*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 statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), 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 our current views with respect to future events and financial performance and involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk Factors" and "Business."

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an antimicrobial peptide ("**AMP**") therapeutics company established in April 2009, and focus on two core therapeutic areas, namely anti-infectives and metabolic diseases. We did not commercialize any drugs and were loss-making during the Track Record Period. In 2024 and 2025, and the six months ended June 30, 2025 and 2026, we had net losses of RMB158.3 million, RMB141.6 million, RMB66.3 million and RMB85.2 million, respectively, which primarily resulted from research and development expenses and administrative expenses.

We expect to incur significant expenses for at least the next several years as we continue to advance our preclinical research and clinical development plans, and to prepare for the commercialization of our drug candidates. Subsequent to the **[REDACTED]**, our financial performance may fluctuate from period to period due to, among other factors, the development status of our drug candidates, regulatory approval timeline, and commercialization of our drug candidates after approval.

BASIS OF PREPARATION

For details of basis of preparation, please see note 2.1 "Basis of preparation" to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our business and results of operations depend on our ability to successfully develop and seek regulatory approval of our drug candidates. As of the Latest Practicable Date, we had one drug approved from NMPA in June 2026, namely our Core Product PL-5, and three other drug candidates in our pipeline. Leveraging our clinical development capabilities, we aim to provide patients with access to our Core Product, PL-5, targeting secondary wound infection. We are conducting a Phase II clinical trial in the U.S. targeting diabetic foot ulcer infection. For more details regarding the development status of our drug candidates, please refer to "Business — Our Pipeline". Whether our drug candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

Subject to our successfully developing and obtaining regulatory approval of our drug candidates, our business and results of operations depend on our ability to commercialize our drug candidates. Although we currently have no drugs realized commercial sale and have not generated any revenue from drug sales, we expect to commercialize one or more of our drug candidates over the coming years. Our ability to generate sustained revenue depends on the successful commercialization of our drug candidates, which may require significant marketing efforts in accordance with local rules and regulations. If our drug candidates are approved but fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See "Business — Commercialization" for our commercialization plans and "Risk Factors — Risks Relating to Our Drug Commercialization" for more details regarding the risks related to commercialization of our drug candidates.

Our Ability to Control Our Expenses and Improve Our Operating Efficiency

Our business and results of operations are significantly affected by our expenses, which was comprised primarily of R&D expenses, administrative expenses and finance costs, during the Track Record Period.

R&D activities are central to our business. Our R&D expenses consisted of preclinical and clinical trial expenses, employee salary and welfare expenses, share-based payment expenses, materials consumed, depreciation and amortization expenses and others. In 2024 and 2025, and the six months ended June 30, 2025 and 2026, our R&D expenses amounted to RMB80.7 million, RMB57.2 million, RMB25.7 million and RMB24.4 million. Our current R&D activities primarily relate to the clinical development of our Core Product PL-5 for the treatment of secondary wound infection and diabetic foot infections, our key product PL-3301 for the treatment of OPC and pulmonary infection and our key product PL-18 for the treatment of VVC. We expect our R&D expenses to increase for the foreseeable future as we continue to progress the clinical development of and to conduct CMC activities with respect to our current and future drug candidates.

Our administrative expenses, which primarily consisted of (i) employee salary and welfare expenses; (ii) share-based payment expenses; (iii) depreciation and amortization expenses; (iv) service fees; (v) office expenses; (vi) taxes and surcharges; and (vii) others. In 2024 and 2025, and the six months ended June 30, 2025 and 2026, our administrative expenses amounted to RMB26.3 million, RMB32.1 million, RMB10.9 million and RMB21.4 million, respectively.

Going forward, our expenses will evolve as we further develop our drug candidates. As our drug candidates progress through preclinical studies and clinical trials and advance towards commercialization, we expect to incur additional expenses related to R&D, sales and marketing, and regulatory affairs, among other activities.

Our Existing and Future Collaboration Arrangements

During the Track Record Period, we have established a core product commercialization strategic partnership with Chia Tai Tianqing for the sales of our PL-5, granting it exclusive commercialization rights for PL-5 in Chinese mainland, with sales milestone-based fees. Chia Tai Tianqing has strong sales capabilities in the anti-infective drug segment, backed by its robust specialized academic promotion system and a global channel network, enabling it to quickly introduce new anti-infective drugs into key markets. Its sales team deeply integrates clinical needs with expert resources, achieving rapid product growth and extensive market penetration in a complex, competitive environment. Moreover, we may enter into new collaborations depending on our development strategies. These existing and future collaboration arrangements will influence, and may result in fluctuations in, our revenue, profit, and results of operations from period to period.

Our Ability to Fund Our Operation

During the Track Record Period, we funded our operations through private equity and debt financing. Going forward, in the event of the successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized drug products. We expect to fund our future operations primarily with existing cash and cash equivalents, income derived from our sales of daily care products, and **[REDACTED]** from the **[REDACTED]**. Upon the successful commercialization of one or more of our drug candidates, we expect to further complement the funding for our operations with revenue generated from sales of our

commercialized drug products. However, with the continuing expansion of our business, we may require further funding through public or private equity offerings, debt financing, or other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations. Please refer to "— Liquidity and Capital Resources" for more details.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

For the details of our material accounting policies and judgments, and estimates, please see Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this document.

OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	5,194	3,332	1,428	2,192
Cost of sales	(3,020)	(2,024)	(840)	(1,142)
Gross profit	2,174	1,308	588	1,050
Other income and gains	11,627	14,193	2,135	3,047
Research and development expenses	(80,725)	(57,215)	(25,713)	(24,412)
Administrative expenses	(26,253)	(32,126)	(10,863)	(21,448)
Selling and distribution expenses	(5,876)	(4,607)	(2,799)	(2,540)
Finance costs	(58,432)	(62,463)	(29,307)	(40,135)
Impairment loss on financial assets, net	(297)	(510)	(341)	(784)
Other expenses	(555)	(144)	(13)	(18)
LOSS BEFORE TAX	(158,337)	(141,564)	(66,313)	(85,240)
Income tax expenses	—	—	—	—
LOSS FOR THE YEAR/PERIOD	(158,337)	(141,564)	(66,313)	(85,240)
Attributable to:				
Owners of the parent	(158,337)	(141,564)	(66,313)	(85,240)

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Leveraging the core technologies of our drug candidates, we also developed some daily-care products which may help supplement our operation cash flow. During the Track Record Period, none of our drug candidates realize commercialization, therefore all of our sales was derived from sales of daily-care products. For details, please see "Business — Our Other Products." Our revenue were RMB5.2 million, RMB3.3 million, RMB1.4 million and RMB2.2 million in 2024 and 2025, and the six months ended June 30, 2025 and 2026, respectively.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of (i) material consumed; (ii) employee salary and welfare expenses; (iii) depreciation and amortization expenses; and (iv) others. Our cost of sales were RMB3.0 million, RMB2.0 million, RMB0.8 million and RMB1.1 million in 2024 and 2025, and the six months ended June 30, 2025 and 2026, respectively. Our cost of sales continuously decreased throughout the Track Record Period, which was primarily caused by the decrease in materials consumed, which were in line with our revenue trend.

Gross Profit and Gross Profit Margin

During the Track Record Period, our gross profit represents our revenue less our cost of sales. We recorded gross profit of RMB2.2 million, RMB1.3 million, RMB0.6 million and RMB1.1 million in 2024 and 2025, and the six months ended June 30, 2025 and 2026. Our gross profit margin from sales of daily-care products were 41.9% in 2024, 39.3% in 2025, 41.2% in the six months ended June 30, 2025 and 47.9% in the six months ended June 30, 2026, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin through distributors and direct sales for the periods indicated.

	Year Ended December 31				Six Months Ended June 30,			
	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*	*%*	*RMB'000*	*%*
					(Unaudited)			
Direct sales	821	52.2	845	59.3	416	62.0	861	57.2
Distribution	1,353	37.4	463	24.3	172	22.7	189	27.5
Total	2,174	41.9	1,308	39.3	588	41.2	1,050	47.9

Other Income and Gains

In 2024 and 2025, and the six months ended June 30, 2025 and 2026, our other income and gains were RMB11.6 million, RMB14.2 million, RMB2.1 million and RMB3.0 million, respectively.

During the Track Record Period, our other income and gains primarily consisted of government grants, interest income, and gain on financial assets at fair value through profit or loss ("**FVTPL**"). We received certain government grants related to support certain subsidiaries' operating activities. There are no unfulfilled conditions or contingencies relating to these government grants. Gain on financial assets at FVTPL mainly consists of interest income generated from wealth management product we hold.

The following table sets forth a breakdown of our other income and gains both in absolute amount and as a percentage of our total other income and gains for the periods indicated.

	Year Ended December 31				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Other income								
Government grants	9,185	79.0	12,558	88.5	1,564	73.3	1,579	51.8
Interest income	1,141	9.8	989	7.0	460	21.5	654	21.5
Others	49	0.4	150	1.0	58	2.7	109	3.6
Total other income	10,375	89.2	13,697	96.5	2,082	97.5	2,342	76.9
Gains								
Gain on financial assets as FVTPL	1,252	10.8	301	2.1	40	1.9	672	22.1
Foreign exchange differences, net	—	—	142	1.0	13	0.6	33	1.0
Others	—	—	53	0.4	—	—	—	—
Total gains	1,252	10.8	496	3.5	53	2.5	705	23.1
Total	**11,627**	**100.0**	**14,193**	**100.0**	**2,135**	**100.0**	**3,047**	**100.0**

Research and Development Expenses

Our research and development expenses consisted of (i) preclinical and clinical trial expenses; (ii) employee salary and welfare expenses; (iii) share-based payment expenses; (iv) materials consumed, mainly representing materials cost and testing costs in the course of our research and development activities; (v) depreciation and amortization expenses; and (vi) others, mainly representing travel expenses, service fees, conference fees and etc.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Preclinical and clinical trial expenses	44,572	55.2	21,570	37.7	8,543	33.2	7,705	31.6
Employee salary and welfare expenses	19,316	23.9	18,424	32.2	9,578	37.2	7,577	31.0
Share-based payment expenses	2,237	2.8	2,237	3.9	1,223	4.8	1,181	4.8
Materials consumed	7,391	9.2	8,357	14.6	3,663	14.3	5,701	23.4
Depreciation and amortization expenses	2,912	3.6	3,475	6.1	1,760	6.8	1,700	7.0
Other	4,297	5.3	3,152	5.5	946	3.7	548	2.2
Total	**80,725**	**100.0**	**57,215**	**100.0**	**25,713**	**100.0**	**24,412**	**100.0**

Our research and development expenses decreased by 29.1% from RMB80.7 million in 2024 to RMB57.2 million in 2025, primarily due to the decrease in our preclinical and clinical trial expenses, especially decrease in clinical trial expenses of our Core Product. This is because our Core Product in China received NDA acceptance notice in December 2024. We plan to continue our preclinical and clinical trials for our pipeline drugs after the D+ series financing.

Our research and development expenses decreased by 5.1% from RMB25.7 million in the six months ended June 30, 2025 to RMB24.4 million in the six months ended June 30, 2026, primarily due to (i) the decrease in employee salary and welfare expenses resulting from the close of Changchun ProteLight; (ii) the decrease in preclinical and clinical trial expense of PL-18, which was primarily attributable to our focus on formulation optimization in the six months ended June 30, 2026; and (iii) the decrease in preclinical and clinical trial expense of PL-5, which was primarily because we submitted PL-5 NDA application to the NMPA in December 2024 and received NDA approval in June 2026.

The following table sets forth a breakdown of our research and development expenses by pipeline products in absolute amount of our total research and development expenses for the periods indicated.

	Year Ended December 31				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
PL-5	29,880	37.0	10,447	18.3	6,785	26.4	3,959	16.2
PL-5 International	12,516	15.5	7,545	13.2	2,357	9.2	4,195	17.2
PL-18	13,575	16.8	16,038	28.0	7,155	27.8	3,444	14.1
PL-18 International	2,646	3.3	151	0.3	99	0.4	—	—
PL-3301	6,608	8.2	6,465	11.3	2,195	8.5	4,476	18.3
PL-MD-333	—	—	2,307	4.0	—	—	4,698	19.2
Others[(1)]	15,500	19.2	14,262	24.9	7,122	27.7	3,640	15.0
Total	**80,725**	**100.0**	**57,215**	**100.0**	**25,713**	**100.0**	**24,412**	**100.0**

Note:

(1) Others represents the research and development expenses of (i) other pipeline candidates which are under pre clinical stage and (ii) daily-care products.

With respect to the research and development expenses incurred for the Core Product, we recorded RMB42.4 million in 2024, RMB18.0 million in 2025, RMB9.1 million in the six months ended June 30, 2025 and RMB8.2 million in the six months ended June 30, 2026, respectively, accounting for 52.5%, 31.5%, 35.6% and 33.4% of the total research and development expenses in China and overseas in the corresponding years or periods. The decrease of R&D expenses for our Core Product during the Track Record Period was primarily due to the NDA of PL-5 in China in December 2024. Given that (i) we are conducting a Phase II clinical trial of our Core Product PL-5 in the United States for the treatment of diabetic foot infections, which is expected to be finalized by the third quarter of 2028, and (ii) we plan to conduct a post market evaluation within five years of the commercialization of PL-5 in China to fulfill our statutory obligations under the Drug Administration Law, we expect our research and development expenses will continue to increase in the near future.

Administrative Expenses

Our administrative expenses consisted of (i) employee salary and welfare expenses; (ii) share-based payment expenses; (iii) depreciation and amortization and rental expenses; (iv) service fees; (v) office expenses; (vi) taxes and surcharges; and (vii) others.

The following table sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total administrative expenses for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Employee salary and welfare expenses	8,489	32.4	10,324	32.1	4,352	40.1	5,269	24.6
Share-based payment expenses	1,840	7.0	1,151	3.6	1,040	9.6	585	2.7
Depreciation and amortization and rental expenses	7,961	30.3	7,382	23.0	3,304	30.4	3,167	14.8
Service fees	2,411	9.2	8,700	27.1	588	5.4	10,410	48.5
Office expenses	1,737	6.6	2,005	6.2	695	6.4	897	4.2
Taxes and surcharges	1,549	5.9	1,520	4.7	705	6.5	885	4.1
Others	2,266	8.6	1,044	3.3	179	1.6	235	1.1
Total	**26,253**	**100.0**	**32,126**	**100.0**	**10,863**	**100.0**	**21,448**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses consisted of employee salary and welfare expenses, depreciation and amortization expenses, advertising and promotion expenses share-based payment, and others. The following table sets forth a breakdown of our selling and distribution expenses both in absolute amount and as a percentage of our total selling and distribution expenses for the periods indicated.

	Year Ended December 31				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Employee salary and welfare expenses	2,376	40.4	1,799	39.0	1,217	43.5	757	29.8
Share-based payment expenses	118	2.0	118	2.6	59	2.1	59	2.3
Depreciation and amortization expenses	52	0.9	28	0.6	20	0.7	6	0.2
Advertising and promotion expenses	2,772	47.2	2,069	44.9	1,206	43.1	1,525	60.0
Others	558	9.5	593	12.9	297	10.6	193	7.7
Total	**5,876**	**100.0**	4,607	100.0	2,799	100.0	2,540	100.0

Our selling and distribution expenses decreased by 22.0% from RMB5.9 million in 2024 to RMB4.6 million in 2025, primarily due to the decrease in (i) employee salary and welfare expenses which was caused by the fluctuation of numbers of our sales and marketing staff, and (ii) advertising and promotion expenses, which was attributable to the decrease in external promotional activities in 2025.

Our selling and distribution expenses decreased by 10.7% from RMB2.8 million in the six months ended June 30, 2025 to RMB2.5 million in the six months ended June 30, 2026, primarily due to the fluctuation in numbers of our sales personnel in the same period.

Other Expenses

During the Track Record Period, other expenses primarily consisted of (i) foreign exchange gains and losses; and (ii) other expenses. We did not have significant other expenses during the Track Record Period.

Finance Costs

Our finance costs primarily consisted of (i) interest on redemption liabilities on equity interests; (ii) interest on bank borrowings; and (iii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs both in absolute amount and as a percentage of our total finance costs, net for the periods indicated.

	Year Ended December 31,				Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Interest on redemption liabilities on equity interests	57,635	98.6	60,551	97.0	28,503	97.3	39,659	98.8
Interest on bank borrowings	556	1.0	1,763	2.8	705	2.4	421	1.1
Interest on lease liabilities	241	0.4	149	0.2	99	0.3	55	0.1
Total	**58,432**	**100.0**	**62,463**	**100.0**	**29,307**	**100.0**	**40,135**	**100.0**

Income Tax Expenses

The Company was recognized as a "High and New Tech Enterprise" in 2023 in accordance with relevant tax regulations. Consequently, in 2024 and 2025, it is entitled to a preferential corporate income tax rate of 15%. This qualification is subject to review by the relevant authorities every three years.

Certain subsidiaries of us in China qualify as Small and Low-Profit Enterprises. In 2024, the following policies applied to such enterprises: for the portion of annual taxable income not exceeding RMB one million, the taxable income is calculated at 12.5% and subject to a corporate income tax rate of 20%; for the portion of annual taxable income exceeding RMB one million but not exceeding RMB three million, the taxable income is calculated at 25% and subject to a corporate income tax rate of 20%.

As a result, we did not record any income tax expenses during the Track Record Period. Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had no outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 57.1% from RMB1.4 million in the six months ended June 30, 2025 to RMB2.2 million in the six months ended June 30, 2026, which was primarily driven by the sales of our newly launched anti-bacteria daily-care products.

Cost of sales

Our cost of sales increased by 37.5% from RMB0.8 million in the six months ended June 30, 2025 to RMB1.1 million in the six months ended June 30, 2026, which was in line with the increase in revenue.

Gross Profit

Our gross profit increased by 83.3% from RMB0.6 million in the six months ended June 30, 2025 to RMB1.1 million in the six months ended June 30, 2026, which was primarily driven by the increased sales from direct sales channel, which has a higher gross profit than distribution sales channel.

Other Income and gains

Our other income increased by 42.9% from RMB2.1 million in the six months ended June 30, 2025 to RMB3.0 million in the six months ended June 30, 2026, which was primarily driven by the increase in gains on financial assets at FVTPL.

Research and development expenses

Our research and development expenses slightly decreased by 5.1% from RMB25.7 million in the six months ended June 30, 2025 to RMB24.4 million in the six months ended June 30, 2026, which was primarily driven by (i) the decrease in employee salary and welfare expenses resulting from the close of Changchun ProteLight; and (ii) the decrease in preclinical and clinical trial expense of PL-18 in China and PL-5 in China. The decrease in PL-5 primarily due to its NDA application submission in December 2024 and its NDA approval in June 2026. The decrease in PL-18 primarily due to its formulation optimization in the six months ended June 30, 2026.

Administrative expenses

Our administrative expenses increased by 96.3% from RMB10.9 million in the six months ended June 30, 2025 to RMB21.4 million in the six months ended June 30, 2026, which was primarily driven by the increase in service fees in relation to the **[REDACTED]**.

Selling and distribution expenses

Our selling and distribution expenses decreased by 10.7% from RMB2.8 million in the six months ended June 30, 2025 to RMB2.5 million in the six months ended June 30, 2026, which was primarily driven by the decrease in sales personnel of daily-care products during the six months ended June 30, 2026.

Finance costs

Our finance costs increased by 36.9% from RMB29.3 million in the six months ended June 30, 2025 to RMB40.1 million in the six months ended June 30, 2026, which was primarily driven by the increase in interests on redemption liabilities on equity interests resulting from our Pre-**[REDACTED]** investments.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net increased by 166.7% from RMB0.3 million in the six months ended June 30, 2025 to RMB0.8 million in the six months ended June 30, 2026, which was primarily attributable to the increased provision made for our prepayments, other receivables and other assets considering its likelihood of recovery.

Other expenses

Our other expenses remained stable at RMB13,000 in the six months ended June 30, 2025 and RMB18,000 in the six months ended June 30, 2026.

Loss for the period

As a result of the foregoing, we recorded a loss of RMB66.3 million and RMB85.2 million in the six months ended June 30, 2025 and June 30, 2026, respectively.

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

Revenue

Sales of daily-care products is not and will not be our core business. We are and will continue to be a AMP therapeutics company. Therefore, our management team will continue to devote vast majority of their time and energy to the R&D of our drug candidates. As such, our revenue decreased by 36.5% from RMB5.2 million in 2024 to RMB3.3 million in 2025. The decrease in our revenue was primarily because our management paid more attention to the R&D of our drug candidates compared to daily-care products.

Cost of sales

Our cost of sales decreased by 33.3% from RMB3.0 million in 2024 to RMB2.0 million in 2025. The decrease in our cost of sales was generally in line with our revenue decrease.

Gross Profit

Our gross profit decreased from RMB2.2 million in 2024 to RMB1.3 million in 2025. The decrease is primarily due to the decrease in revenue.

Other income and gains

Our other income and gains increased by 22.4% from RMB11.6 million in 2024 to RMB14.2 million in 2025. The increase in our other income and gains was primarily driven by the increase of government grants.

Research and development expenses

Our research and development expenses decreased by 29.1% from RMB80.7 million in 2024 to RMB57.2 million in 2025, primarily due to a decrease in our preclinical and clinical trial expenses, as we completed several clinical trials in relation to PL-5 in China in 2024. The research and development expenses of PL-5 accounted for 52.5% and 31.5% of the total research and development expenses in 2024 and 2025, respectively.

Administrative expenses

Our administrative expenses increased by 22.1% from RMB26.3 million in 2024 to RMB32.1million in 2025, primarily due to an increase in our service fees as we incurred a **[REDACTED]** expense of **[REDACTED]** and other consulting services fees of RMB4.2 million including business development services, patent consulting service fees, cost consulting fees, audit fees and other design service fees.

Selling and distribution expenses

Our selling and distribution expenses decreased by 22.0% from RMB5.9 million in 2024 to RMB4.6 million in 2025, primarily due to a decrease in (i) employee salary and welfare expenses which was caused by the fluctuation of numbers of our sales and marketing staff, and (ii) advertising and promotion expenses.

Finance costs

Our finance costs increased by 7.0% from RMB58.4 million in 2024 to RMB62.5 million in 2025, primarily due to the increase in redemption liabilities on equity interests.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net represent the expected credit losses or reversal of the expected credit losses on our trade receivables and other receivables. We recorded impairment losses on financial assets of RMB0.3 million in 2024. We recorded impairment losses on financial assets of RMB0.5 million in 2025.

Other expenses

Our other expenses decreased by 74.1% from RMB0.6 million in 2024 to RMB0.1 million in 2025, primarily due to the decrease in currency exchange losses.

Loss for the year

As a result of the foregoing, we recorded a loss of RMB158.3 million and RMB141.6 million in 2024 and 2025, respectively.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	113,466	107,330	104,433
Right-of-use assets	24,194	21,843	38,245
Intangible assets	67	429	560
Prepayments, other receivables and other assets	9,448	13,206	14,562
Time deposits	31,125	—	—
Total non-current assets	**178,300**	**142,808**	**157,800**
CURRENT ASSETS			
Inventories	5,965	4,101	4,709
Trade and bills receivables	2,466	1,608	1,629
Prepayments, other receivables and other assets	4,484	7,631	7,265
Financial assets at fair value through profit or loss ("**FVTPL**")	10,048	147,555	42,037

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Pledged deposits	—	160	3,192
Time deposits	—	31,996	32,437
Cash and cash equivalents	31,738	63,091	34,050
Total current assets	**54,701**	**256,142**	**125,319**
CURRENT LIABILITIES			
Trade and bills payables	11,294	6,663	10,677
Other payables and accruals	8,054	10,554	5,454
Interest bearing bank borrowings	39,920	70,047	—
Redemption liabilities on equity interests	756,909	1,042,460	1,082,119
Deferred income	—	200	200
Lease liabilities	1,557	1,121	1,030
Total current liabilities	**817,734**	**1,131,045**	**1,099,480**
NET CURRENT LIABILITIES	**(763,033)**	**(874,903)**	**(974,161)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**(584,733)**	**(732,095)**	**(816,361)**
NON-CURRENT LIABILITIES			
Deferred income	—	1,517	1,417
Lease liabilities	3,166	1,603	1,081
Total non-current liabilities	**3,166**	**3,120**	**2,498**
Net liabilities	**(587,899)**	**(735,215)**	**(818,859)**
DEFICITS			
Deficits attributable to owners of the parent			
Paid-in capital/Share capital	**46,905**	**51,534**	51,534
Deficits	**(634,804)**	**(786,749)**	(870,393)
Total deficits	**(587,899)**	**(735,215)**	**(818,859)**

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) building; (ii) machinery and equipment; (iii) motor vehicles; (iv) office equipment; and (v) leasehold improvements. Our property, plant and equipment decreased from RMB113.5 million as of December 31, 2024 to RMB107.3 million as of December 31, 2025, primarily due to depreciation during the ordinary course of business. Our property, plant and equipment decreased from RMB107.3 million as of December 31, 2025 to RMB104.4 million as of June 30, 2026, primarily due to the depreciation of machinery and equipment in the ordinary course of business.

Right-of-use Assets

Our right-of-use assets were primarily in relation to our leasehold land and buildings. Our right-of-use assets decreased from RMB24.2 million as of December 31, 2024 to RMB21.8 million as of December 31, 2025 primarily due to amortization. Our right-of-use assets increased from RMB21.8 million as of December 31, 2025 to RMB38.2 million as of June 30, 2026, primarily due to our newly purchased land parcel in Taizhou Bay for the planned API manufacturing facility.

Intangible Assets

Our intangible assets primarily consisted of software. Our intangible assets increased from RMB0.1 million as of December 31, 2024 to RMB0.4 million as of December 31, 2025, primarily due to the increase in software, which was caused by the purchase of additional office automation software. Our intangible assets increased from RMB0.4 million as of December 31, 2025 to RMB0.6 million as of June 30, 2026, primarily due to the network upgrades and software purchase.

Prepayments, Other Receivables and Other Assets

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Deductible value-added tax	9,308	13,206	14,562
Prepayment for property, plant and equipment	140	—	—
Non-current portion	9,448	13,206	14,562
Current:			
Deposits and other receivables	2,863	5,498	2,608
Prepayments	1,615	1,071	2,418
Deductible value-added tax	449	—	—
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Impairment allowance	(443)	(647)	(1,391)
Current portion	4,484	7,631	7,265
Total	**13,932**	**20,837**	**21,827**

During the Track Record Period, our prepayments, other receivables and other assets consist of (i) deductible value-added tax; (ii) prepayment for property, plant and equipment; (iii) prepayments; and (iv) deposits and other receivables. Our prepayments, other receivables and other assets increased from RMB13.9 million as of December 31, 2024 to RMB20.8 million as of December 31, 2025 and further increase to RMB21.8 million as of June 30, 2026, primarily due to increases in deductible value-added tax and deposits and other receivables.

As of August 24, 2026, RMB865.5 thousand, or 4.0%, of our prepayments, other receivables and other assets as of June 30, 2026 had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we did not have any material recoverability issue for our prepayments, other receivables and other assets.

Inventories

Our inventories primarily consisted of raw materials and finished goods for daily-care products and clinic trials. Our inventories decreased from RMB6.0 million as of December 31, 2024 to RMB4.1 million as of December 31, 2025, primarily due to a decrease in raw materials. Our inventory increased from RMB4.1 million as of December 31, 2025 to RMB4.7 million as of June 30, 2026, primarily due to our procurement of raw materials in preparation for the subsequent commercialization of our PL-5.

The table below sets forth our inventories by nature as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	4,697	3,097	3,636
Finished goods	1,268	1,004	1,073
Total	**5,965**	**4,101**	**4,709**

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,674	1,290	2,890
1 to 2 years	2,240	986	479
2 to 3 years	188	777	475
Over 3 years	863	1,048	865
Total	**5,965**	**4,101**	**4,709**

As of August 24, RMB426.6 thousand, or 9.1%, of our inventories as of June 30, 2026 had been subsequently settled. Our inventories primarily consist of raw materials and finished goods. Our raw materials can be used normally within their respective validity periods. The raw materials are mainly packaging materials and we purchased them in bulk to achieve cost economies of scale. The packaging materials generally have no material shelf-life restrictions and remain compatible with our existing product types and packaging specifications. We have no plan to change such specifications in the next three to five years, and such materials have been properly stored and remain usable. Besides, the inventories can be consumed in bulk after our products are commercialised in the future. Therefore, we believe there is no impairment issue for our inventories as of June 30, 2026. During the Track Record Period and up to the Latest Practicable Date, we did not have any material recoverability issue for our inventories.

Trade and Bills Receivables

Our trade and bills receivables primarily arose from sales of daily-care products. The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,903	1,416	1,498
Bills receivables	563	192	131
Total trade and bills receivables	**2,466**	**1,608**	**1,629**

Our trade and bills receivables decreased from RMB2.5 million as of December 31, 2024 to RMB1.6 million as of December 31, 2025. Our trade and bills receivables remained stable at about RMB1.6 million as of June 30, 2026.

We are typically granted credit terms ranging from 30 to 60 days for trade receivables from our customers. The following table sets forth the aging analysis of our trade receivables based on the invoice date as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	2,466	1,608	1,629
Total	**2,466**	**1,608**	**1,629**

The following table sets forth our trade receivables turnover days for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30,
	2024	2025	2026
Trade receivables turnover days[(1)]	172	223	133

Note:

(1) We calculate trade receivables turnover days using the average of the beginning and ending balances of total trade receivables for a period, divided by the corresponding total revenue for the same period, multiplied by the number of days in such period.

Our trade receivables turnover days increased from 172 days in 2024 to 223 days in 2025, primarily due to the decrease in revenue in 2025. Our trade receivables turnover days decreased from 223 days in 2025 to 133 days in the six months ended June 30, 2026, primarily due to our enhanced collection management of trade receivables, which resulted in a shorter trade receivables turnover period.

As of August 24, 2026, RMB500.1 thousand, or 30.7%, of our trade and bill receivables as of June 30, 2026 had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we did not have any material recoverability issue for our trade receivables. We conduct monthly aging analysis to closely monitor overdue trade and bills receivables, supplemented by regular reconciliation and proactive collection procedures to expedite cash recovery. In accordance with the prudence concept, we have made adequate provision for expected credit losses in the financial statements, reflecting a conservative assessment of the recoverability of outstanding balances. As such, our Directors are of the view that there is no material recoverability issue for trade and bill receivables.

Financial Assets at fair value through profit or loss ("Financial Assets at FVTPL")

Our financial assets at FVTPL primarily include our wealth management products. Our financial assets at FVTPL increased from RMB10.0 million as of December 31, 2024 to RMB147.6 million as of December 31, 2025, primarily as a result of purchase of wealth management products after the D+ round financing. Our financial assets at FVTPL decreased from RMB147.6 million as of December 31, 2025 to RMB42.0 million as of June 30, 2026, primarily due to the maturity of our wealth management products.

We invest surplus cash in low-risk, highly liquid wealth management products issued by reputable financial institutions, with a primary objective to preserve capital and optimize the return on idle funds. Our investment policy restricts us to principal-protected or low-risk products, such as bank-issued wealth management products with short maturities and transparent underlying assets.

We have implemented the following internal control procedures over such investments: (i) the overall parameters of proposed investments in wealth management products are subject to prior approval by our Board of Directors, regardless of the investment amount or product type; (ii) our finance department is responsible for conducting due diligence on the issuers, assessing the risk profile of the products, and preparing detailed investment proposals for the Board's consideration; (iii) our investment decisions are made collectively at the Board level, and the performance of such investments is monitored and reported to the Board on a regular basis; and (iv) we have established internal guidelines to avoid undue concentration risk and ensure that investments are only made with well-established and financially sound institutions.

Our management team responsible for treasury and cash management has previous experience in financial management and oversight of similar investments in a listed company.

Any investment in wealth management products or similar financial assets after **[REDACTED]** will be subject to, and conducted in compliance with, Chapter 14 of the Listing Rules and all other applicable regulatory requirements.

Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB31.7 million as of December 31, 2024 to RMB63.1 million as of December 31, 2025, primarily due to the D+ round financing. Our cash and cash equivalents decreased from RMB63.1 million as of December 31, 2025 to RMB34.1 million as of June 30, 2026, primarily due to the utilization of cash to fulfill the working capital requirements of our daily operations.

Trade and Bills Payables

Our trade and bills payables primarily represented the outstanding payable amounts of our purchase of raw materials and our purchase of CRO services. Our trade payables decreased from RMB11.3 million as of December 31, 2024 to RMB6.7 million as of December 31, 2025, primarily because our Core Product, PL-5, has completed a Phase III clinical trial, which led to the decrease in expenses in relation to raw materials and CRO services. We are typically granted credit terms ranging

from 30 to 90 days for trade and bills payables from suppliers. Our trade and bills payables increased from RMB6.7 million as of December 31, 2025 to RMB10.7 million as of June 30, 2026, primarily due to the increase in payables to our CROs as our R&D advanced.

Other Payables and Accruals

Our other payables and accruals primarily represented (i) payroll payables, (ii) payable for purchase of property, plant and equipment; (iii) accrued expense; and (iv) other payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Payroll payable	5,287	5,272	3,371
Payable for purchase of property, plant and equipment	834	797	750
Accrued expense	—	2,136	406
Other payables	1,933	2,349	927
Total other payables and accruals	**8,054**	**10,554**	**5,454**

Our other payables and accruals increased from RMB8.1 million as of December 31, 2024 to RMB10.6 million as of December 31, 2025, primarily due to an increase in accrued expense. Our other payables and accruals decreased from RMB10.6 million as of December 31, 2025 to RMB5.5 million as of June 30, 2026, primarily due to (i) decrease of payroll payable resulting from decrease of employees during the six months ended June 30, 2026; (ii) decrease of accrued expense; and (iii) decrease of other payables.

As of August 24, 2026, RMB1.3 million, or 24.3%, of our other payables and accruals as of June 30, 2026 had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our other payables and accruals.

Redemption Liabilities on Equity Interests

We have recognized the equity interests that we issued in the several rounds of investments that we historically received as redemption liabilities on equity interest. For additional information about those historical investments, see "History, Development and Corporate Structure" and Note 27 of the Accountants' Report set out in Appendix I to this Document.

During the Track Record Period, we had increased redemption liabilities on equity interest from RMB756.9 million as of December 31, 2024 to RMB1,042.5 million as of December 31, 2025 and further increased to RMB1,082.1 million as of June 30, 2026. Such an increase was primarily due to the increase in interest of redemption liabilities on equity interests.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Current assets:			
Inventories	5,965	4,101	4,709
Trade and bills receivables	2,466	1,608	1,629
Prepayments, other receivables and other assets	4,484	7,631	7,265
Financial assets at fair value through profit or loss ("**FVTPL**")	10,048	147,555	42,037
Pledged deposits	—	160	3,192

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Time deposits	—	31,996	32,437
Cash and cash equivalents	31,738	63,091	34,050
Total current assets	**54,701**	**256,142**	**125,319**
Current liabilities:			
Trade and bills payables	11,294	6,663	10,677
Other payables and accruals	8,054	10,554	5,454
Interest bearing bank borrowings	39,920	70,047	—
Redemption liabilities on equity interests	756,909	1,042,460	1,082,119
Deferred income	—	200	200
Lease liabilities	1,557	1,121	1,030
Total current liabilities	**817,734**	**1,131,045**	**1,099,480**
Net current liabilities	**(763,033)**	**(874,903)**	**(974,161)**

We had net current liabilities as of December 31, 2024, December 31, 2025 and June 30, 2026. Our net current liabilities increased from RMB763.0 million as of December 31, 2024 to RMB874.9 million as of December 31, 2025, primarily attributable to an increased in redemption liabilities on equity interests.

As of June 30, 2026, we had net current liabilities of RMB974.2 million, as compared to RMB874.9 million as of December 31, 2025, primarily due to the decrease in cash and cash equivalents. Our net current liabilities position is primarily attributable to the redemption liabilities on equity interest. Upon **[REDACTED]**, these redemption liabilities on equity interest are expected to be reclassified to equity interest, thereby substantially reversing the net current liabilities position. In addition, we are proactively implementing a series of working capital optimization measures to further strengthen our liquidity profile, including intensifying collection efforts on trade receivables, reducing inventory levels to enhance turnover and reduce capital occupation, and strategically extending the payment cycle with trade payables where commercially appropriate.

Cash Flows

Our primary use of cash during the Track Record Period was to fund research and development activities for our drug candidates, administrative expenses and other recurring expenses. During the Track Record Period and up to the Latest Practicable Date, we primarily funded our working capital requirements through equity financing, payments received under sales of daily-care products and debt financing. Our management closely monitors use of cash and cash equivalents and strives to maintain a healthy liquidity for our operations.

The following table sets forth our cash flows for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30,	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net cash used in operating activities	(92,880)	(73,013)	(36,600)	(40,819)
Net cash generated from/(used in) investing activities	63,987	(138,671)	9,984	86,361
Net cash generated from/(used in) financing activities	37,957	242,497	18,451	(74,766)
Net increase/(decrease) in cash and cash equivalents	9,064	30,813	(8,165)	(29,224)
Cash and cash equivalents at the beginning of the year/period	23,114	31,738	31,738	63,091
Effect of foreign exchange rate changes, net	(440)	540	36	183
Cash and cash equivalents at the end of the year/period	**31,738**	**63,091**	**23,609**	**34,050**

Net Cash Used in Operating Activities

In 2024, our net cash used in operating activities was RMB92.9 million. Our loss before tax was RMB158.3 million for the same year. The difference between our loss before tax and our net cash used in operating activities for the period was primarily attributable to (i) certain non-cash or non-operating items, mainly including finance cost of RMB58.4 million, equity-settled share-based payment of RMB4.3 million , depreciation of property, plant and equipment of RMB6.7 million and depreciation of right-of-use assets of RMB1.8 million, and (ii) changes in working capital, mainly including decrease in trade and bill payables of RMB5.4 million, partially offset by increase in other payables and accruals of RMB1.3 million.

In 2025, our net cash used in operating activities was RMB73.0 million. Our loss before tax of RMB141.6 million for the same year. The difference between our loss before tax and our net cash used in operating activities for the period was primarily attributable to (i) certain non-cash or non-operating items, mainly including finance cost of RMB62.5 million, equity-settled share-based payment of RMB3.6 million, depreciation of property, plant and equipment of RMB7.0 million and depreciation of right-of-use assets of RMB1.8 million, and (ii) changes in working capital, mainly including decrease in trade and bill payables of RMB4.6 million, partially offset by increase in other payables and accruals of RMB2.5 million.

In the six months ended June 30, 2026, our net cash used in operating activities was RMB40.8 million. Our loss before tax was RMB85.2 million for the same period. The difference between our loss before tax and our net cash used in operating activities for the period was primarily attributable to (i) certain non-cash or non-operating items, mainly including finance costs of RMB40.1 million, equity-settled share-based payment of RMB1.6 million, depreciation of property, plant and equipment of RMB3.5 million and depreciation of right-of-use assets of RMB1.0 million, and (ii) changes in working capital, mainly including decrease in other payables and accruals of RMB3.4 million, placement of pledged deposits of RMB1.3 million and increase in inventories of RMB0.6 million, partially offset by increase in trade and bills payables of RMB4.0 million.

In order to improve our net operating cash outflow position, we are implementing a series of targeted initiatives aimed at strengthening cash generation and enhancing operational efficiency. Specifically, we are accelerating collection efforts for the sales of daily care product to shorten the cash conversion cycle, while concurrently advancing our Core Product PL-5 towards commercialization as planned to generate revenue streams and improve self-sustaining cash flow capabilities. In parallel, we are undertaking comprehensive cost control and efficiency enhancement measures across our operations to reduce non-essential expenditures. Our Director believes that the combined effect of these initiatives will progressively improve the our operating cash flow position over time.

Net Cash Generated from/used in Investing Activities

In 2024, our net cash generated from investing activities was RMB64.0 million, primarily attributable to the redemption of financial assets at fair value through profit or loss of RMB76.4 million, partially offset by the purchase of property, plant and equipment of RMB12.4 million.

In 2025, our net cash used in investing activities was RMB138.7 million, primarily attributable to the purchase of intangible assets of RMB0.4 million, purchase of property, plant and equipment of RMB1.0 million and purchase of financial assets at FVTPL of RMB373.5 million, partially offset by the redemption of financial assets at FVTPL of RMB236.2 million.

In the six months ended June 30, 2026, our net cash generated from investing activities was RMB86.4 million, primarily attributable to the purchase of financial assets at FVTPL of RMB224.0 million, purchase of land use right of RMB17.4 million and purchase of property, plant and equipment of RMB 0.6 million, partially offset by the redemption of financial assets at FVTPL of RMB 330.2 million.

Net Cash Generated from/used in Financing Activities

In 2024, our net cash generated from financing activities was RMB38.0 million, primarily attributable to the new bank loans of RMB39.9 million, partially offset by the interest paid of RMB0.5 million and the payment for lease liabilities of RMB1.4 million.

In 2025, our net cash generated from financing activities was RMB242.5 million, primarily attributable to the capital injection from shareholders of RMB225.0 million and new bank borrowings of 70.0 million, partially offset by the share issue expenses of RMB9.4 million, repayment of bank borrowings of RMB39.9 million, interest paid of RMB1.7 million and payment for lease liabilities of RMB1.5 million.

In the six months ended June 30, 2026, our net cash used in financing activities was RMB74.8 million, primarily attributable to new bank borrowings of RMB10.0 million, partially offset by repayment of bank borrowings of RMB80.1 million, interest paid of RMB0.4 million, payment for **[REDACTED]** expense of **[REDACTED]** and payment for lease liabilities of RMB0.7 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30	
	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Research and development costs for Core Product				
— Preclinical and clinical trial expenses	27,486	16,224	8,568	1,069
— Workforce employment costs	7,144	5,601	2,582	3,556
— Others[(2)]	6,193	3,809	1,472	2,727
Subtotal	40,823	25,634	12,622	7,352
Research and development costs for other product candidates				
— Preclinical and clinical trial expenses	4,693	10,779	3,638	5,082
— Workforce employment costs	11,216	13,326	6,995	6,154
— Others[(2)]	7,475	8,306	3,269	5,924
Subtotal	23,384	32,411	13,902	17,160
Total research and development costs	64,207	58,045	26,524	24,512
Workforce employment costs[(1)]	8,585	9,396	4,660	5,372
Non-income taxes, royalties and other governmental charges	184	43	24	720
Total	72,976	67,484	31,208	30,604

Notes:

(1) Workforce employment cost represents total non-research and development personnel costs mainly including salaries and benefits.

(2) Others refers to patent application expenses, material expenses, utility expenses and etc.

INDEBTEDNESS

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

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Current			
Interest-bearing bank borrowings	39,920	70,047	—
Lease liabilities	1,557	1,121	1,030
Non-current			
Lease liabilities	3,166	1,603	1,081
Total	**44,643**	**72,771**	**2,111**

Our Directors confirm that there has not been any material change in the indebtedness since the Latest Practicable Date up to the date of this Document.

Interest-bearing bank borrowings

As of December 31, 2024, December 31, 2025 and June 30, 2026, we had interest-bearing bank borrowings of RMB39.9 million, RMB70.0 million and nil, respectively. For the details of our interest-bearing bank borrowing, please see Note 25 of the Accountants' Report set out in Appendix I to this Document.

Lease Liabilities

As of December 31, 2024, December 31, 2025 and June 30, 2026, we had lease liabilities of RMB4.7 million, RMB2.7 million and RMB2.1 million, respectively.

The following table sets out our lease liabilities as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Current portion	1,557	1,121	1,030
Non-current portion	3,166	1,603	1,081
Total	**4,723**	**2,724**	**2,111**

Our lease liabilities decreased from RMB4.7 million as of December 31, 2024 to RMB2.7 million as of December 31, 2025, primarily because we had made rental payment. Our lease liabilities decreased from RMB2.7 million as of December 31, 2025 to RMB2.1 million as of June 30, 2026, primarily due to rental payments made in the ordinary course of business.

The following table sets forth the maturity profile of our lease liabilities as of the dates indicated based on contractual undiscounted payments.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,684	1,137	1,079
Over 1 year	3,334	1,625	1,106
Total	**5,018**	**2,762**	**2,185**

Except as discussed above, we did not have any 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 June 30, 2026.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated.

	Year Ended December 31,		Six Months Ended June 30,
	2024	2025	2026
Current ratio[(1)]	0.07	0.23	0.11
Quick ratio[(2)]	0.06	0.22	0.11

Note:

(1) Current ratio is calculated based on the current assets divided by current liabilities.

(2) Quick ratio represents current assets less inventories and divided by current liabilities.

Current ratio

Our current ratio increased from 0.07 in 2024 to 0.23 in 2025, which primarily due to completion of our D+ round financing. Our current ratio then decreased to 0.11 for the six months ended June 30, 2026, primarily due to the decrease of cash and cash equivalents in the six months ended June 30, 2026.

Quick ratio

Our quick ratio increased from 0.06 in 2024 to 0.22 in 2025, which primarily due to the increase in cash and cash equivalents after completion of our D+ round financing. Our quick ratio then decreased to 0.11 in the six months ended June 30, 2026, primarily due to the decrease of cash and cash equivalents in the six months ended June 30, 2026.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily consisted of purchase of property, plant and equipment and intangible assets. Our capital expenditures were RMB12.4 million, RMB1.4 million, RMB0.1 million and RMB0.8 million in 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively.

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, revenues from sales of daily-care products and **[REDACTED]** from the **[REDACTED]**.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including market risks (such as currency risk and interest rate risk), credit risk and liquidity risk. Our management manages and monitors these exposures to ensure appropriate measures and implemented on a timely and effective manner. For details, please see Note 36 of the Accountants' Report set out in Appendix I to this Document.

Market Risks

For the details of market risks, please see Note 36 to the Accountants' Report in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

No dividend has been declared or paid by entities comprising our Group. See Note 12 of the Accountants' Report set out in Appendix I to this Document.

We do not currently have a formal dividend policy or a pre-determined dividend payout ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. **[REDACTED]** should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of shareholders' meeting and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors. As advised by our PRC Legal Advisor, 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. 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 June 30, 2026, we did not have any distributable reserves.

WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Document:

(i) Our net operating cash flow;

(ii) Our cash and cash equivalents;

(iii) Our loan and credit facilities;

(iv) Our net proceeds from series D+ financing; and

(v) The estimated **[REDACTED]** from the **[REDACTED]**.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures, and other scheduled cash payment. Assuming an average cash burn rate going forward of 2.4 times the level for the six months ended June 30, 2026 based on our future plans of an increasing number of clinical trials including Phase II clinical trial of PL-5 in the U.S, Phase I clinical trial of PL-18 gel formula in China and planned Phase I clinical trial of PL-MD-333 in China, taking into account the scheduled payment of indebtedness, we estimate that our cash at bank and on hand and committed unutilised banking facilities, together with other financial assets and time deposits as of June 30, 2026, will be able to maintain our financial viability for 25 months, or, if we also take into account the estimated **[REDACTED]** (based on the **[REDACTED]** of HK$**[REDACTED]** per Share), 59 months. Our Directors and our management team will continue to monitor our working capital, cash flows, and our business development progress.

We have no immediate plan for future financing after the **[REDACTED]** taking into account our available cash, **[REDACTED]** from the **[REDACTED]** and based on our cash burn rate. However, with the continuing expansion of our business and development of our products and product candidates, or if we discover suitable targets for acquisition or business collaboration, we could not exclude the possibility to require further funding through public or private equity offerings, debt financing and other sources. We will comply with applicable laws and regulations, including requirements under the Listing Rules, when we proceed with such financings.

[REDACTED] EXPENSE

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range stated in this Document), the **[REDACTED]**, commissions, together with the Stock Exchange **[REDACTED]**, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the **[REDACTED]**, which are payable by us are estimated to be RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**), of which RMB**[REDACTED]** are expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and RMB**[REDACTED]** are expected to be deducted from equity following the **[REDACTED]**. The **[REDACTED]** expenses consist of RMB**[REDACTED]** **[REDACTED]**-related expenses and RMB**[REDACTED]** non-**[REDACTED]**-related expenses (including fees and expenses of legal advisors and the reporting accountant of RMB**[REDACTED]** and other fees and expenses of RMB**[REDACTED]**), representing **[REDACTED]**% of our **[REDACTED]** from the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED [REDACTED] ASSETS

For the details of unaudited **[REDACTED]** statement of adjusted consolidated **[REDACTED]** assets, please see Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026 and up to the date of this document and there is no event since June 30, 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.