 31, 2026, respectively. Our inventories decreased slightly from approximately RMB1.8 million as at December 31, 2024 to approximately RMB1.6 million as at December 31, 2025 primarily due to the write-down of inventories as a result of the cessation of our cosmetic business during the year ended December 31, 2025. Our inventories increased slightly to approximately RMB 1.7 million as at May 31, 2026 primarily due to the increase in raw materials procured for R&D during the five months ended May 31, 2026.

Trade Receivables

Our trade receivables represent receivable from our clients for the provision of CRO Services or our MAH Business. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The table below sets forth a breakdown of our trade receivables as at the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	8,457	17,662	13,063
Impairment	(354)	(716)	(1,022)
Net carrying amount	**8,103**	**16,946**	**12,041**

Our trade receivables increased from approximately RMB8.1 million as of December 31, 2024 to approximately RMB16.9 million as of December 31, 2025 primarily due to the increase in trade receivables due from customers from our CRO Services business and our MAH Business as of December 31, 2025, in line with the increase in revenue from our MAH Business for the year ended December 31, 2025. Our trade receivables decreased to approximately RMB12.0 million as of May 31, 2026 primarily due to settlement by our customers after December 31, 2025 and the decrease in trade receivables due from customers from our CRO Services business and our MAH Business as at May 31, 2026, in line with the decrease in revenue from our CRO Services business and MAH Business during the five months ended May 31, 2026 in comparison with the five months ended May 31, 2025.

Our trading terms with customers are mainly on credit. For the sales of drugs, the credits period is normally 30 days. For the provision of CRO Services, settlement is made in accordance with the terms specified in the agreements. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Trade receivables are non-interest-bearing.

The table below sets forth an ageing analysis of our trade receivables as at the dates indicated, based on the revenue recognition date and net of loss allowance:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,830	14,667	9,317
Over 1 years	2,273	2,279	2,724
Total	**8,103**	**16,946**	**12,041**

The table below sets forth our average trade receivables turnover days:

	For the year ended 31 December		For the five months ended 31 May
	2024	2025	2026
Trade receivable turnover days *(Note)*	65	83	88

Note: Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by revenue for the relevant year/period multiplied by (i) 365 days for the years ended December 31, 2024 and 2025, or (ii) 150 days for the five months ended May 31, 2026.

Our average trade receivables turnover days increased from 65 days for the year ended December 31, 2024 to 83 days for the year ended December 31, 2025 and further increased to 88 days for the five months ended May 31, 2026, primarily due to increase in competition. Up to June 30, 2026, approximately RMB3.0 million or 25.0% of our trade receivables as at May 31, 2026 had been settled by our customers after the Track Record Period.

Our Company considers that there is no recoverability issue for our trade receivables. As at June 30, 2026, approximately 62.7% of our trade receivables as at December 31, 2025 has been recovered, and approximately 75.4% of the remaining trade receivables balance has an aging of within one year, reflecting a generally short aging of our Company's trade receivables and that there is no material recoverability issue for our trade receivables. Furthermore, the unsettled trade receivables are primarily due from customers which are large pharmaceutical companies with long operating history or

long-standing business relationships with our Company. Having considered the resources and settlement history of these customers, we are of the view that the risk of not recovering the balance of trade receivables is relatively low.

Contract Assets

Our contract assets are initially recognized for revenue earned from the provision of CRO Services and the receipt of consideration is conditional on successful completion of the services. Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same client bases. Our contract assets increased from approximately RMB8.5 million as of December 31, 2024 to approximately RMB10.4 million as of December 31, 2025 and further increased to approximately RMB12.9 million as of May 31, 2026 primarily due to the increase in contract assets due from our customers for CRO services of pre-clinical pharmaceutical studies nature provided but yet to reach the payment milestone.

The table below sets forth the expected timing of recovery or settlement for contract assets as at the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	8,095	9,044	11,431
Over 1 year	377	1,316	1,495
Total	**8,472**	**10,360**	**12,926**

As at June 30, 2026, approximately RMB0.8 million or 6.2% of our contract assets as at May 31, 2026 had been recognised as trade receivables.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss represent structured deposit products issued by a commercial bank in the PRC. During the Track Record Period, the expected return rates ranging from approximately 1.4% to 4.1% per annum. Our financial assets at fair value through profit or loss increased from nil as at December 31, 2024 to approximately RMB1.4 million as at December 31, 2025 and further increased to approximately RMB8.2 million as a May 31, 2026, primarily due to subscription of new structured deposit products.

Our Investment Policy in Wealth Management and Structured Products

We shall adopt the Management Measures for Wealth Management Products upon **[REDACTED]** to strengthen the Company's control over investments in wealth management and structured products, standardize external investment activities and prevent external investment risks. Pursuant to such measures, the Group may from time to time utilize its idle funds to invest in or subscribe for wealth management and structured products. The scope of these investments are strictly limited to short-to-medium term, highly secured, liquid and low risk products issued by licensed financial institutions in the PRC, including but not limited to structured deposits, money market funds, treasury bonds, and investment in derivatives products is prohibited. The finance department shall be responsible for formulating the annual investment plan and the setting of annual investment cap having regards to among others, the cash flow of the Group, the business plans of the Group, financial performance of the Group and the risk tolerance level of the Group. It shall also be responsible for identifying suitable products for investment after taking into consideration, among others, the reputation and creditworthiness of the issuing financial institution, the nature, term and expected return of the product, and the risk level associated with the product. Selected products shall be presented to and approved by at least two-thirds of the members of the investment committee of the Company which will comprise of the chairman of the Board, financial controller, investment controller, company secretary and in-house legal counsel of the Company. Under the following circumstances, the investment in or disposal of (as the case may be) wealth management and structured products shall be tabled before the Board and/or Shareholders (where applicable) for approval: (i) the amount of investment in any wealth management products (on an aggregated basis), has exceeded 30% of the total assets of the Group; (ii) the specific investment or divestment constituted a discloseable transaction, major transaction, very substantial acquisition or disposal under Chapter 14 of the Listing Rules. Investment in structured products after the **[REDACTED]** will be subject to the compliance with Chapter 14 of the Listing Rules.

Trade Payables

Our trade payables are mainly related to our procurement of raw materials for research and development, and payables to CMOs for the production of drugs for our MAH Business. Our trade payables increased from approximately RMB1.8 million as at December 31, 2024 to approximately RMB5.5 million as at December 31, 2025 primarily due to the increase in payables to CMOs for the production of drugs for our MAH Business, which was consistent with the increase in demand for Esomeprazole Magnesium Delayed-Release Capsules in the U.S. during the year ended December 31, 2025. Our trade payables decreased to approximately RMB2.5 million as at May 31, 2026, primarily due to settlement during the five months ended May 31, 2026 and the reduce in trade payables to CMOs for the production of drugs for our MAH Business in line with the decrease in revenue of our MAH Business.

The table below sets forth an ageing analysis of our trade payables as at the dates indicated, based on the invoice date, is as follows:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,295	5,356	2,400
Over 1 year	542	118	113
Total	**1,837**	**5,474**	**2,513**

The table below sets forth our average trade payables turnover days:

	For the year ended 31 December		For the five months ended 31 May
	2024	2025	2026
Trade payables turnover days *(Note)*	29	32	45

Note: Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of sales for the relevant year/period multiplied by (i) 365 days for the years ended December 31, 2024 and 2025, or (ii) 150 days for the five months ended May 31, 2026.

Our average trade payables turnover days remained stable at 29 and 32 days for the years ended December 31, 2024 and 2025, respectively, and increased to 45 days for the five months ended May 31, 2026. As at June 30, 2026, approximately RMB2.1 million or 82.4% of our trade payables as at May 31, 2026 had been settled by us after the Track Record Period.

Contract Liabilities

Contract liability is recognized when payment is received or due from a customer before we transfer the related goods or services. Our contract liabilities decreased from approximately RMB13.2 million as at December 31, 2024 to approximately RMB7.6 million as at December 31, 2025 and further decreased to approximately RMB6.6 million as at May 31, 2026, primarily due to the scaling down of our CRO Services business, decrease in number of new CRO Services contracts entered into and the decrease in prepayments by our CRO Services customers. As at June 30, 2026, approximately RMB0.1 million or 1.4% of our contract liabilities as at May 31, 2026 had been recognised as revenue.

Other Payables and Accruals

Our other payables and accruals primarily consist of payroll payable, amount due to Directors, other tax payable, payable for property, plant and equipment, other payables and accruals, accrued **[REDACTED]** expenses, provisions for onerous contracts and payables for intangible assets. Our payables for intangible assets represent the amount payable for the acquisition of listing rights including Esomeprazole Magnesium Delayed-Release Capsules. The table below sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Payroll payable	9,679	8,042	4,120
Amounts due to the Directors	900	—	—
Other tax payable	412	624	275
Payables for property, plant and equipment	1,132	567	561

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	3,859	7,116	8,014
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Provisions for onerous contracts	—	150	100
Payables for intangible assets*	16,750	—	—
Total	**32,732**	**20,179**	**13,892**

* Payables for intangible assets of approximately RMB16.8 million as at December 31, 2024 represented the payable for the purchase of the licenses to research, development and sales of licensed products, i.e. the listing rights of Esomeprazole Magnesium Delayed-Release Capsules in the U.S. and Chinese Mainland, from a third party vendor, whose director, namely Mr. Yang Tianrun, was also the sole shareholder of Double Sky Investments Limited, which in turn is the limited partner of Baiji Investment, Baiji Investment became a shareholder of the Company in October 2023. For details of the investment of Baiji Investment in our Company, please refer to the section headed "History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes — (2)(e) Series A++ Financing" in this Document.

Our other payables and accruals decreased from approximately RMB32.7 million as at December 31, 2024 to approximately RMB20.2 million as at December 31, 2025 primarily due to the decrease in payables for intangible assets of approximately RMB16.8 million as a result of the settlement during the year ended December 31, 2025, partially offset by (i) the increase in other payables and accruals of approximately RMB3.3 million being payables due to our CRO suppliers and (ii) accrued **[REDACTED]** expenses of approximately RMB**[REDACTED]** million. Our other payables and accruals further decreased to approximately RMB13.9 million as at May 31, 2026 primarily due to the decrease in payroll payable of approximately RMB3.9 million and decrease in accrued **[REDACTED]** expenses of approximately RMB**[REDACTED]** million as a result of the settlement during the five months ended May 31, 2026.

Interest-bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings primarily consist of secured bank loans, secured long-term bank loans, secured long-term other borrowing and unsecured long-term bank loan. The table below sets forth a breakdown of our interest-bearing bank and other borrowings as of the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank loans — secured	2,002	—	—
Bank loans — unsecured	—	—	15,034
Current portion of long-term bank loans — secured	8,370	—	—
Current portion of long-term other borrowings — secured	2,577	—	—
Current portion of long-term bank loans — unsecured	—	9,807	9,655
Total	**12,949**	**9,807**	**24,689**

We had interest-bearing bank and other borrowings of approximately RMB12.9 million, RMB9.8 million and RMB24.7 million as at December 31, 2024 and 2025 and May 31, 2026, respectively. Certain of our bank and other borrowings as at December 31, 2024 amounting to approximately RMB10.4 million were guaranteed by our Directors. The other borrowings of our Group represented the borrowings from certain financial institutions under sales and leaseback transactions for certain of our machinery. The bank loan of approximately RMB9.7 million as at May 31, 2026 is subject to a financial covenant which was not met and the corresponding bank loan was recorded as bank loans on demand as at May 31, 2026.

Financial Liabilities on Series Shares

Certain Pre-**[REDACTED]** Investors were granted by our Company with certain special rights, these series shares with special rights are considered as financial liabilities at fair value through profit or loss and presented as "financial liabilities on series shares" in the consolidated statements of financial position. Our financial liabilities on series shares increased from approximately RMB335.3 million to RMB505.1 million as at December 31, 2025 primarily due to the issuance of series shares of approximately

RMB140.0 million during the year ended December 31, 2025. Our financial liabilities on series shares further increased to approximately RMB666.8 million as at May 31, 2026 primarily due to the increase in our valuation during the five months ended May 31, 2026 as a result of the progress of development in our pipeline Products.

Deferred Income

Our deferred income represents amounts received from the governments to support our research and development activities with certain conditions to fulfil. The table below sets forth a breakdown of our deferred income as of the dates indicated:

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Deferred government grant	4,891	3,621	3,150

Lease Liabilities

Our lease liabilities remained stable at approximately RMB22.8 million as at December 31, 2024 and RMB23.1 million as at December 31, 2025. Our lease liabilities decreased slightly to approximately RMB22.1 million as at May 31, 2026 primarily due to lease payments made during the five months ended May 31, 2026.

KEY FINANCIAL RATIO

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

	As at 31 December		As at 31 May
	2024	2025	2026
Current ratio[(1)]	0.2	0.3	0.2
Quick ratio[(2)]	0.2	0.3	0.2

Notes:

(1) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

(2) Quick ratio equals current assets excluding inventories, divided by current liabilities as of the end of the year/period.

Our current ratio as at December 31, 2024, December 31, 2025 and May 31, 2026 was 0.2, 0.3 and 0.2, respectively. Our quick ratio as at December 31, 2024, December 31, 2025 and May 31, 2026 was 0.2 , 0.3 and 0.2, respectively. The low current ratio and quick ratio during the Track Record Period was primarily due to the high financial liabilities on series shares which were classified as current liabilities during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Liabilities

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS			
Inventories	1,789	1,596	1,685
Trade receivables	8,103	16,946	12,041
Contract assets	8,472	10,360	12,926
Prepayments, other receivables and other assets	4,176	8,076	8,453
Financial assets at fair value through profit or loss	—	1,402	8,191
Cash and cash equivalents	68,361	133,383	102,615
Total current assets	**90,901**	**171,763**	**145,911**

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Trade payables	1,837	5,474	2,513
Contract liabilities	13,223	7,579	6,600
Other payables and accruals	32,732	20,179	13,892
Interest-bearing bank and other borrowings	12,949	9,807	24,689
Financial liabilities on series shares	335,309	505,116	666,836
Lease liabilities	3,419	4,415	4,650
Total current liabilities	**399,469**	**552,570**	**719,180**
NET CURRENT LIABILITIES	**(308,568)**	**(380,807)**	**(573,269)**

We had net current liabilities of approximately RMB308.6 million, RMB380.8 million and RMB573.3 million as at December 31, 2024, 2025 and May 31, 2026, respectively, primarily due to the financial liabilities on series shares of approximately RMB335.3 million, RMB505,1 million and RMB666.8 million as at the same dates, respectively. Our net current liabilities increased from approximately RMB308.6 million as at December 31, 2024 to approximately RMB380.8 million as at December 31, 2025 primarily due to the increase in investments in our Company by certain Pre-**[REDACTED]** Investors with special rights during the year ended December 31, 2025. Our net current liabilities further increased to approximately RMB573.3 million as at May 31, 2026, primarily due to (i) the increase in financial liabilities on series shares of approximately RMB161.7 million as a result of the continuing increase in our valuation during the respective periods as a result of the progress of development in our pipeline Products during the five months ended May 31, 2026; (ii) the increase in interest-bearing bank and other borrowings of approximately RMB14.9 million as a result of new unsecured bank loans obtained during the five months ended May 31, 2026; and (iii) the increase in financial assets at fair value through profit or loss of approximately RMB6.8 million.

The net current liabilities position as at May 31, 2026 was primarily due to the financial liabilities on series shares which will be redesignated from liabilities to equity as a result of the automatic conversion into ordinary shares upon **[REDACTED]**, and we expect that the net liabilities position would turn into net assets position. We further plan to improve our net liabilities position by (i) negotiating with our major banks for long term extension of our short-term bank borrowings; and (ii) successfully launching the **[REDACTED]** and receiving the **[REDACTED]** upon **[REDACTED]**.

Cash Flows of Our Group

As a development-stage pharmaceutical company, we incurred negative cash flows from our operations during the Track Record Period. During the Track Record Period, our primary use of cash were to fund the research and development of our pipeline products including our two Core Products, payment for the purchase of equipment, our administrative expenses and selling and distribution expenses and other recurring expenses. We also generated cash from our revenue from the provision of CRO Services.

The following table sets forth information regarding our cash flows for the years and the periods indicated:

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows (used in) operating activities	(15,290)	(66,515)	(17,811)	(30,800)
Net cash flows (used in)/generated from investing activities	7,240	(30,181)	(8,209)	(10,545)
Net cash flows generated from financing activities	69,210	161,753	9,123	10,600
Net increase in cash and cash equivalents	61,160	65,057	(16,897)	(30,745)
Cash and cash equivalents at beginning of year	7,201	68,361	68,361	133,383
Effect of foreign exchange rate changes, net	—	(35)	—	(23)
Cash and cash equivalents at end of year	68,361	133,383	51,464	102,615

Net Cash Flows Used in Operating Activities

For the five months ended May 31, 2026, we had net cash flows used in operating activities of approximately RMB30.8 million, mainly as a result of our loss before tax of approximately RMB197.1 million, positively adjusted by fair value loss on financial liabilities on series shares of approximately RMB161.7 million, share-based payment compensation of approximately RMB7.9 million, depreciation of property, plant and equipment of approximately RMB1.7 million and depreciation of right-of-use assets of approximately RMB1.8 million, partially offset by the decrease in other payables of and accruals of approximately RMB4.1 million and decrease in trade payables of approximately RMB3.0 million.

For the year ended December 31, 2025, we had net cash flows used in operating activities of approximately RMB66.5 million, mainly as a result of our loss before tax of approximately RMB110.9 million, positively adjusted by fair value loss on financial liabilities on series shares of approximately RMB29.8 million, finance cost of approximately RMB6.2 million, share-based payment compensation of approximately RMB13.6 million, depreciation of property, plant and equipment of approximately RMB4.7 million, depreciation of right-of-use assets of approximately RMB3.3 million, increase in trade payables of approximately RMB3.6 million, partially offset by increase in trade receivables and contract assets of approximately RMB11.2 million.

For the year ended December 31, 2024, we had net cash flows used in operating activities of approximately RMB15.3 million, mainly as a result of our loss before tax of approximately RMB147.1 million, positively adjusted by fair value loss on financial liabilities on series shares of approximately RMB120.4 million, depreciation of property, plant and equipment of approximately RMB4.7 million, depreciation of right-of-use assets of approximately RMB2.3 million, increase in other payables and accruals of approximately RMB5.5 million, partially offset by increase in trade receivables and contract assets of approximately RMB5.4 million.

The net operating cash outflows we recorded during the Track Record Period primarily resulted from R&D expenditures for our Core Products and other pipeline products due to the cash-intensive nature of R&D activities. We plan to improve our net operating cash outflows position by (i) advancing the R&D of our Core Products and other pipeline products towards commercialization in accordance with our R&D timetable; (ii) enhancing our trade receivables collection efforts, including but not limited to designating specific financial and legal personnel to monitor aging of trade receivables and actively undertake debt collection exercises; and (iii) improving costs control and efficiency, including but not limited to utilizing and maximizing the production capabilities of our future industrial base of our two Core Products to control manufacturing costs upon their commercialization and leveraging our technological expertise and research capabilities to prudently select new pipeline products before devoting substantial R&D resources.

Net Cash Flows (Used in)/Generated from Investing Activities

For the five months ended May 31,2026, we had net cash flows used in investing activities of approximately RMB10.5 million, primarily attributable to the purchase of financial assets at fair value through profit or loss of approximately RMB49.9 million and purchases of items of property, plant and equipment of approximately RMB3.8 million, partially offset by the proceeds upon maturity of financial assets at fair value through profit or loss of approximately RMB43.0 million.

For the year ended December 31, 2025, we had net cash flows used in investing activities of approximately RMB30.2 million, primarily attributable to the purchase of intangible assets of approximately RMB17.0 million and purchase of items of property, plant and equipment of approximately RMB11.9 million.

For the year ended December 31, 2024, we had net cash flows generated from investing activities of approximately RMB7.2 million, primarily attributable to the proceeds upon maturity of financial assets at fair value through profit or loss of approximately RMB10.4 million, partially offset by the purchase of items of property, plant and equipment of approximately RMB3.1 million.

Net Cash Flows Generated from Financing Activities

For the five months ended May 31, 2026, we had net cash flows generated from financing activities of approximately RMB10.6 million, primarily attributable to new bank and other borrowings of approximately RMB15.0 million, partially offset by share issue expenses paid of approximately RMB1.5 million, principal and interest paid for lease liabilities of approximately RMB1.4 million and payment of **[REDACTED]** expenses of approximately RMB**[REDACTED]** million.

For the year ended December 31, 2025, we had net cash flows generated from financing activities of approximately RMB161.8 million, primarily attributable to proceeds from issue of series shares of approximately RMB140.0 million, partially offset by the repayment of bank and other borrowings of approximately RMB25.6 million.

For the year ended December 31, 2024, we had net cash flows generated from financing activities of approximately RMB69.2 million, primarily attributable to proceeds from issue of series shares of approximately RMB80.0 million, partially offset by the repayment of bank loans of approximately RMB11.6 million.

CASH OPERATING COSTS

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

	Year ended 31 December		Five months ended 31 May	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Research and Development Costs				
Total R&D Costs for our two Core Products	**11,899**	**22,332**	**5,964**	**12,440**
— Clinical and non-clinical research and development expenses				
DHMP	1,574	6,460	1,413	3,034
XJN010	3,693	6,594	1,549	3,258
— Staff Costs				
DHMP	2,362	2,969	1,007	2,600
XJN010	1,694	2,557	868	2,121
— Material costs				
DHMP	235	566	214	159
XJN010	168	188	121	131
— Others				
DHMP	1,444	1,241	371	675
XJN010	729	1,757	421	462
Total R&D costs for our other pipeline products	**4,491**	**7,715**	**5,223**	**3,703**
— Clinical and non-clinical research and development expenses	392	1,965	1,889	274
— Staff costs	2,707	3,594	1,832	2,395
— Material costs	200	617	505	272
— Others	1,192	1,539	997	762
Other staff costs	32,498	36,038	12,929	13,573
Other material costs	6,080	15,952	5,643	9,055
Other experiment and testing expenses	5,758	5,741	1,895	1,011
Selling and distribution expenses	3,542	4,423	1,385	1,061
Utilities	2,483	2,126	694	789
Travel expenses	627	1,841	837	925
Consultation and advisory fees	1,180	8,250	1,210	4,751
Others	2,117	2,568	1,554	1,475
Total	**70,675**	**106,986**	**37,334**	**48,783**

INDEBTEDNESS

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

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Non-trade related amounts due to related parties	900	—	—
Interest-bearing bank and other borrowings	12,949	9,807	24,689
Financial liabilities on series shares	335,309	505,116	666,836
Lease liabilities	3,419	4,415	4,650
Subtotal	**352,577**	**519,338**	**696,175**

	As at 31 December		As at 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities	19,423	18,652	17,401
Total	**372,000**	**537,990**	**713,576**

At the close of business on May 31, 2026, being the latest practicable date on which such information was available to us, we had outstanding indebtedness of approximately RMB713.6 million, comprising interest-bearing bank and other borrowings of approximately RMB24.7 million, lease liabilities of approximately RMB22.1 million and financial liabilities on series shares of approximately RMB666.8 million. We have committed unutilized bank facilities of approximately RMB225.0 million as of May 31, 2026. Except as discussed above, we did not have any other material 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 had not been any material change in our indebtedness since May 31, 2026 and up to the Latest Practicable Date.

Our Directors confirm that there have been no defaults in our payment of trade or non-trade payables, or breaches of covenants of our indebtedness during the Track Record Period and up to the date of this document. During the Track Record Period and up to the date of this document, we did not experience any material difficulty in obtaining bank loans and other borrowings.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available, including cash and cash equivalents and the estimated net **[REDACTED]** from the **[REDACTED]**, as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, general and administrative expenses and other expenses for at least the next 12 months from the date of this Document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments. We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** million in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and at an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**. Assuming an average cash burn rate going forward of 1.6 times of the cash burn rate level for the five months ended May 31, 2026, we estimate that our cash and cash equivalent as of May 31, 2026, will be able to maintain our financial viability for **[REDACTED]** taking into account the estimated net **[REDACTED]** from the **[REDACTED]** and 8 months without taking into account the estimated net **[REDACTED]** from the **[REDACTED]**. The increased average cash burn rate going forward is determined with reference to, among others, the following factors and/or assumptions: (i) additional R&D expenditures to be incurred in respect of our two Core Products and key product. Particularly, our Core Products have recently commenced phase II clinical trials in PRC in the third quarter of 2025, and are further expected to commence phase II clinical trials in U.S. in 2026. Our key product, namely XJN026 is also expected to enter into phase I clinical trial in 2026; and (ii) our Core Products and key product are still at phase I or phase II of drug clinical trials, and the R&D expenses required for later stages of clinical development are expected to be higher than that of pre-clinical and phase I clinical trial R&D expenses. Specifically, our Core Products and key product will have to carry out multiple phases of drug clinical trials, including phase II clinical trials and phase III clinical trials. Taking into account the net **[REDACTED]** from the **[REDACTED]**, the cash burn rate, and a minimum buffer of 12 months, we expect to raise our next round of financing no earlier than six months after completion of the **[REDACTED]**, when we deem necessary and depending on market conditions from time to time.

CAPITAL EXPENDITURES

The table below sets forth a breakdown of our capital expenditures as at the dates indicated:

	Year ended 31 December		Five months ended 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Purchase of items of property, plant and equipment	3,140	11,933	3,760
Purchase of other intangible assets	24	17,011	—
Total	**3,164**	**28,944**	**3,760**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL RISK DISCLOSURE

Our principal financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss and interest-bearing bank and other borrowings. We have various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables and accruals, financial liabilities on series shares and lease liabilities, which arise directly from our operations.

The main risks arising from our Group's financial instruments are credit risk, interest rate risk and liquidity risk. For details of our financial risk disclosure, please refer to Note 38 of the Accountants' Report set out in Appendix I to this document.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had entered into certain transactions with our related parties. The table below sets forth the relationships between our Group and our related parties:

	Relationship with our Group
Dr. Wu Chuanbin	Director and Shareholder
Ms. Pan Xin	Director
Ms. Jia Lu	Director

The table below sets forth a breakdown of our outstanding balances with related parties as at the dates indicated:

	As at 31 December		Five months ended 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
Ms. Pan Xin	700	—	—
Ms. Jia Lu	200	—	—

All the outstanding balances as at December 31, 2024 were unsecured, interest-free and of non-trade in nature.

The table below sets forth a breakdown of our Group's bank and other borrowings that are secured by related parties as at the dates indicated:

	As at 31 December		Five months ended 31 May
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Dr. Wu Chuanbin	10,372	—	—
Ms. Pan Xin	8,370	—	—

Our Directors confirm that all transactions with related parties described in Note 35 of the Accountants' Report set out in Appendix I to this document were conducted on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders as a whole. As of the date of this document, we settled all outstanding balances with related parties.

DIVIDEND

We do not have any formal dividend policy or pre-determined dividend payout ratio and no dividend has been paid or declared by our Company during the Track Record Period.

We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the near future. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the PRC Company Law. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As advised by our PRC Legal Advisor, taking into account the aforesaid, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders in a given year, in view of our accumulated losses, or even if we become profitable, as we will only be able to declare or pay dividends out of our distributable profits until (i) the accumulated losses are covered by our after-tax profits, and (ii) sufficient statutory and other reserves are drawn in accordance with the relevant laws, regulations and our constitutional documents. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay dividends out of our profits in the foreseeable future.

DISTRIBUTABLE RESERVES

As of May 31, 2026, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly include **[REDACTED]** fees and commissions and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. Assuming full payment of the discretionary incentive fee, the estimated total **[REDACTED]** expenses (based on the **[REDACTED]** of HK$**[REDACTED]** and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately RMB**[REDACTED]** million and are expected to represent approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, comprising of (i) **[REDACTED]**-related expenses, including **[REDACTED]** commission and other expenses, of approximately RMB**[REDACTED]** million; and (ii) non-**[REDACTED]**-related expenses of approximately RMB**[REDACTED]** million, including (a) fees paid and payable to our legal advisers and Reporting Accountants of approximately RMB**[REDACTED]** million; and (b) other fees and expenses, including sponsor fees, of approximately RMB**[REDACTED]** million.

During the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million. We expect to incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million after the Track Record Period, of which an estimated amount of approximately RMB**[REDACTED]** million is expected to be charged to profit and loss and the remaining amount of approximately RMB**[REDACTED]** million is expected to be recognized directly as a deduction from equity upon the **[REDACTED]**.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited **[REDACTED]** information, please refer to the unaudited **[REDACTED]** financial information set out in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since May 31, 2026 (being the date on which the latest audited consolidated financial information of our Company was prepared) and there is no event since May 31, 2026 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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