

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in “Appendix I—Accountants’ Report” to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards, 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 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 us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see “Forward-looking Statements” and “Risk Factors.”

OVERVIEW

We are an ophthalmology-focused biotech company. Leveraging our expertise in small-molecule drug discovery, advanced formulation development and translational research in ophthalmic diseases, we are building a competitive and differentiated product pipeline covering ocular indications affecting the surface and back of the eye with significant unmet clinical needs. We have established differentiated in-house research and development capabilities for innovative ophthalmic drugs and are selectively expanding into other disease areas with significant commercial potential. We have established integrated technology platforms, including ophthalmic small-molecule drug discovery, advanced formulation development and translational research, and have built a robust drug pipeline based on these platforms. As of the Latest Practicable Date, our product pipeline consisted of five clinical-stage product candidates, including our Core Products, VVN461(HD) and VVN001, and three other product candidates.

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on September 22, 2016 and was converted into a joint stock company with limited liability on January 30, 2026. The historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”), and is presented in Renminbi unless otherwise stated. We have consistently adopted all IFRS Accounting Standards that are effective for the accounting period beginning from January 1, 2026 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. For details, see note 2.1 to the Accountants’ Report set out in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including those key factors set out below.

FINANCIAL INFORMATION

Our Ability to Successfully Develop and Commercialize Our Product Candidates

Our business and results of operations depend on our ability to successfully develop and manufacture as well as our receipt of regulatory approval for and successful commercialization of our product candidates. As of the Latest Practicable Date, we had developed a pipeline of five clinical-stage product candidates, including two Core Products, namely VVN461(HD) and VVN001, and three other product candidates. Our product pipeline includes product candidates at various stages of development. For instance, for our VVN461(HD), we are conducting a Phase III clinical trial and expect to complete the trial in the first half of 2027. Based on efficacy results in the Phase II clinical trial of VVN461 for the treatment NIAU, our VVN461(HD) for the treatment of NIAU has received BTB from the NMPA, recognizing its therapeutic prospect and enabling a potentially expedited approval process. In addition, for VVN001, we completed a Phase I clinical trial in China in December 2021, a Phase II clinical trial in the United States in April 2022 and a Phase II clinical trial in China in December 2022. We commenced a Phase III clinical trial in China in June 2024. Our business and results of operations depend on our product candidates demonstrating favorable safety and efficacy profiles in clinical trials and our or our collaborators’ ability to obtain the requisite regulatory approvals for the product candidates.

Our Operating Expenses

Our business and results of operations are significantly affected by our operating expenses, particularly our research and development expenses and administrative expenses, details of which are set out below.

- *Research and development expenses.* Our research and development expenses primarily consist of salary and benefits expenses for our R&D personnel, trial and testing fees primarily in relation to the payments to CROs and CDMOs and R&D material costs. In 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses amounted to RMB128.3 million, RMB94.4 million, RMB47.9 million and RMB56.9 million, respectively.
- *Administrative expenses.* Our administrative expenses primarily consist of salary and employee benefits for our administrative personnel, professional service fees in relation to marketing research and consulting and general office expenses, primarily including property management fees and travelling and business expenses. In 2024, 2025 and the six months ended June 30, 2025 and 2026, our administrative expenses amounted to RMB15.2 million, RMB20.4 million, RMB6.6 million and RMB21.7 million, respectively.

As we move from a clinical-stage company to a commercial-stage company, our cost structure will become more sophisticated with research and development expenses and administrative expenses continuing to increase in complexity.

Our Ability to Maintain Adequate Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing, bank borrowings and cash generated from our operations. Going forward, in the event of the successful commercialization of one or more of our product candidates, we expect to fund our operations primarily from the sales of our products. However, with the continuing expansion of our business and product portfolio, we may require further funding through public or private offerings, debt financing, collaborations and licensing arrangements or other sources. Any fluctuation in our ability to fund our operations will impact our cash flow and our results of operations.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. 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. For other material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, please refer to notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

Material Accounting Policy Information

Research and Development Expenses

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 we 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.

Fair Value Measurement

We measure our debt investments at fair value through other comprehensive income (FVTOCI) 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 us. 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 economic best 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 in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Accountants' Report in Appendix I to this document 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

FINANCIAL INFORMATION

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.

Investments and Other Financial Assets

Initial Recognition and Measurement

We classify financial assets, at initial recognition, as subsequently measured at amortized cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Our business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

FINANCIAL INFORMATION

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Redemption liabilities are initially recognized at the net present value of the redemption amount.

Our financial liabilities include trade and other payables, interest-bearing bank borrowings and redemption liabilities on owners’ capital/equity shares.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (trade and other payables, amount due to a related party, borrowings and redemption liabilities on owners’ capital/equity shares)

After initial recognition, trade and other payables, amount due to a related party, interest-bearing bank borrowings and redemption liabilities on owners’ capital/equity shares are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Redemption Liabilities on Owners’ Capital/Equity Shares

For the redeemable equity shares issued by us as detailed in note 24 to the Accountants’ Report in Appendix I to this document, financial liabilities are recognized based on the net present value of the redemption amount and debited to equity. Changes of the net present value during the reporting period are recognized in profit or loss. When the redemption rights related to the redeemable owners’ capital are terminated, redemption liabilities on owners’ capital/equity shares are extinguished and credited to equity.

Share-Based Payments

Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer. Further details are set out in note 27 to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer and office equipment	19% to 31.67%
Machinery and equipment	19% to 31.67%
Motor vehicles	19% to 31.67%
Leasehold improvements	Over the shorter of remaining lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

FINANCIAL INFORMATION

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property and equipment when completed and ready for use.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), 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.

An impairment loss is recognised 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 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 recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Significant Accounting Judgments and Estimates

The preparation of our historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. 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.

Judgments

Research and Development Expenses

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are only capitalized and deferred in accordance with the accounting policy for research and development expenses in note 2.3 to the Accountants' Report in Appendix I to this document. Determining the amounts to be capitalized requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialized and bring economic benefits to our Group.

FINANCIAL INFORMATION

Deferred Tax Assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation Uncertainty

Impairment of Non-Financial Assets (Other Than Goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notwithstanding that we recorded a loss for the years end December 31, 2024 and 2025 and the six months ended June 30, 2026, no indicators of the impairment for non-financial assets are identified as of December 31, 2024 and 2025 and June 30, 2026, since (i) the assets' value have not declined significantly, (ii) the assets are not obsolete or physically damaged; and (iii) the R&D project progress remains in line with expectations and the losses incurred for the Track Record Period did not exceed the budget for the same periods.

Accrual of Research and Development Expenses

We rely on contract research organizations, clinical site management operators and clinical trial centers (collectively referred to as "Outsourced Service Providers") to conduct, supervise, and monitor our Group's ongoing clinical trials. Determining the amounts of research and development expenses incurred up to the end of the reporting period requires the management of our Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrolments, time elapsed and milestones achieved.

Fair Value of Share-Based Payment Transactions

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the restricted shares, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, we use the backsolve from recent transaction method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 27 to the Accountants' Report in Appendix I to this document.

FINANCIAL INFORMATION

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

The selected financial information set out below has been extracted from our financial information set out in the Accountants’ Report in Appendix I to this document.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands) (unaudited)			
Other income and gains	8,572	7,047	1,806	1,684
Administrative expenses	(15,183)	(20,381)	(6,623)	(21,663)
Research and development expenses . .	(128,261)	(94,399)	(47,850)	(56,925)
Other expenses	(337)	(305)	(69)	(540)
Finance costs	(66,175)	(81,444)	(37,458)	(48,389)
Share of loss of an associate	(151)	(301)	(147)	(306)
Loss before income tax	(201,535)	(189,783)	(90,341)	(126,139)
Income tax expense	—	—	—	—
Loss for the year	(201,535)	(189,783)	(90,341)	(126,139)

Revenue

We are a pre-revenue biotech company. We did not generate any revenue or incur any cost of revenue during the Track Record Period.

Other Income and Gains

Our other income primarily consists of (i) government grants, primarily representing subsidies received from local government authorities to compensate for expenditure arising from our research and clinical trial activities, (ii) interest income from banks, (iii) interest income from debt investments at FVTOCI, (iv) interest income from the loan to an employee, and (v) interest income from the loan to a related party. Our other gains consist of (i) foreign exchange gains and (ii) gains on financial assets at FVTPL, primarily in relation to our wealth management products. The following table sets forth a breakdown of other income for the years/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands) (unaudited)			
Other Income				
Government grants	5,650	5,566	1,509	313
Bank interest income	1,283	249	161	20
Interest income from debt investments at FVTOCI	—	67	—	264
Interest income from the loan to an employee	38	45	23	11
Interest income from the loan to a related party	143	155	78	38
Income from technical service	472	377	—	755
Others	28	37	35	44
Subtotal	7,614	6,496	1,806	1,445

FINANCIAL INFORMATION

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands)			
	(unaudited)			
Other Gains				
Foreign exchange gains, net	453	18	—	45
Gains on financial assets at FVTPL . .	505	533	—	194
<i>Subtotal</i>	958	551	—	239
Total	8,572	7,047	1,806	1,684

Certain of our government grants require us to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. For example, in relation to the government grants we received during the Track Record Period, we were required to, among others, advance drug candidate into clinical stage, obtain provincial key laboratory designation, submit periodic progress reports and audited project accounts and complete the funded project in accordance with approved implementation schedule.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff compensation for our administrative personnel, (ii) professional service fees, mainly in relation to marketing research and consulting, (iii) share-based payment expenses, (iv) [REDACTED] in relation to the [REDACTED], (v) general office expenses, and (vi) depreciation and amortization in relation to our office renovation, leases and electronic equipment. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands)			
	(unaudited)			
Employee benefits expenses	6,614	6,679	3,101	3,529
Professional service fees	3,056	3,143	1,853	2,802
Share-based payment expenses	2,660	2,415	855	1,779
General office expenses	943	832	387	645
Depreciation and amortization	1,253	646	329	446
[REDACTED]	—	6,345	—	11,058
Others ⁽¹⁾	657	321	98	1,404
Total	15,183	20,381	6,623	21,663

Note:

- (1) Others primarily consisted of accrued reimbursement due to project termination, cleaning expenses, renovation expenses and repair and maintenance expenses.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses primarily consist of (i) outsourced research and development costs primarily in relation to the payments to CROs and CDMOs, (ii) employee benefits expenses for our R&D personnel, (iii) depreciation and amortization, (iv) R&D material costs, and (v) share-based payments expenses. The following table sets forth a breakdown of our research and development expenses for the years/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands) (unaudited)			
Outsourced research and development costs	81,919	50,780	27,151	34,161
Employee benefits expenses	28,140	27,595	14,049	14,667
Depreciation and amortization	5,034	4,875	2,398	2,483
Material cost	2,341	3,677	818	491
Share-based payment expenses	6,215	1,260	976	2,917
Others ⁽¹⁾	4,612	6,212	2,458	2,206
Total	128,261	94,399	47,850	56,925

Note:

(1) Others primarily consisted of travelling and business expense and software expenses.

The following table sets forth a breakdown of our research and development expenses by product candidates for the years/periods indicated.

	For the year ended December 31,				For the six months ended June 30,			
	2024		2025		2025		2026	
	(RMB in thousands, except for percentages)							
	(unaudited)							
Core Products								
–VVN461(HD)	15,213	11.9%	16,281	17.2%	10,981	22.9%	16,488	29.0%
–VVN001	34,164	26.6%	32,158	34.1%	18,933	39.6%	16,005	28.1%
Subtotal	49,377	38.5%	48,439	51.3%	29,914	62.5%	32,493	57.1%
Other clinical-stage product candidates								
–VVN461(LD).	12,452	9.7%	732	0.8%	–	–	–	–
–VVN432	–	–	7,237	7.7%	–	–	6,443	11.3%
–VVN1901	30,940	24.1%	15,940	16.9%	5,656	11.8%	8,104	14.2%
Subtotal	43,492	33.8%	23,909	25.3%	5,656	11.8%	14,547	25.6%
Preclinical assets . . .	35,492	27.7%	22,051	23.4%	12,280	25.7%	9,885	17.4%
Total	128,261	100.0%	94,399	100.0%	47,850	100.0%	56,925	100.0%

FINANCIAL INFORMATION

Over the development process of a product candidate, the amount of research and development expenses necessarily fluctuates, depending on the development stage. Research and development expenses typically rise during active phases of preclinical and clinical trials and decrease once trials are completed. Our research and development expenses decreased during the Track Record Period primarily because we completed the Phase II clinical trial of VVN461 in the United States and the Phase I clinical trial of VVN1901 in late 2024 and the Phase II clinical trial of VVN461 in China in early 2025 while we only began the Phase III clinical trial of VVN461(HD) and the Phase II clinical trial of VVN1901 in the second half of 2025.

Our research and development expenses attributable to our Core Products were RMB49.4 million, RMB48.4 million, RMB29.9 million and RMB32.5 million in 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 38.5%, 51.3%, 62.5% and 57.1% of our research and development expenses in the same periods, respectively.

Other Expenses

Our other expenses primarily consist of costs in relation to technical service for one of our associates or loss on disposal of items of property, plant and equipment. In 2024 and 2025 and the six months ended June 30, 2025 and 2026, we incurred RMB337,000, RMB305,000, RMB69,000 and RMB540,000, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest on redemption liabilities on owners’ capital/equity shares in relation to the special rights granted to our Pre-[REDACTED] Investors for their Pre-[REDACTED] Investments, (ii) interest on lease liabilities, (iii) interest on interest-bearing bank borrowings, and (iv) Interest on borrowing from a related party. The following table sets forth a breakdown of finance costs for the years/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands) (unaudited)			
Interest on redemption liabilities on owners’ capital/equity shares	66,030	80,966	37,107	48,239
Interest on lease liabilities	120	119	65	41
Interest on interest-bearing bank borrowings	25	137	64	109
Interest on borrowing from a related party	—	222	222	—
Total	66,175	81,444	37,458	48,389

Share of Profits and Losses of an Associate

Our share of profits and losses of an associate comprises investment income in one of our associates, Jiangxi Shining Weimou Pharmaceutical Co., Ltd. (“Shining Weimou”), which primarily engaged in the research and development of ophthalmic drugs and was at an early R&D stage during the periods under review. In 2024, 2025 and the six months ended June 30, 2025 and 2026, we recognized share of losses of an associate of RMB151,000, RMB301,000, RMB147,000 and RMB306,000, respectively, primarily attributable to the fact that Shining Weimou had not yet achieved profitability.

FINANCIAL INFORMATION

Income Tax

We did not record any income tax expense during the Track Record Period.

In accordance with the PRC Corporate Income Tax Law, the statutory tax rate of our Company and our PRC subsidiary during the Track Record Period shall be 25%. According to applicable PRC laws and regulations, the enterprise income tax payable of our PRC subsidiary whose annual taxable income is less than RMB1.0 million is calculated as the product of 25% of its actual taxable amount and a reduced tax rate of 20%. Our subsidiary incorporated in Hong Kong was subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Track Record Period. Our subsidiary incorporated in the State of Delaware is subject to federal tax at a rate of 21% and State of Delaware profits tax at a rate of 8.7%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

We did not have any revenue or cost of revenue in the six months ended June 30, 2025 or 2026.

Other income and gains

Our other income and gains decreased by 6.8% from RMB1.8 million in the six months ended June 30, 2025 to RMB1.7 million in the six months ended June 30, 2026, primarily attributable to a decrease of RMB1.2 million in government grants partially offset by an increase of RMB0.8 million in income from technical service.

Administrative expenses

Our administrative expenses increased significantly from RMB6.6 million in the six months ended June 30, 2025 to RMB21.7 million in the six months ended June 30, 2026, primarily attributable to an increase in [REDACTED] of RMB11.1 million in connection with our proposed listing.

Research and development expenses

Our research and development expenses increased by 19.0% from RMB47.9 million in the six months ended June 30, 2025 to RMB56.9 million in the six months ended June 30, 2026, primarily attributable to an increase in outsourced research and development costs of RMB7.0 million as we commenced the Phase III clinical trial of VVN461 (HD) and the Phase I clinical trial of VVN432 towards the end of 2025, and the Phase II clinical trial of VVN1901 in the second half of 2025.

Other expenses

Our other expenses increased significantly from RMB0.1 million in the six months ended June 30, 2025 to RMB0.5 million in the six months ended June 30, 2026, primarily attributable to an increase in costs in relation to technical service for one of our associates which was in line with the increase in the technical service income during the same period.

Finance costs

Our finance costs increased by 29.2% from RMB37.5 million in the six months ended June 30, 2025 to RMB48.4 million in the six months ended June 30, 2026, primarily attributable to an increase of RMB11.1 million in interest on redemption liabilities on owners' capital/equity shares in relation to our Pre-[REDACTED] investments, partially offset by a decrease of RMB0.2 million in interest on borrowings from a related party.

FINANCIAL INFORMATION

Share of profits and losses of an associate

Our share of losses of an associate increased by 108.2% from RMB0.1 million in the six months ended June 30, 2025 to RMB0.3 million in the six months ended June 30, 2026, primarily due to the loss incurred by our associate mainly as the associate was still at an early R&D stage.

Loss for the year

As a result of the foregoing, we recorded loss for the period of RMB90.3 million and RMB126.1 million in the six months ended June 30, 2025 and 2026, respectively.

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

Revenue

We did not have any revenue or cost of revenue in 2024 or 2025.

Other income and gains

Our other income and gains decreased by 17.8% from RMB8.6 million in 2024 to RMB7.0 million in 2025, primarily due to (i) a significant decrease in bank interest income, mainly attributable to lower average cash holdings and reduced interest rates on demand deposits following the redemption of time deposits in 2024, and (ii) a decrease in net foreign exchange gains, primarily driven by narrowed exchange rate fluctuations and reduced foreign currency cash holdings as we utilized a substantial portion of our cash to purchase wealth management products and structured deposits, partially offset by gains on financial assets at FVTPL and interest income from debt investments at FVTOCI recognized in 2025.

Administrative expenses

Our administrative expenses increased by 34.2% from RMB15.2 million in 2024 to RMB20.4 million in 2025, primarily due to [REDACTED] of RMB6.3 million incurred in 2025 in connection with the [REDACTED], partially offset by (i) a decrease in depreciation and amortization mainly as the amortization of certain leasehold improvements was fully completed by the end of 2024, and (ii) a decrease in our share-based payments, mainly as the lockup period for the majority of participants of our share-based payment plan ended before December 31, 2025.

Research and development expenses

Our research and development expenses decreased by 26.4% from RMB128.3 million in 2024 to RMB94.4 million in 2025, primarily due to a decrease of RMB31.1 million in technical service fee costs mainly as we completed a Phase II clinical trial of VVN461 in the United States in October 2024 and completed a Phase I clinical trial of VVN1901 in September 2024.

Other expenses

Our other expenses decreased by 9.5% from RMB337,000 in 2024 to RMB305,000 in 2025, primarily due to a decrease in costs in relation to R&D technical services for one of our associates, Shining Weimou.

Finance costs

Our finance costs increased by 23.1% from RMB66.2 million in 2024 to RMB81.4 million in 2025, primarily due to an increase of RMB14.9 million in interest on redemption liabilities on owners' capital/equity shares in relation to our Pre-[REDACTED] investments.

Share of profits and losses of an associate

Our share of losses of an associate increased by 99.3% from RMB0.2 million in 2024 to RMB0.3 million in 2025, primarily due to the loss incurred by our associate mainly as the associate was still at an early R&D stage.

FINANCIAL INFORMATION

Loss for the year

As a result of the foregoing, we recorded loss for the year of RMB201.5 million and RMB189.8 million in 2024 and 2025, respectively.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30, 2026
	(RMB in thousands)		
NON-CURRENT ASSETS			
Property, plant and equipment	9,523	7,769	6,209
Right-of-use assets	4,003	2,348	3,519
Intangible assets	24	—	217
Investments in associates	1,099	798	492
Prepayments, other receivables and other assets	11,213	14,460	17,858
Total non-current assets	25,862	25,375	28,295
CURRENT ASSETS			
Prepayments, other receivables and other assets	15,185	13,051	13,481
Amounts due from related parties	4,946	4,601	800
Debt investments at fair value through other comprehensive income (“FVTOCI”)	—	30,067	30,331
Financial assets at fair value through profit or loss (“FVTPL”)	—	50,055	—
Restricted bank balances	—	7,000	—
Cash and cash equivalents	50,783	43,577	53,051
Total current assets	70,914	148,351	97,663
CURRENT LIABILITIES			
Trade and other payables	36,215	46,952	46,743
Interest-bearing bank borrowings	5,005	5,003	30,018
Lease liabilities	2,018	1,894	1,896
Total current liabilities	43,238	53,849	78,657
NET CURRENT ASSETS	27,676	94,502	19,006
TOTAL ASSETS LESS CURRENT LIABILITIES	53,538	119,877	47,301
NON-CURRENT LIABILITIES			
Lease liabilities	2,215	614	1,691
Deferred income	—	477	393
Redemption liabilities on owners’ capital/equity shares	582,689	838,999	887,238
Total non-current liabilities	584,904	840,090	889,322
Net liabilities	(531,366)	(720,213)	(842,021)

FINANCIAL INFORMATION

Prepayments, Other Receivables and Other Assets

Our prepayments and other receivables during the Track Record Period comprised of (i) rental and other deposits, relating to our leased properties, (ii) advances of loans to an employee, (iii) value added tax recoverable, (iv) prepayments for purchase of items of property, plant and equipment, (v) prepayments for research and development services, (vi) deferred [REDACTED], (vii) other receivables, and (viii) other prepayments, primarily include prepaid property management fees and parking fees. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30, 2026
	(RMB in thousands)		
Non-current portion			
Rental and other deposits	276	90	335
Value-added tax recoverable	10,759	14,370	17,491
Prepayments for purchase of items of property, plant and equipment	178	—	32
Subtotal	11,213	14,460	17,858
Current portion			
Prepayments for research and development services	10,704	5,860	7,154
Deferred [REDACTED]	—	2,115	5,468
Other receivables	771	615	475
Other prepayments	50	838	384
Advances of loans to an employee	3,660	3,623	—
Subtotal	15,185	13,051	13,481
Total	26,398	27,511	31,339

Our prepayments, other receivables and other assets increased by 4.2% from RMB26.4 million as of December 31, 2024 to RMB27.5 million as of December 31, 2025, primarily due to (i) an increase in value-added tax recoverable, primarily driven by the commencement of new clinical trials generating additional service contracts, and (ii) deferred [REDACTED] of RMB2.1 million in connection with the [REDACTED], partially offset by a decrease in prepayments for research and development services mainly as a result of the advancement of our pipeline and the recognition of prepayments as research and development expenses. Our prepayments, other receivables and other assets further increased to RMB31.3 million as of June 30, 2026 primarily attributable to (i) an increase of RMB3.4 million in deferred [REDACTED] in connection with the [REDACTED] and (ii) an increase of RMB3.1 million in value-added tax recoverable driven by the commencement of new clinical trials generating additional service contracts, partially offset by a decrease of RMB3.6 million in advances of loans to an employee after we settled such loan.

During the Track Record Period, we recorded advances of loans to an employee. We entered into a written loan agreement with this employee. All of the amount due from the employee were unsecured loans in U.S. dollars, bearing interest rate of 1.26% per annum with no fixed repayment term and non-trade in nature. The interest rate was determined by reference to the U.S. federal funds rate prevailing at the time the loan was made. These balances were settled in May 2026. As confirmed by our PRC Legal Advisers, our loan agreement with such employee is binding and valid and the provisions therein do not violate the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》).

As of July 31, 2026, RMB0.4 million, or 1.4%, of our prepayments, other receivables and other assets as of June 30, 2026 had been subsequently settled.

FINANCIAL INFORMATION

Trade and Other Payables

Our trade and other payables consisted of (i) trade payables for raw material and R&D service fee, (ii) accrued research and development expenses, (iii) accrued [REDACTED], (iv) payables for property, plant and equipment, (v) payroll payables, (vi) other tax payables, (vii) borrowing from a third party, and (viii) others. The following table sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30, 2026
	(RMB in thousands)		
Trade payables	221	26	96
Accrued research and development expenses	26,689	25,047	26,541
Accrued [REDACTED]	–	5,781	3,726
Payables for property, plant and equipment	43	43	–
Payroll payables	4,192	4,424	3,487
Other taxes payables	259	205	181
Borrowing from a third party	–	7,000	7,000
Other payables	4,811	4,426	5,712
Total	36,215	46,952	46,743

Our trade and other payables increased by 29.6% from RMB36.2 million as of December 31, 2024 to RMB47.0 million as of December 31, 2025, primarily due to (i) accrued [REDACTED] of RMB5.8 million in connection with the [REDACTED], (ii) a borrowing from a third party of RMB7.0 million, partially offset by a decrease of RMB1.6 million in accrued research and development expenses primarily due to the payment schedule for our clinical and preclinical service expenses. Our trade and other payables decreased by 0.4% from RMB47.0 million as of December 31, 2025 to RMB46.7 million as of June 30, 2026, primarily due to (i) a decrease of RMB2.1 million in accrued [REDACTED] in connection with the [REDACTED] and (ii) a decrease of RMB0.9 million in payroll payables, partially offset by an increase of RMB1.5 million in accrued research and development expenses.

During the Track Record Period, our suppliers typically granted us a credit period of three to six months. As of December 31, 2024 and 2025 and June 30, 2026, all of our trade payables were aged within three months.

As of July 31, 2026, RMB4.1 million, or 8.7%, of our trade and other payables as of June 30, 2026 had been subsequently settled.

Amounts Due from Related Parties

Our amounts due from related parties represented (i) loans to a director, and (ii) receivables for services provided to our associate. The following table sets forth the breakdown of our amounts due from related parties as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30, 2026
	(RMB in thousands)		
Amounts due from:			
A director	4,446	4,601	–
An associate	500	–	800
Total	4,946	4,601	800

FINANCIAL INFORMATION

We had amounts due from a director of RMB4.4 million, RMB4.6 million and nil as of December 31, 2024 and 2025 and June 30, 2026, respectively. We entered into a written loan agreement with the Director. All of the amounts due from a director were unsecured loans in RMB, bearing interest rate of 3.65% per annum with no fixed repayment term and non-trade in nature. The interest rate was determined by reference to the LPR published by the PBOC at the time the loan was made. These balances were settled in April 2026. As confirmed by the PRC Legal Advisers, each loan agreement and the interest rate arrangement thereunder are binding and valid and do not violate the Civil Code (《民法典》) or the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》).

We had amounts due from an associate of RMB500,000, nil and RMB800,000 as of December 31, 2024, 2025 and June 30, 2026. The amounts due from an associate were service fees that were trade in nature.

Financial Assets at FVTPL

Our financial assets at FVTPL represented contracts of wealth management products with banks. The returns of the wealth management products are determined by reference to the performance of the underlying instruments in the market, therefore they are recognized as financial assets at FVTPL. Our financial assets at FVTPL were nil, RMB50.1 million and nil as of December 31, 2024 and 2025 and June 30, 2026, respectively, primarily as we purchased and redeemed wealth management products during the relevant periods.

We purchase wealth management products as a supplemental means to improve utilization of our cash on hand on a short-term basis. We believe that investment in low-risk financial products helps us make better use of our cash, expand our source of income while ensuring sufficient cash flow for business operation or capital expenditures. The purchases of wealth management products are carefully reviewed and assessed by our finance department and are subject to the approval of our senior management team. Additionally, we have established a set of risk management and capital preservation investment policy, and have implemented a series of internal control measures regarding our investment in wealth management products. These policies and measures include:

- we make investment decisions after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our working capital conditions and the expected returns;
- we only purchase low-risk wealth management products issued by qualified financial institutions; and
- after making an investment, we closely monitor its performance and fair value on a regular basis.

Our investment in financial assets will be subject to compliance with Chapter 14 of the Listing Rules after Listing.

Redemption Liabilities on Owners’ Capital/Equity Shares

Our redemption liabilities on owners’ capital/equity shares represent redeemable interests held by our Pre-[REDACTED] investors. Our redemption liabilities on owners’ capital/equity shares increased from RMB582.7 million as of December 31, 2024 to RMB839.0 million as of December 31, 2025, primarily due to (i) recognition of redemption liabilities on owners’ capital/equity shares of RMB175.3 million in relation to our Series D2+ Financing, and (ii) accretion of interest of RMB81.0 million. Our redemption liabilities on owners’ capital/equity shares further increased to RMB887.2 million as of June 30, 2026 due to accretion of interest of RMB48.2 million.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our uses of cash primarily relate to the research and development of our product candidates and the purchase of equipment and machinery. During the Track Record Period, we primarily funded our working capital requirement through equity financing, bank borrowings and cash generated from our operations. Going forward, we believe our liquidity requirements will be satisfied by funds from a combination of cash from operations, cash and cash equivalents, borrowings and [REDACTED] from the [REDACTED]. As of July 31, 2026, our cash and cash equivalents amounted to RMB55.1 million and committed unutilized bank facilities of RMB10.0 million.

Net Current Assets

	As of December 31, 2024	As of December 31, 2025	As of June 30, 2026	As of July 31, 2026
		(RMB in thousands)		(unaudited)
Current assets				
Prepayments, other receivables and other assets	15,185	13,051	13,481	13,159
Financial assets at FVTPL	–	50,055	–	1,501
Debt investments at fair value through other comprehensive income (“FVOCI”)	–	30,067	30,331	30,375
Amounts due from related parties	4,946	4,601	800	800
Restricted bank balances	–	7,000	–	–
Cash and cash equivalents . . .	50,783	43,577	53,051	55,146
Total current assets	70,914	148,351	97,663	100,981
Current liabilities				
Trade and other payables	36,215	46,952	46,743	44,035
Interest-bearing bank borrowings	5,005	5,003	30,018	40,049
Lease liabilities	2,018	1,894	1,896	1,532
Total current liabilities	43,238	53,849	78,657	85,616
Net current assets	27,676	94,502	19,006	15,365

Our net current assets decreased from RMB19.0 million as of June 30, 2026 to RMB15.4 million as of July 31, 2026, primarily attributable to an increase of RMB10.0 million in interest-bearing bank borrowings, partially offset by (i) an increase of RMB1.5 million in financial assets at FVTPL as we purchased additional wealth management products and (ii) a decrease of RMB1.5 million in trade and other payables, primarily due to the settlement of payables relating to our research and development activities.

Our net current assets decreased from RMB94.5 million as of December 31, 2025 to RMB19.0 million as of June 30, 2026, primarily attributable to a decrease of RMB50.1 million in financial assets at FVTPL as we redeemed the relevant wealth management products, partially offset by an increase of RMB25.0 million in interest-bearing bank borrowings.

Our net current assets increased from RMB27.7 million as of December 31, 2024 to RMB94.5 million as of December 31, 2025, primarily due to (i) an increase of RMB50.1 million in financial assets at FVTPL mainly as we purchased new wealth management products in 2025 with cash received from our Series D2+ financing, (ii) an increase of RMB30.1 million in debt investments at FVTOCI, partially offset by an increase of RMB10.7 million in trade and other payables primarily due to accrued [REDACTED] and a borrowing from a third party.

FINANCIAL INFORMATION

Cash Operating Costs

The following table provides information regarding our cash operating costs, in accrual basis, for the years/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	(RMB in thousands)			
	(unaudited)			
R&D expenses				
R&D costs for Core Products				
Staff compensation	9,051	8,624	5,589	6,331
Technical service fee	33,269	28,531	7,634	23,046
Registration fee	556	654	82	300
Consulting fees	557	783	731	768
Raw material expenses	92	282	252	28
Others	771	835	342	401
Subtotal	44,296	39,709	14,630	30,874
R&D costs for our other product candidates				
Staff compensation	19,659	18,804	9,620	9,091
Technical service fee	39,439	17,488	5,374	13,227
Registration fee	639	1,061	676	156
Consulting fees	415	1,056	39	6
Raw material expenses	2,249	3,395	566	463
Others	1,674	1,823	588	575
Subtotal	64,075	43,629	16,863	23,518
Total R&D expenses	108,371	83,336	31,493	54,392
Workforce employment costs ⁽¹⁾	6,748	6,614	3,357	3,711
Others ⁽²⁾	5,593	7,037	2,337	16,555
Total cash operating costs	120,712	96,987	37,187	74,658

Notes:

- (1) Workforce employment costs represented non-R&D Labor costs, mainly including salaries and social insurances.
- (2) Mainly consisted of traveling expense and other miscellaneous costs.

FINANCIAL INFORMATION

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the year/periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2024	2025	2025	2026
	<i>(RMB in thousands)</i>			
	<i>(unaudited)</i>			
Net cash flows used in operating activities	(121,049)	(96,343)	(37,331)	(74,941)
Net cash from/(used in) investing activities	64,189	(79,880)	666	58,127
Net cash flows from financing activities	12,392	169,211	73,544	26,609
Net (decrease)/increase in cash and cash equivalents	(44,468)	(7,012)	36,879	9,795
Cash and cash equivalents at beginning of year	94,798	50,783	50,783	43,577
Effect of foreign exchange rates, net. .	453	(194)	(84)	(321)
Cash and cash equivalents at end of year	50,783	43,577	87,578	53,051

Net Cash Used in Operating Activities

For the six months ended June 30, 2026, our net cash used in operating activities was RMB74.9 million, which was primarily attributable to our loss before taxation of RMB126.1 million, as positively adjusted by finance costs of RMB48.4 million.

For the year ended December 31, 2025, our net cash used in operating activities was RMB96.3 million, which was primarily attributable to our loss before taxation of RMB189.8 million, as positively adjusted by (i) finance cost of RMB81.4 million, (ii) share-based payment compensation of RMB3.7 million, (iii) depreciation of property, plant and equipment of RMB3.1 million, and (iv) depreciation of right-of-use assets of RMB2.4 million, and negatively adjusted by increase in trade and other payables of RMB2.3 million.

For the year ended December 31, 2024, our net cash used in operating activities was RMB121.0 million, which was primarily attributable to our loss before taxation of RMB201.5 million, as positively adjusted by (i) finance cost of RMB66.2 million, (ii) increase in trade and other payables of RMB8.5 million, (iii) share-based payment compensation of RMB8.9 million, (iv) depreciation of property, plant and equipment of RMB3.8 million, and (v) depreciation of right-of-use assets of RMB2.4 million and negatively adjusted by increase in prepayments, other receivables and other assets of RMB6.6 million.

As a clinical-stage biotech company, we plan to improve our net cash outflow position from our operations by generating more net cash from our operating activities, commercialization of our products and improving our cost control and operating efficiencies. Specifically, (i) we plan to actively seek additional funding such as equity financing and bank borrowings, and (ii) we plan to review our operating expenses regularly and streamline our business processes to improve overall operational efficiency.

FINANCIAL INFORMATION

Net Cash from/(Used in) Investing Activities

For the six months ended June 30, 2026, net cash generated from investing activities was RMB58.1 million, primarily due to withdrawal of financial assets at FVTPL of RMB110.2 million, partially offset by placement of financial assets at FVTPL of RMB60.0 million.

For the year ended December 31, 2025, net cash used in investing activities was RMB79.9 million, primarily due to placement of financial assets at FVTPL of RMB200.0 million and placement of debt investments at FVTOCI of RMB30.0 million, partially offset by withdrawal of financial assets at FVTPL of RMB150.5 million.

For the year ended December 31, 2024, net cash generated from investing activities was RMB64.2 million, primarily due to withdrawal of financial assets at FVTPL of RMB120.6 million, partially offset by placement of financial assets at FVTPL of RMB70.0 million.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2026, net cash generated from financing activities was RMB26.6 million, primarily due to new bank borrowings of RMB50.0 million, partially offset by repayment of bank borrowings of RMB25.0 million.

For the year ended December 31, 2025, net cash generated from financing activities was RMB169.2 million, primarily due to capital injection from shareholders of RMB176.9 million.

For the year ended December 31, 2024, net cash generated from financing activities was RMB12.4 million, primarily due to capital injection from shareholders of RMB10.0 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash from operations, cash and cash equivalents, borrowings and the estimated [REDACTED] from the [REDACTED], our Directors are of the opinion that we have sufficient working capital to cover at least 125% of our costs, including administrative costs and research and development expenses for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses and administrative expenses; and (ii) capital expenditures. Taking into account our cash and cash equivalents, restricted bank balances and debt instrument at FVTOCI as of July 31, 2026, and assuming average monthly net cash used in operating activities going forward of [1.1] times the level in the six months ended June 30, 2026, and the estimated capital expenditures with reference to the capital commitments as of June 30, 2026, we estimate that we will be able to maintain our financial viability for [REDACTED], or, if we also take into account the [REDACTED] from the [REDACTED] provided that the [REDACTED] is set at [REDACTED] per Share, being the low end of the indicative [REDACTED], [REDACTED]. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

FINANCIAL INFORMATION

INDEBTEDNESS

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

	As of December 31,		As of	As of
	2024	2025	June 30, 2026	July 31, 2026
	(RMB in thousands)			(unaudited)
Current				
Interest-bearing bank and other borrowing	5,005	5,003	30,018	40,049
Lease liabilities	2,018	1,894	1,896	1,532
Amount due to a third party . .	–	7,000	7,000	7,000
Non-current				
Lease liabilities	2,215	614	1,691	1,594
Redemption liabilities on owner’s capital	582,689	838,999	887,238	895,749
Total	591,927	853,510	927,843	945,924

As of July 31, 2026, other than as disclosed above, we did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Since July 31, 2026 and up to the date of this document, other than as disclosed above, the Directors confirm that there has not been any material change in our indebtedness and contingent liabilities.

Interest-Bearing Bank Borrowings

The following table sets forth our interest-bearing bank borrowings as of the dates indicated. As of December 31, 2024, December 31, 2025, June 30 and July 31, 2026, all of such borrowings were due within one year, with an effective interest rate from 2.3% to 3.0% per annum.

	As of December 31,		As of	As of
	2024	2025	June 30, 2026	July 31, 2026
	(RMB in thousands)			(unaudited)
Borrowings from banks - unsecured and unguaranteed .	5,005	5,003	20,015	30,023
Borrowings from banks - secured	–	–	10,003	10,026
Total	5,005	5,003	30,018	40,049

During the Track Record Period, we secured short-term bank borrowings from certain commercial banks in the PRC to cover research and development costs.

FINANCIAL INFORMATION

Our bank borrowings contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payments of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for daily business operations and R&D functions. As of December 31, 2024 and 2025, June 30 and July 31, 2026, our lease liabilities amounted to RMB4.2 million, RMB2.5 million, RMB3.6 million and RMB3.1 million, respectively.

Our lease liabilities decreased from RMB4.2 million as of December 31, 2024 to RMB2.5 million as of December 31, 2025, primarily due to the settlement of lease payments during 2025. Our lease liabilities increased to RMB3.6 million as of June 30, 2026, as we entered into new leases and renewed certain existing leases during the six months ended June 30, 2026. Our lease liabilities decreased to RMB3.1 million as of July 31, 2026, primarily due to lease payments made during the period.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of related party transactions. In 2024, we obtained an exclusive global license from E-nitiate to develop, manufacture and commercialize certain compound (other than with respect to oral dosage formulation) in the rhinology field. See “Business—Our Collaboration and License Agreements—Arrangements with E-nitiate.” During the Track Record Period, we provided services to Shining Weimou. In addition, we extended loans to one of our Directors in 2024 and borrowed from VVBI in 2025, both of which have been settled. See note 30 to the Accountant’s Report in Appendix I to this document.

Our Directors believe that such related party transactions were conducted on an arm’s-length basis, and they would not distort our results of operations or cause our historical results to become not reflective of our future performance.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period included purchase of property, plant and equipment. Our capital expenditures amounted to RMB3.0 million and RMB1.3 million, RMB0.2 million and RMB0.2 million in 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

CAPITAL COMMITMENTS

As of December 31, 2024 and 2025 and June 30, 2026, we had capital commitments contracted but not yet provided for of RMB268,000, RMB169,000 and RMB76,000, respectively, primarily in relation to the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As of December 31, 2024 and 2025 and June 30, 2026, we did not have any contingent liabilities. As of the Latest Practicable Date there had been no material changes to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL INFORMATION

KEY FINANCIAL RATIO

The following table sets forth our key financial ratio as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30, 2026
Current ratio ⁽¹⁾	1.64	2.75	1.24

Note:

(1) Current ratio equals current assets divided by current liabilities as of the same date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to market, interest rate, credit and liquidity risks arises in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 33 to the Accountants’ Report in Appendix I to this document for a detailed description of our financial risk management.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. See note 33 to the Accountants’ Report in Appendix I to this document for credit quality and the maximum exposure to credit risk.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from financing activities by subsidiaries in currencies other than the subsidiaries’ functional currencies. See note 33 to the Accountants’ Report in Appendix I to this document for a sensitivity analysis of our foreign currency risk.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. See note 33 to the Accountants’ Report in Appendix I to this document for a maturity profile of our financial liabilities.

Capital Management

The primary objectives of our capital management are to safeguard our abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

FINANCIAL INFORMATION

DIVIDEND POLICY

No dividend has been proposed, paid or declared by our Company since its incorporation. We do not have any plan to declare or pay any dividends in the foreseeable future. The determination of whether to pay a dividend and in which amount is based on factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder’s meeting. Under the PRC law and the Articles of Association, the general reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity’s registered capital. In view of our accumulated losses, as advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations and the Articles of Association, we shall not declare or pay dividend until the accumulated losses are covered by our after-tax profits and sufficient statutory common reserve are drawn in accordance with the relevant laws and regulations.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we did not have any distributable reserves available for distribution to our shareholders.

[REDACTED]

Assuming the [REDACTED] is not exercised and an [REDACTED] of [REDACTED] per [REDACTED] (which is the mid-point of the [REDACTED]), we expect to incur approximately [REDACTED] of [REDACTED] (including the aggregate [REDACTED] and fees, professional fees and other expenses relating to the [REDACTED]), including (i) [REDACTED] expenses (including [REDACTED] and other expenses of approximately [REDACTED]) and (ii) non [REDACTED] of approximately [REDACTED], comprising (a) fees and expenses of legal advisers and accountants of approximately [REDACTED] and (b) other fees and expenses of approximately [REDACTED], accounting for approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. Approximately [REDACTED] of our [REDACTED] is expected to be charged to our consolidated statements of profit or loss and approximately [REDACTED] is expected to be deducted from equity upon Listing. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES

The following unaudited *pro forma* statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2026 as if the [REDACTED] had taken place on that date.

The unaudited *pro forma* statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the parent had the [REDACTED] been completed as at June 30, 2026 or at any future date.

FINANCIAL INFORMATION

The unaudited *pro forma* statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the parent had the [REDACTED] been completed as at June 30, 2026 or at any future date.

	Consolidated net tangible liabilities of the Group attributable to owners of the parent as at June 30, 2026	Estimated [REDACTED] from the [REDACTED]	Estimated impact related to the termination of redemption right on ordinary shares upon Listing	Unaudited <i>pro forma</i> adjusted consolidated net tangible assets attributable to owners of the parent as at June 30, 2026	Unaudited <i>pro forma</i> adjusted consolidated net tangible assets attributable to owners of the parent per share as at June 30, 2026	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB (Note 4)	HK\$ (Note 5)
Based on an [REDACTED] of [REDACTED] per H Share	(842,021)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of [REDACTED] per H Share	(842,021)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible liabilities of the Group attributable to owners of the parent as at June 30, 2026 is equal to the net liabilities attributable to owners of the parent as of June 30, 2026 of RMB(842,021,000) set out in the Accountants' Report in Appendix I to this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on an [REDACTED] of [REDACTED] and [REDACTED] per H Share, being the low end and high end of the [REDACTED], respectively, after deduction of the [REDACTED] and other related expenses payable by the Company and excluding the [REDACTED] that have been charged to profit or loss during the Track Record Period, and does not take into account any Shares which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted into RMB at an exchange rate of RMB1.00 to HK\$[1.15639].
- (3) For the purpose of the unaudited *pro forma* information, considering the estimated impact related to the termination of redemption rights on the ordinary shares upon Listing, the redemption liabilities on owners' capital/equity shares amounting to RMB[REDACTED] will be derecognised and accordingly increase the unaudited *pro forma* adjusted consolidated net tangible assets of the Group as at June 30, 2026 by RMB[REDACTED].
- (4) The unaudited *pro forma* adjusted consolidated net tangible assets per Share is arrived at after adjustments referred in note 3 above and on the basis of [REDACTED] Shares are in issue, assuming that the [REDACTED] has been completed on June 30, 2026 but does not take into account any Shares which may be sold pursuant to the exercise of the [REDACTED].
- (5) For the purpose of this unaudited *pro forma* statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at an exchange rate of RMB1.00 to HK\$[1.15639].
- (6) No adjustment has been made to the unaudited *pro forma* adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2026.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since June 30, 2026, being the date of the latest reporting period reported on in the Accountants' Report in Appendix I to this document.