You should read the following discussion and analysis in conjunction with our audited consolidated financial information and the respective accompanying notes thereto included in the Accountants' Report set out in Appendix I to this document which have been prepared in accordance with IFRS Accounting Standards. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in this document including but not limited to the sections headed "Risk Factors" and "Business" in this document.

OVERVIEW

We are an integrated, platform-driven biopharmaceutical company principally engaged in the discovery, development, manufacturing and commercialization of innovative biologics, complemented by a marketed portfolio of generics and traditional Chinese medicine products that has historically supported our revenue base. As of the Latest Practicable Date, our innovative drug pipeline featured 15 clinical-stage drug candidates, five of which were undergoing clinical development outside China, all of which are self-discovered. This innovative drug pipeline is led by our Core Products, iza-bren, an EGFR × HER3 bispecific ADC which we believe has the potential to become a backbone pan-tumor treatment, and T-Bren, an innovative HER2-specific ADC best-in-class potential.

We recorded a net profit of RMB3,707.5 million in 2024, primarily from license fee income we received that year, before recording net losses of RMB1,053.6 million in 2025 and RMB531.4 million and RMB774.6 million for the three months ended March 31, 2025 and 2026, respectively. These losses were primarily due to the smaller milestone payment revenue recognized in 2025 compared to the larger upfront payment revenue recognized in 2024, together with our continued substantial R&D investment. As we have commercially launched iza-bren for NPC in June 2026 and for ESCC in July 2026 in Chinese Mainland following their NMPA NDA approvals, we expect to begin generating product sales revenue from iza-bren, complementing our existing revenue from marketed generics and traditional Chinese medicine products and any future license fee income. We expect to continue incurring significant research and development and other operating expenses for the foreseeable future, and our financial performance will continue to fluctuate depending on, among other things, the timing of license fee payments, the progress of our clinical programs, and the pace of commercialization of iza-bren and our other marketed products.

BASIS OF PREPARATION

The historical financial information has been prepared based on the accounting policies set out in Note 3 to the Accountants' Report in Appendix I to this document which conform with the IFRS Accounting Standards, issued by International Accounting Standards Board, or IASB. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2026, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each of the Track Record Period.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Innovative Drug Candidates

Our business and results of operations will be dependent on our receipt of regulatory approval for and successful commercialization of our innovative drug candidates. As of the Latest Practicable Date, our innovative drug pipeline featured 15 clinical-stage drug candidates, five of which were undergoing clinical development outside China. This innovative drug pipeline is led by our Core Product, iza-bren, an EGFR × HER3 bispecific ADC which we believe has the potential to become a backbone pan-tumor treatment. As of the Latest Practicable Date, iza-bren had received NDA approvals from the NMPA for NPC in June 2026 and for ESCC in July 2026, while the NDA application for TNBC had been accepted by the NMPA. In addition, iza-bren was being evaluated in over 45 clinical trials in China and overseas, covering more than 10 solid tumor types. This broad clinical program include 14 Phase III trials and two additional Phase II/III registrational trials in China, as well as three global pivotal Phase II/III registrational trials. In addition, a global Phase III clinical trial for EGFRmut NSCLC is expected to be initiated in September 2026. Our other Core Product, T-Bren, an innovative HER2-specific ADC with best-in-class potential, is currently being evaluated in 18 clinical trials in China and overseas, including eight Phase III and one Phase II/III registrational trials. See "Business — Our Portfolio Assets — Our Innovative Drug Pipeline" for more information on the development status of our drug candidates.

As we have commercially launched iza-bren for NPC in June 2026 and for ESCC in July 2026 in Chinese Mainland following their NMPA NDA approvals, we expect to begin generating product sales revenue from iza-bren. Going forward, our business and results of operations will continue to depend on our ability to advance preclinical and clinical development of, and obtain the requisite regulatory approvals for, our other innovative drug candidates. The continued advancement toward NDA approvals and potential commercial launch — including the pending TNBC NDA review — is expected to require substantial continued research and development investment. Our research and development expenses amounted to RMB1,442.8 million in 2024, RMB2,513.7 million in 2025, RMB494.9 million in the three months ended March 31, 2025 and RMB694.8 million in the three months ended March 31, 2026. See "— Our Cost Structure" for more details. Once our drug candidates are commercialized, our business and results of operations will be driven by the market acceptance and supply of our commercialized drugs, and such commercialization has the potential to generate future product sales revenue and affect gross margins. However, there is no assurance that these candidates will be ultimately successfully developed and commercialized. See "Risk Factors — Our business and prospects depend substantially on the success of our drug candidates. Development of innovative drugs involves a lengthy and expensive process with uncertain outcomes. If we are not able to develop and commercialize new products, including our Core Products, our business prospects could be adversely affected."

Our Collaboration with BMS

On December 11, 2023, we entered into an exclusive license and collaboration agreement with Bristol-Myers Squibb Company ("**BMS**"), effective as of February 8, 2024 (the "**BMS Agreement**"). Pursuant to the BMS Agreement, on March 7, 2024, we received a non-refundable and non-creditable upfront payment of US$800 million from BMS, which is not subject to any further conditions, and BMS is required to pay up to US$500 million in contingent near-term payments, which payment amounts are adjusted based on when each prescribed milestone is achieved. Specifically, SystImmune is eligible to receive a one-time nonrefundable milestone payment of US$250 million upon the initiation of the first Phase II or Phase III trial of the Licensed Product as 1L or 2L treatment in the U.S. on or before December 31, 2025 ("**First Clinical Trial Milestone**"), and another one-time nonrefundable milestone payment of US$250 million upon the initiation of the first Phase III trial of the Licensed Product as 1L treatment in the U.S. on or before December 31, 2026 ("**Second Clinical Trial Milestone**"). Such milestones were established through mutual agreement.

We have recognized the First Clinical Trial Milestone as revenue in 2025 based on the BMS Agreement and relevant accounting policy. Based on the current pace of clinical progress for iza-bren and the anticipated market entry timetable, we reasonably anticipate that SystImmune will be eligible to receive the Second Clinical Trial Milestone. In addition to the Second Clinical Trial

Milestone, SystImmune is also eligible to receive up to an aggregate of US$7.1 billion contingent upon the achievement of certain specified regulatory and sales performance milestones for a total potential consideration of up to US$8.4 billion.

BMS is also required to pay SystImmune tiered royalties based on a percentage of aggregate annual net sales of the Licensed Product in ROW ranging from high single-digit to low double-digits, subject to certain customary reductions and a royalty floor. Such royalties are payable on a country-by-country basis from the first commercial sale of such Licensed Product in such country until the latest of (a) the expiration of all valid claims of certain licensed patents and joint patents covering the composition of matter of the Licensed Product in its entirety or its antibody portion in such country, (b) the tenth anniversary of the first commercial sale of such Licensed Product in such country, and (c) the expiration of regulatory exclusivity for such Licensed Product in such country. Under the BMS Agreement, we are required to pay BMS a single-tier royalty of a mid-single-digit percentage of aggregate annual net sales of such Licensed Product in mainland China. Further, under the BMS Agreement, SystImmune and BMS will share net profits/losses related to the sales of the Licensed Product in the U.S. according to certain agreed-upon percentages, with SystImmune's share being less than 50%, which percentage is higher than SystImmune's proportion of the shared development costs in the U.S.

See "Business — License and Collaboration Agreement with Bristol-Myers Squibb Company" for more details. The income from BMS Agreement contributed a substantial majority of our revenue in 2024 and 2025. We generated license fee income of RMB5,331.7 million and RMB2,124.4 million from the BMS Agreement in 2024 and 2025, respectively, representing 91.6% and 84.4% of our total revenue for the corresponding years. We may in the future depend to a certain degree on further milestone payments from BMS to support our future development plan which are generally dependent on the successful and timely achievement of various development, regulatory and sales milestones by both parties. See "Risk Factors — Risks Relating to Our Reliance on Third Parties."

Centralized Tender Process and VBP Scheme for Pharmaceutical Procurement in China

In addition to our innovative drug pipeline, we have a marketed generic and traditional Chinese medicine product portfolio including generics (covering therapeutic areas such as anesthesia, parenteral nutrition, anti-infectives and pediatric drugs) and traditional Chinese medicine products. A substantial portion of our products sold to distributors are then sold to public hospitals and other medical institutions in China, with sales to distributors representing approximately 99.4%, 98.8%, 98.1% and 99.3% of our revenue from the sale of pharmaceutical products in 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. Public medical institutions in China are required to implement a centralized tender process for the procurement of pharmaceuticals listed in medical insurance catalogs or commonly prescribed for clinical uses. Bids are generally considered based on price competitiveness, product quality, clinical effectiveness and manufacturer reputation. Our bidding strategy focuses on differentiating our products from competitors rather than competing solely on price. We believe our major marketed generic and traditional Chinese medicine products, including Leweijing, Leweitai, Shuweijing, Tianze, Bailineng, Leyeping, Pujikang and astragalus granule, held competitive advantages in centralized tender processes throughout 2024, 2025 and the three months ended March 31, 2026 due to their wide recognition.

Certain of our marketed generic and traditional Chinese medicine products are also subject to the VBP scheme in China, which aims to achieve lower prices for pharmaceuticals with mature, high-volume clinical usage through competitive bidding for large-volume procurement. The VBP scheme has been rolled out at both national and regional levels, with the national scheme primarily including generics that have met consistency evaluation criteria. In 2024, 2025 and the three months ended March 31, 2026, a number of our products were subject to national or provincial VBP schemes. For example, Leweijing, Leiweitai and Tianze participated in provincial VBP schemes and later in the national VBP scheme. Shuweijing and Bailineng participated in provincial VBP schemes. In addition, Shuweijing is currently participating in the twelfth batch of the national VBP scheme in 2026, the results of which have not yet been announced as of the Latest Practicable Date. See "Risk Factors — Pricing regulations or other policies such as volume-based procurement (the "VBP") that are intended to reduce healthcare costs could adversely affect our operations, revenue and profitability."

As the number of compounds included in VBP schemes continues to increase, additional marketed generic and traditional Chinese medicine drugs that have passed consistency evaluation may be included in national or provincial VBP schemes. While inclusion in VBP schemes typically exerts downward pricing pressure on our products, successful bids may increase sales volumes, partially offsetting the impact on our revenue, gross profits and gross profit margins. Conversely, unsuccessful bidders or those who chose not to participate typically experience similar price cuts due to reduced market share, intensified competition and regulatory requirements.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of cost of sales, research and development expenses, distribution and selling expenses and administrative expenses. In 2024, 2025 and the three months ended March 31, 2026, our cost of sales mainly related to the sale of pharmaceutical products, which primarily consisted of cost of materials, manufacturing costs, direct labor costs and delivery costs. The gross profit margin for sale of pharmaceutical products was 40.8%, 40.4%, 44.6% and 49.9% in 2024, 2025, the three months ended March 31, 2025 and the three months ended March 31, 2026, respectively. The fluctuation in our gross profit margin for the sale of pharmaceutical products was primarily due to changes in unit selling prices of pharmaceutical products, mainly as a result of the continued implementation of the VBP scheme, as well as changes in product and sales mix. For details, see "— Period to Period Comparison of Results of Operations."

Research and development expenses have been and are expected to continue to be a major component in our cost structure, considering our strategic focus on the innovative drug business. Our research and development expenses primarily consist of (i) testing and examination costs including clinical trial expenses, (ii) staff costs, (iii) costs of materials, and (iv) depreciation expenses for right-of-use assets, property, plant and equipment used for research and development purposes. Our research and development expenses amounted to RMB1,442.8 million, RMB2,513.7 million, RMB494.9 million and RMB694.8 million in 2024, 2025, the three months ended March 31, 2025 and the three months ended March 31, 2026, respectively, representing a substantial increase reflecting our strategic focus on the innovative drug business, including the continued advancement of iza-bren and T-Bren through Phase III trials and regulatory submissions and the expansion of our clinical pipeline. For details, see "— Results of Operations — Research and Development Expenses."

In 2024, 2025 and the three months ended March 31, 2026, we incurred distribution and selling expenses in relation to our sale of marketed generic and traditional Chinese medicine pharmaceutical products. Our distribution and selling expenses primarily consist of (i) marketing and promotion expenses, (ii) staff costs, and (iii) travelling expenses. Our distribution and selling expenses amounted to RMB214.6 million, RMB201.1 million, RMB52.7 million and RMB42.9 million in 2024, 2025, the three months ended March 31, 2025 and the three months ended March 31, 2026, respectively, generally in line with the scale of our sale of pharmaceutical products. For details, see "— Results of Operations — Distribution and Selling Expenses."

In 2024, 2025 and the three months ended March 31, 2026, we also incurred administrative expenses relating to our corporate overhead. Our administrative expenses primarily consist of (i) staff costs, (ii) depreciation and amortization, (iii) office expenses, (iv) professional services fees, and (v) travelling expenses. Our administrative expenses amounted to RMB194.7 million, RMB300.1 million, RMB57.2 million and RMB83.1 million in 2024, 2025, the three months ended March 31, 2025 and the three months ended March 31, 2026, respectively, reflecting the expansion of our management team and increases in professional services and office-related expenses as we prepared for the [**REDACTED**]. For details, see "— Results of Operations — Administrative Expenses."

We expect our cost structure to evolve as we continue to develop and expand our business. In light of our strategic focus on the innovative drug business, as the preclinical studies and clinical trials of our drug candidates continue to progress, including the commercialization of iza-bren following its NDA approvals for NPC and ESCC, and continued Phase III development of T-Bren, we expect to continue incurring significant costs in relation to, among other things, testing and experiment fees, R&D staff costs, and raw materials procurement. Additionally, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of historical financial statements in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures, and the disclosure of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, from which our actual results may differ. See Notes 3 and 4 to the Accountants' Report set out in Appendix I to this document for a detailed description of our material accounting policies, judgments and estimates.

RESULTS OF OPERATIONS

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

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Revenue	5,821,050	100.0	2,518,494	100.0	67,034	100.0	94,076	100.0
Cost of sales	(290,827)	(5.0)	(266,697)	(10.6)	(38,694)	(57.7)	(47,896)	(50.9)
Gross profit	5,530,223	95.0	2,251,797	89.4	28,340	42.3	46,180	49.1
Other income	253,953	4.4	270,603	10.7	64,524	96.3	64,893	69.0
Other gains and losses, net	94,310	1.6	(97,183)	(3.9)	(11,170)	(16.7)	(40,182)	(42.7)
Impairment losses under expected credit loss ("ECL") model, net of reversal	(2,191)	0.0	2,792	0.1	697	1.0	668	0.7
Research and development expenses	(1,442,789)	(24.8)	(2,513,725)	(99.8)	(494,913)	(738.3)	(694,755)	(738.5)
Distribution and selling expenses	(214,560)	(3.7)	(201,112)	(8.0)	(52,653)	(78.5)	(42,913)	(45.6)
Administrative expenses	(194,739)	(3.3)	(300,085)	(11.9)	(57,196)	(85.3)	(83,071)	(88.3)
Other expenses	(3,530)	(0.1)	(49,452)	(2.0)	(491)	(0.7)	(414)	(0.4)
Finance costs	(42,523)	(0.7)	(85,069)	(3.4)	(15,961)	(23.8)	(26,557)	(28.2)
Profit (loss) before tax	3,978,154	68.3	(721,434)	(28.6)	(538,823)	(803.8)	(776,151)	(825.0)
Income tax (expense) credit	(270,649)	(4.6)	(332,184)	(13.2)	7,387	11.0	1,593	1.7
Profit (loss) for the year/period attributable to owners of the Company	3,707,505	63.7	(1,053,618)	(41.8)	(531,436)	(792.8)	(774,558)	(823.3)

Revenue

Revenue by nature

During the Track Record Period, we generated revenue primarily from the sale of pharmaceutical products and the license fee income. The following table sets forth a breakdown of our revenue by nature in both absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Sale of pharmaceutical products	486,759	8.4	380,075	15.1	60,505	90.3	91,981	97.8
License fee income	5,331,724	91.6	2,124,353	84.4	–	–	–	–
Others[(1)]	2,567	0.0	14,066	0.5	6,529	9.7	2,095	2.2
Total	5,821,050	100.0	2,518,494	100.0	67,034	100.0	94,076	100.0

(1) Primarily included revenue generated from the sales of R&D materials.

Revenue from the sale of pharmaceutical products

In 2024, 2025 and the three months ended March 31, 2025 and 2026, our revenue from the sale of pharmaceutical products was RMB486.8 million, RMB380.1 million, RMB60.5 million and RMB92.0 million, respectively. Revenue from the sale of pharmaceutical products is recognized at a point in time when control of the goods has transferred, being when the goods have been shipped to the specific location and accepted.

Revenue from the license fee income

The revenue for grant of license which represents a right to use the Group's intellectual property is recognized at a point in time at which the license transfers. Pursuant to the BMS Agreement, in March 2024, we received a non-refundable and non-creditable Upfront Payment of US$800 million (equivalent to approximately RMB5,679.7 million) from BMS. We recognized revenue of US$751.0 million (equivalent to approximately RMB5,331.7 million) in relation to our performance of the grant of license to BMS in 2024. The remaining Upfront Payment of US$49.0 million (equivalent to approximately RMB348.0 million) is allocated to the performance obligation of transferring manufacturing technology, which is recorded as our revenue in 2025.

Pursuant to the BMS Agreement, SystImmune is also eligible for (i) a one-time US$250 million payment upon initiation of the first Phase II or III clinical trial of the Licensed Product as first-line or second-line treatment in the United States on or before December 31, 2025 (the "**First Clinical Trial Milestone**"), and (ii) a one-time US$250 million payment upon initiation of the first Phase III clinical trial of the Licensed Product as first-line treatment in the United States on or before December 31, 2026 (the **"Second Clinical Trial Milestone**"). As three global Phase II/III trials of the Licensed Product as first-line or second-line treatment in the United States had patient dosing commenced on or before December 31, 2025, we recognized revenue in respect of the First Clinical Trial Milestone in 2025 based on the BMS Agreement. In addition, we reasonably anticipate that SystImmune will be eligible to receive the Second Clinical Trial Milestone based on the current pace of clinical progress for iza-bren and the anticipated market entry timetable.

Revenue from the Sale of Pharmaceutical Products by Product

The following table sets forth our revenue from the sale of our pharmaceutical products by product for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				*(Unaudited)*			
Major anesthesia drugs								
Leweijing	131,869	27.1	83,487	22.0	10,484	17.3	21,384	23.2
Leweitai	26,337	5.4	21,858	5.8	3,792	6.3	5,721	6.2
Shuweijing	46,009	9.5	40,956	10.8	6,142	10.2	13,013	14.1
Major parenteral nutrition drugs								
Tianze	27,245	5.6	19,610	5.2	4,192	6.9	3,751	4.1
Bailineng	968	0.2	21,131	5.6	2,954	4.9	8,344	9.1
Major pediatric drugs								
Leyeping and Pujikang	20,158	4.1	22,959	6.0	5,526	9.1	6,110	6.6
Other chemical drugs								
Anti-infectives	21,473	4.4	17,890	4.7	2,636	4.4	2,977	3.2
Others	48,219	9.9	56,185	14.8	9,482	15.6	12,937	14.0
Traditional Chinese medicine								
Astragalus granule	146,312	30.1	84,077	22.1	13,641	22.5	15,838	17.2
Other traditional Chinese medicines	18,169	3.7	11,922	3.0	1,656	2.8	1,906	2.3
Total	**486,759**	**100.0**	**380,075**	**100.0**	**60,505**	**100.0**	**91,981**	**100.0**

Cost of Sales

During the Track Record Period, our cost of sales mainly related to the sale of the pharmaceutical products, which primarily consisted of cost of materials, direct labour costs, and manufacturing and delivery costs. In 2024, 2025 and the three months ended March 31, 2025 and 2026, our cost of sales amounted to RMB290.8 million, RMB266.7 million, RMB38.7 million and RMB47.9 million, respectively.

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

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Cost of materials	162,492	55.9	127,447	47.8	17,946	46.4	23,746	49.6
Manufacturing and delivery costs	78,803	27.1	72,458	27.2	11,167	28.9	14,264	29.8
Direct labor costs	21,586	7.4	31,231	11.7	4,644	12.0	4,945	10.3
Others[(1)]	27,946	9.6	35,561	13.3	4,937	12.7	4,941	10.3
Total	290,827	100.0	266,697	100.0	38,694	100.0	47,896	100.0

(1) Primarily included impairment and write-off losses related to inventory.

The following table sets forth a breakdown of our cost of sales of pharmaceutical products by product in absolute amounts and as percentages of our total cost of sales for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)				*(Unaudited)*			
Major anesthesia drugs								
Leweijing	87,925	30.5	57,871	25.6	7,853	23.4	13,104	28.4
Leweitai	8,596	3.0	8,265	3.7	1,553	4.6	1,839	4.0
Shuweijing	16,033	5.6	14,400	6.4	1,498	4.5	4,746	10.3
Major parenteral nutrition drugs								
Tianze	11,220	3.9	7,221	3.2	1,696	5.1	1,571	3.4
Bailineng	256	0.1	10,556	4.7	960	2.9	4,685	10.2
Major pediatric drugs								
Leyeping and Pujikang	5,530	1.9	8,666	3.8	1,944	5.8	1,592	3.5
Other chemical drugs								
Anti-infectives	10,686	3.7	9,215	4.1	1,230	3.7	1,319	2.9
Others	12,025	4.1	13,076	5.8	2,143	6.4	3,065	6.6
Traditional Chinese medicine								
Astragalus granule	96,349	33.4	54,377	24.0	8,820	26.3	8,236	17.9
Other traditional Chinese medicines	11,809	4.1	7,202	3.2	867	2.6	1,017	2.2
Add: Others[(1)]	27,946	9.7	35,561	15.5	4,937	14.7	4,941	10.6
Total	288,375	100.0	226,410	100.0	33,501	100.0	46,115	100.0

(1) Primarily represented add-back of other cost of sales primarily including impairment and write-off losses related to inventory.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. In 2024, 2025, the three months ended March 31, 2025 and 2026, our gross profit was RMB5,530.2 million, RMB2,251.8 million, RMB28.3 million and RMB46.2 million, respectively, representing a gross profit margin of 95.0%, 89.4%, 42.3% and 49.1%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	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 in thousands except for percentages)				*(unaudited)*			
Sale of pharmaceutical products	198,384	40.8	153,665	40.4	27,004	44.6	45,866	49.9
License fee income	5,331,724	100.0	2,095,489	98.6	–	–	–	–
Others[(1)]	115	4.5	2,643	18.8	1,336	20.5	314	15.0
Total	5,530,223	95.0	2,251,797	89.4	28,340	42.3	46,180	49.1

(1) Primarily included revenue generated from the sales of R&D materials.

The following table sets forth a breakdown of our gross profit and gross profit margin of sale of pharmaceutical products by product for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	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 in thousands except for percentages)				*(Unaudited)*			
Major anesthesia drugs								
Leweijing	43,944	33.3	25,616	30.7	2,631	25.1	8,280	38.7
Leweitai	17,741	67.4	13,593	62.2	2,239	59.0	3,882	67.9
Shuweijing	29,976	65.2	26,556	64.8	4,644	75.6	8,267	63.5
Major parenteral nutrition drugs								
Tianze	16,025	58.8	12,389	63.2	2,496	59.5	2,180	58.1
Bailineng	712	73.6	10,575	50.0	1,994	67.5	3,659	43.9
Major pediatric drugs								
Leyeping and Pujikang	14,628	72.6	14,293	62.3	3,582	64.8	4,518	73.9
Other chemical drugs								
Anti-infectives	10,787	50.2	8,675	48.5	1,406	53.3	1,658	55.7
Others	36,194	75.1	43,109	76.7	7,339	77.4	9,872	76.3
Traditional Chinese medicine								
Astragalus granule	49,963	34.1	29,700	35.3	4,821	35.3	7,602	48.0
Other traditional Chinese medicines	6,360	35.0	4,720	39.6	789	47.6	889	46.6
Add: Others[(1)]	(27,946)	–	(35,561)	–	(4,937)	–	(4,941)	–
Total	198,384	40.8	153,665	40.4	27,004	44.6	45,866	49.9

(1) Primarily represented add-back of other cost of sales primarily including impairment and write-off losses related to inventory.

Other Income

Our other income consists of government grants, interest income on bank deposits, release of expense-related government subsidies, rental income, release of assets-related government subsidies, and others. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	(RMB in thousands)		*(unaudited)*	
Government grants[1]	39,958	36,321	4,162	6,866
Interest income on bank deposits	206,087	226,335	58,709	55,594
Release of expense-related government subsidies[2]	2,843	–	–	–
Rental and rental-related income	1,668	1,619	406	511
Release of assets-related government subsidies[2]	1,856	6,144	1,246	1,910
Others	1,541	184	1	12
Total	253,953	270,603	64,524	64,893

(1) Primarily represented unconditional subsidies granted by the PRC local authorities to support the operation activities/technology innovation and contribution of us, which no future related cost is expected to be incurred in and were recognized in our statement of profit or loss when payments were received or receivable.

(2) Expense-related government subsidies represented conditional government subsidies that related to our research and development activities, which were recognized as deferred income and released to statement of profit or loss upon completion of the activities. Assets-related government subsidies represented conditional government subsidies that related to the construction of our production facilities, which were recognized as deferred income and released to statement of profit or loss when assets were amortized over the estimated useful lives.

Other Gains and Losses, Net

Our other gains and losses, net primarily consist of gains on fair value change of financial assets at FVTPL, net foreign exchange gain (loss), and loss on disposal or written-off of property, plant and equipment. The following table sets forth a breakdown of our other gains and losses, net for the periods indicated:

	Year ended December 31,		Three months ended March 31,	
	2024	**2025**	**2025**	**2026**
	(RMB in thousands)		*(unaudited)*	
Gains on fair value change of financial assets at FVTPL	30,675	4,174	–	104,345
Net foreign exchange gain (loss)	63,882	(97,735)	(10,706)	(142,623)
Losses on disposal/written-off of property, plant and equipment	(223)	(3,329)	(464)	(951)
Others	(24)	(293)	–	(953)
Total	94,310	(97,183)	(11,170)	(40,182)

Research and Development Expenses

Our research and development expenses primarily consist of (i) testing and examination costs, mainly including clinical trials expenses and preclinical studies expenses, (ii) staff costs primarily representing salaries, bonuses, and other benefits and welfare of our research and development personnel, (iii) cost of materials, primarily comprising the consumption of raw materials, consumables, chemical reagents, biological products, and reference drugs, (iv) depreciation expenses mainly for right-of-use assets, property, plant and equipment for research and development purposes, (v) licensing fees related to our patent and other intellectual property application fees, and (vi) office expenses for R&D purposes. The table below sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Testing and examination costs	835,550	57.9	1,407,325	56.0	302,921	61.2	333,330	48.0
Staff costs	313,345	21.7	538,611	21.4	96,413	19.5	163,962	23.6
Cost of materials	145,662	10.1	309,144	12.3	51,220	10.3	111,919	16.1
Depreciation expenses	48,984	3.4	70,063	2.8	13,012	2.6	23,650	3.4
Licensing fees	18,796	1.3	50,360	2.0	5,377	1.1	3,322	0.5
Office expenses	34,592	2.4	56,735	2.3	11,603	2.3	31,002	4.5
Others[(1)]	45,860	3.2	81,487	3.2	14,367	3.0	27,570	3.9
Total	1,442,789	100.0	2,513,725	100.0	494,913	100.0	694,755	100.0

(1) Primarily comprised utilities, travel expenses and other miscellaneous expenses.

The table below sets forth a breakdown of our research and development expenses incurred on (i) our Core Products, iza-bren and T-Bren, (ii) other innovative drug candidates and (iii) generic drug candidates, respectively, for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Iza-bren	588,182	40.8	1,434,884	57.1	278,399	56.3	350,796	50.5
T-Bren	157,569	10.9	365,552	14.5	48,094	9.7	138,073	19.9
Other innovative drug candidates	646,564	44.8	688,747	27.4	156,946	31.7	202,528	29.2
Generic drug candidates	50,474	3.5	24,542	1.0	11,474	2.3	3,358	0.4
Total	1,442,789	100.0	2,513,725	100.0	494,913	100.0	694,755	100.0

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of (i) marketing and promotion expenses, primarily comprising (a) expenses associated with organizing and participating in various academic conferences, seminars and symposia, (b) expenses related to various marketing and promotional services, including market research and business development, and (c) expenses related to product demonstration, feedback collection, and scientific communication and education sessions conducted with healthcare professionals, (ii) staff costs mainly representing salaries, bonuses, and other benefits and welfare of our sales and marketing personnel, and (iii) travelling expenses primarily representing travel and accommodation expenses of our in-house sales and marketing personnel for the promotion of our products. The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Marketing and promotion expenses	107,270	50.0	92,399	45.9	20,485	38.9	21,646	50.4
Staff costs	71,865	33.5	77,162	38.4	23,006	43.7	14,225	33.1
Travelling expenses	12,464	5.8	8,959	4.5	1,561	3.0	1,796	4.2
Others[(1)]	22,961	10.7	22,592	11.2	7,601	14.4	5,246	12.3
Total	214,560	100.0	201,112	100.0	52,653	100.0	42,913	100.0

(1) Primarily comprised office expenses and certain other expenses directly related to our marketing and promotion activities.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, mainly consisting of salaries, bonuses, and other benefits and welfare of our Directors, senior management and administrative personnel and staff recruitment expenses, (ii) depreciation and amortization, mainly related to property, plant and equipment for office and other administrative functions, (iii) office expenses, mainly related to office expenditure for administrative purposes, (iv) professional services fee, primarily representing service fees to auditors, legal counsel and other professional service providers, and (v) travelling expenses, mainly related to travel and accommodation expenses of our administrative personnel. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,				Three months ended March 31,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)				*(unaudited)*			
Staff costs	101,027	51.9	167,159	55.7	30,271	52.9	49,187	59.2
Depreciation and amortization	9,926	5.1	10,623	3.5	2,161	3.8	4,048	4.9
Office expenses	12,500	6.4	17,808	5.9	3,307	5.8	6,432	7.7
Professional services fee	20,282	10.4	27,281	9.1	4,369	7.6	8,468	10.2
Travelling expenses	10,103	5.2	9,698	3.2	1,895	3.3	1,546	1.9
Others[(1)]	40,901	21.0	67,516	22.6	15,193	26.6	13,390	16.1
Total	194,739	100.0	300,085	100.0	57,196	100.0	83,071	100.0

(1) Primarily comprised other taxes, bank charges and other miscellaneous administrative expenses.

Other Expenses

Our other expenses comprise (i) utilities and depreciation of investment properties, (ii) donations we made to promote the development of medical and healthcare services, and (iii) professional service fees mainly relating to our previous [**REDACTED**] attempt. The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended December 31,		**Three months ended March 31,**	
	2024	**2025**	**2025**	**2026**
	(RMB in thousands)		*(unaudited)*	
Utilities and depreciation of investment properties	1,504	1,262	401	414
Donations	870	679	90	–
Professional service fees	–	47,504	–	–
Others	1,156	7	–	–
Total	3,530	49,452	491	414

Finance Costs

Our finance costs consist of interest expenses on bank borrowings, sale and leaseback payable, and lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,		**Three months ended March 31,**	
	2024	**2025**	**2025**	**2026**
	(RMB in thousands)		*(unaudited)*	
Interest expense on:				
– bank borrowings	40,202	78,690	15,657	23,175
– sale and leaseback payable(1)	1,117	5	5	–
– lease liabilities	1,204	6,374	299	3,382
Total	42,523	85,069	15,961	26,557

(1) Sale and leaseback payable arose from the transaction where we sold and leased back certain equipment from financing institutions. We continue to recognize the assets and accounts for the transfer proceeds as borrowings, as the transfer does not qualify as a sale.

Income Tax (Expense)/Credit

The income tax (expense)/credit consists of current tax and deferred tax. In 2024, 2025, our income tax expense was RMB270.6 million, RMB332.2 million. In the three months ended March 31, 2025 and 2026, our income tax credit was RMB7.4 million and RMB1.6 million.

Under the Law of the PRC on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, enterprises operating in Chinese Mainland are generally subject to EIT at a rate of 25% on the taxable profit. Certain subsidiaries of our Company are subject to income tax at a preferential tax rate of 15% to 20%. For details, see Note 10 to the Accountants' Report set out in Appendix I to this document.

Our U.S. subsidiary is subject to U.S. EIT representing 21% of the applicable U.S. Federal Income Tax rate and blended average rate of 0.3%, 0.25% and 0.25%, of the State Income Tax arising from applicable State in the U.S in 2024, 2025 and the three months ended March 31, 2026.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute and unresolved with the relevant tax authorities.

BUSINESS SUSTAINABILITY

To realize long-term growth and enhance patient outcomes, we made the strategic move into the innovative drug business in 2010 and have focused on discovering and developing breakthrough oncology therapies since 2014. Leveraging our proprietary technology platforms, we have systematically built a pipeline of potential first- and best-in-class treatments across multiple modalities that target major tumor types. As of the Latest Practicable Date, our innovative drug pipeline featured 15 clinical-stage drug candidates, five of which were undergoing clinical development outside China. All assets in our innovative drug pipeline as of the Latest Practicable Date are self-discovered. This innovative drug pipeline is led by our Core Products, iza-bren, an EGFR × HER3 bispecific ADC which we believe has the potential to become a backbone pan-tumor treatment, and T-Bren, an innovative HER2-specific ADC with best-in-class potential.

We recorded a net profit of RMB3,707.5 million in 2024, mainly attributable to the license fee income we received. We recorded net losses of RMB1,053.6 million, RMB531.4 million and RMB774.6 million in 2025 and the three months ended March 31, 2025 and 2026, respectively. Our net losses recorded in 2025 and the three months ended March 31, 2026 were primarily due to (i) our substantial investment in R&D activities, with research and development expenses amounting to RMB2,513.7 million in 2025 and RMB694.8 million in the three months ended March 31, 2026, reflecting the continued clinical development of our iza-bren, T-Bren and other innovative drug candidates, and (ii) a decrease in license fee income from RMB5,331.7 million in 2024 to RMB2,124.4 million in 2025 as the milestone payment revenue recognized in 2025 was smaller in scale than the upfront payment revenue recognized in 2024.

In light of the above, our business sustainability depends on capturing the revenue potential of our innovative drug pipeline while maintaining the steady cash flow from our established generics and traditional Chinese medicine business. We have identified the following strategic priorities to drive long-term growth and profitability:

Commercialization and indication expansion of our Core Products

Iza-bren is the world's first and only approved EGFR × HER3 bispecific ADC. It is also the first bispecific ADC to have advanced into Phase III trials in the world and one of the most investigated clinical-stage ADCs, as it has been studied in over 8,500 patients across various cancer types. As of the Latest Practicable Date, we had commercially launched iza-bren for NPC in June 2026 and for ESCC in July 2026 in Chinese Mainland following their NMPA NDA approvals. According to CIC, the global NPC drug market grew rapidly from US$0.6 billion in 2020 to US$1.0 billion in 2025 at a CAGR of 11.7%, and is expected to increase to US$2.3 billion in 2035, representing a CAGR of 8.5% from 2025 to 2035, and the global ESCC drug market grew rapidly from US$1.4 billion in 2020 to US$2.5 billion in 2025 at a CAGR of 12.4%, and is expected to increase to US$6.3 billion in 2035, representing a CAGR of 9.8% from 2025 to 2035. In addition, the NDA application of iza-bren for TNBC had been accepted by the NMPA, and iza-bren was being evaluated in over 45 clinical trials in China and overseas across more than 10 solid tumor types, including 14 Phase III trials and two additional Phase II/III registrational trials in China, as well as three global pivotal Phase II/III registrational trials. In addition, a global Phase III clinical trial for EGFRmut NSCLC is expected to be initiated in September 2026. Based on the clinical data, we believe iza-bren has the potential to be a backbone pan-tumor treatment. See "Business — Our Portfolio Assets — Our Innovative Drug Pipeline — Iza-bren (EGFR × HER3 bispecific ADC), Our Core Product" for more information on the development status of iza-bren. See "— Our Collaboration with BMS" above and "Business — License and Collaboration Agreement with Bristol-Myers Squibb Company" for further details of the Upfront Payment, the First Clinical Trial Milestone, the Second Clinical Trial Milestone and the other contingent payments potentially payable to us under the BMS Agreement.

The other Core Product, T-Bren, an innovative HER2-specific ADC with best-in-class potential, is currently in pivotal registrational clinical trials. As of the Latest Practicable Date, T-Bren was being evaluated in 18 clinical trials in China and overseas, including eight pivotal Phase III registrational trials. We are committed to advancing T-Bren toward regulatory submissions and potential commercialization across multiple tumor types. Notably, we have initiated a head-to-head Phase II clinical trial comparing T-Bren with trastuzumab deruxtecan, the leading HER2-targeting ADC, in HR+/HER2-low recurrent/metastatic BC patients to demonstrate the differentiated clinical profile of T-Bren.

In the meantime, we are strengthening our commercialization capabilities, including scaling up our manufacturing processes to ensure we can meet market demand following commercial launches, and building a robust sales and marketing team. The continued advancement of NDA approvals and commercial launches of our Core Products is expected to require substantial continued R&D investment and has the potential to generate significant future product sales revenue.

Maintaining financial stability through generics and traditional Chinese medicine business

In addition to our innovative drug business, we have built a strong business in the space of generic drugs and traditional Chinese medicines over the past three decades. During the Track Record Period, we generated revenue from the sales of 31 approved drug products with over 100 specifications, which included both generics (covering a wide range of therapeutic areas such as anesthesia, parenteral nutrition, pediatric and anti-infective drugs) and traditional Chinese medicine products. We established numerous areas of focus within this space, including anesthesia, parenteral nutrition, anti-infectives and pediatrics. Revenue from the sale of pharmaceutical products amounted to RMB486.8 million, RMB380.1 million, RMB60.5 million and RMB92.0 million in 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. Our rich pipeline of products, across a broad range of therapeutic areas, and at staggered development and commercialization stages, not only allows for sustained commercial success, but also facilitates our accumulation of technologies in complex generics development and manufacture as well as the build-up of our marketing and commercial capabilities.

As of the Latest Practicable Date, we had also submitted four generic drug applications for production registration with the NMPA and expect additional products to be approved for commercialization in the future. We expect our generics and traditional Chinese medicine business to continue to provide a stable revenue base to support our ongoing investment in innovative drug development.

Continue to advance our diverse portfolio of innovative drugs

In addition to our Core Products, leveraging our proprietary technology platforms, HIRE-ADC (including SEBA), GNC and HIRE-ARC, we have systematically built a pipeline of potential first- and best-in-class treatments across multiple modalities that target major tumor types. As of the Latest Practicable Date, our innovative drug pipeline featured 15 clinical-stage drug candidates.

Recognizing the significant uncertainty that accompanies the commercialization of innovative drug candidates, we are committed to maintaining a diverse portfolio of drugs at various stages of development. This diversification is designed to spread risk and provide multiple avenues for revenue generation. We will leverage the experience and capabilities to be gained from developing and commercializing our Core Products to accelerate the advancement of our other drug candidates. However, our drug candidates may not ultimately be successfully developed and commercialized.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2026 Compared to Three Months Ended March 31, 2025

Revenue

Our revenue increased by RMB27.1 million, or 40.4%, from RMB67.0 million in the three months ended March 31, 2025 to RMB94.1 million in the three months ended March 31, 2026, primarily due to an increase in revenue from the sale of pharmaceutical products of RMB31.5 million. The increase in pharmaceutical product revenue was driven by (i) higher sales of Leweijing, reflecting increased market demand in the first quarter of 2026 compared to the corresponding period in 2025 due to the difference in timing of public holidays in the two years, as well as (ii) higher sales of Shuweijing, Bailineng and Leweitai, driven by their inclusion in additional VBP programs during the period.

Cost of sales

Our cost of sales increased by RMB9.2 million, or 23.8%, from RMB38.7 million in the three months ended March 31, 2025 to RMB47.9 million in the three months ended March 31, 2026, increasing at a slower pace than our 40.4% revenue growth for the period. This was primarily due to increased sales and revenue contribution from higher-margin products, as well as decreased raw material procurement cost of astragalus granule.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB17.9 million, or 63.3%, from RMB28.3 million in the three months ended March 31, 2025 to RMB46.2 million in the three months ended March 31, 2026, and our gross profit margin increased from 42.3% in the three months ended March 31, 2025 to 49.1% in the three months ended March 31, 2026.

Other income

Our other income remained broadly stable, increasing marginally by RMB0.4 million, or 0.6%, from RMB64.5 million in the three months ended March 31, 2025 to RMB64.9 million in the three months ended March 31, 2026, primarily as a result of higher government grants and subsidies received in the period.

Other gains and losses, net

Our net other losses increased from RMB11.2 million in the three months ended March 31, 2025 to RMB40.2 million in the three months ended March 31, 2026. This was primarily attributable to an increase in net foreign exchange losses, from RMB10.7 million to RMB142.6 million, mainly reflecting exchange rate movements on our U.S. dollar holdings related to U.S. dollar payments of our license income, partially offset by an increase in gains on fair value change of financial assets at FVTPL, from nil to RMB104.3 million, due to our increased holdings of cash management products.

Research and development expenses

Our research and development expenses increased by RMB199.9 million, or 40.4%, from RMB494.9 million in the three months ended March 31, 2025 to RMB694.8 million in the three months ended March 31, 2026, primarily due to increases in staff costs, cost of materials and testing and examination costs, reflecting the continued clinical development of our iza-bren, T-Bren and other innovative drug candidates, as well as the corresponding expansion of our research and development team and increased consumption of research materials to support our growing clinical pipeline.

Distribution and selling expenses

Our distribution and selling expenses decreased by RMB9.8 million, or 18.6%, from RMB52.7 million in the three months ended March 31, 2025 to RMB42.9 million in the three months ended March 31, 2026. This decrease was primarily attributable to lower staff costs, which declined from RMB23.0 million to RMB14.2 million as a result of the optimization of our sales and marketing team in line with our business needs.

Administrative expenses

Our administrative expenses increased by RMB25.9 million, or 45.2%, from RMB57.2 million in the three months ended March 31, 2025 to RMB83.1 million in the three months ended March 31, 2026, primarily due to increased staff costs resulting from higher average remuneration and an expanded management team, together with modest increases in professional services and office-related expenses.

Other expenses

Our other expenses decreased marginally from RMB0.5 million in the three months ended March 31, 2025 to RMB0.4 million in the three months ended March 31, 2026. Other expenses in both periods primarily comprised depreciation of investment properties and donations, which remained relatively stable between the two periods.

Finance costs

Our finance costs increased by RMB10.6 million, or 66.4%, from RMB16.0 million in the three months ended March 31, 2025 to RMB26.6 million in the three months ended March 31, 2026, primarily due to increased interest expense on bank borrowings as a result of increased borrowings, as well as an increase of approximately RMB3.1 million in interest expense on lease liabilities.

Income tax (expense)/credit

Our income tax credit decreased from RMB7.4 million in the three months ended March 31, 2025 to RMB1.6 million in the three months ended March 31, 2026, primarily due to an increase in deferred tax expense as a result of a decrease in the recognition of deferred tax assets in the period.

Profit/(loss) for the period

As a result of the foregoing, our net loss increased by 45.7% from RMB531.4 million in the three months ended March 31, 2025 to RMB774.6 million in the three months ended March 31, 2026. The increase in net loss was primarily driven by the increase in research and development expenses and the increase in net other losses, as well as the increases in administrative expenses and finance costs, partially offset by the increase in gross profit.

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

Revenue

Our revenue decreased by 56.7% from RMB5,821.1 million in 2024 to RMB2,518.5 million in 2025, primarily due to a decrease in license fee income from RMB5,331.7 million to RMB2,124.4 million, and a decrease in revenue from the sale of pharmaceutical products from RMB486.8 million to RMB380.1 million.

In March 2024 we received a non-refundable and non-creditable Upfront Payment of US$800 million, of which RMB5,331.7 million was recognized as revenue in 2024 in respect of the grant of license, with the remainder recorded as revenue in 2025 upon transfer of manufacturing technology. In addition, in 2025 we recognized revenue of approximately RMB1,776.4 million in respect of the First Clinical Trial Milestone (a one-time US$250 million payment triggered upon the initiation of global Phase II/III clinical trials of iza-bren as first-line or second-line treatment in the United States on or before December 31, 2025), which was smaller in scale than the Upfront Payment revenue recognized in 2024.

The decrease in revenue from the sale of pharmaceutical products was primarily due to (i) a decrease in revenue from the sales of Leweijing, as a result of a decrease in the sales volume and average selling price of the drug following its inclusion in the ninth batch of the national VBP scheme implemented in March 2024, and (ii) a decrease in revenue from the sales of astragalus granule, mainly due to changes in market demand, partially offset by an increase in revenue from the sales of Bailineng, as the product, having achieved market launch in the prior year, saw sales volume grow progressively in 2025.

Cost of sales

Our cost of sales decreased by RMB24.1 million, or 8.3%, from RMB290.8 million in 2024 to RMB266.7 million in 2025. This decrease reflected a decline in cost of sales attributable to the sale of pharmaceutical products in line with the corresponding revenue decrease.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by RMB3,278.4 million, or 59.3%, from RMB5,530.2 million in 2024 to RMB2,251.8 million in 2025. Our gross profit margin decreased from 95.0% in 2024 to 89.4% in 2025. The high gross profit margins in both years were primarily attributable to license fee income which carried no directly attributable cost of sales, resulting in a 100.0% gross profit margin for that revenue stream. In 2025, license fee income included revenue recognized in respect of the transfer of manufacturing technology, which carried a modest associated cost, resulting in a gross profit margin of 98.6% for our license fee income in that year. Excluding license fee income, the gross profit margin of our pharmaceutical product revenue was largely stable between 2024 and 2025.

Other income

Our other income increased by RMB16.6 million, or 6.5%, from RMB254.0 million in 2024 to RMB270.6 million in 2025, primarily due to an increase in interest income on bank deposits, from RMB206.1 million to RMB226.3 million, reflecting a longer holding period for U.S. dollar-denominated deposits and additional RMB-denominated deposits following the receipt of A-share private placement proceeds in September 2025. This was partially offset by a decrease in government grants received, which are subject to fluctuation depending on government policy and the timing of approvals.

Other gains and losses, net

We recorded net other losses of RMB97.2 million in 2025 as compared to net other gains of RMB94.3 million in 2024, primarily attributable to: (i) the change in net foreign exchange gains/(losses) from a net gain of RMB63.9 million in 2024 to a net loss of RMB97.7 million in 2025, mainly reflecting exchange rate movements on our onshore U.S. dollar holdings, and (ii) a decrease in gains on fair value change of financial assets at FVTPL, from RMB30.7 million in 2024 to RMB4.2 million in 2025, due to fewer holdings of cash management products in 2025.

Research and development expenses

Our research and development expenses increased significantly by RMB1,070.9 million, or 74.2%, from RMB1,442.8 million in 2024 to RMB2,513.7 million in 2025, primarily due to increases in testing and examination costs, staff costs and cost of materials, reflecting the continued clinical development of our iza-bren, T-Bren and other innovative drug candidates, as well as the corresponding expansion of our research and development team and increased consumption of research materials to support our growing clinical pipeline.

Distribution and selling expenses

Our distribution and selling expenses decreased by 6.3% from RMB214.6 million in 2024 to RMB201.1 million in 2025, primarily due to a decrease in marketing and promotion expenses. The decrease in marketing and promotion expenses was mainly because (i) Leweijing won the national VBP tender, which reduced the need for active promotion, and (ii) Tianze did not win the tender and lost part of its market, leading us to scale back certain promotion arrangements. This was partially offset by an increase in staff costs due to recruitment of innovative-drug-related personnel.

Administrative expenses

Our administrative expenses increased by RMB105.4 million, or 54.1%, from RMB194.7 million in 2024 to RMB300.1 million in 2025, primarily due to an increase in staff costs resulting from the expansion of our management team and increases in their average annual salary, together with modest increases in professional services and office-related expenses.

Other expenses

Our other expenses increased significantly by RMB46.0 million, or approximately 1,314.3%, from RMB3.5 million in 2024 to RMB49.5 million in 2025. The increase was primarily due to [**REDACTED**] incurred in 2025 in connection with our then-contemplated Hong Kong [**REDACTED**] preparation, with no comparable expenses in the prior year. Excluding [**REDACTED**], other expenses remained broadly stable.

Finance costs

Our finance costs increased by RMB42.6 million, or approximately 100.2%, from RMB42.5 million in 2024 to RMB85.1 million in 2025, primarily due to an increase in interest expense on bank borrowings as a result of increased borrowings.

Income tax (expense)/credit

Our income tax expense increased from RMB270.6 million in 2024 to RMB332.2 million in 2025, an increase of RMB61.6 million. The increase reflected a decrease in current tax expense, more than offset by an increase in deferred tax expense arising from a reduction in the recognition of deferred tax assets.

Profit/(loss) for the year

As a result of the foregoing, we recorded a loss of RMB1,053.6 million in 2025 as compared to a profit of RMB3,707.5 million in 2024. The change from profit to loss was primarily driven by: (i) the decrease in revenue, principally reflecting the difference in license fee income recognized in each year, (ii) the increase in research and development expenses, reflecting the continued scaling-up of our clinical development programs, and (iii) the change in other gains and losses from a net gain to a net loss, primarily driven by foreign exchange losses on our onshore U.S. dollar holdings, together with increases in administrative expenses, other expense and finance costs, partially offset by the increase in other income and the decrease in distribution and selling expenses.

DISCUSSION OF MAJOR ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth details of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of March 31,
	2024	*2025*	*2026*
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	550,466	700,674	757,255
Right-of-use assets	65,145	166,714	169,242
Investment properties	1,343	1,093	1,031
Intangible assets	2,557	9,689	9,211
Deferred tax assets	179,195	38,212	53,564
Deposits for acquisition of property, plant and equipment	31,447	40,696	49,550
Total non-current assets	830,153	957,078	1,039,853
Current assets			
Inventories	149,906	146,310	144,680
Right to returned goods assets	6,414	4,835	5,268
Contract costs	12,286	–	–
Trade and other receivables	350,901	414,797	446,158
Tax recoverable	26,609	54,030	53,434
Financial assets at FVTPL	–	2,170,047	2,167,821
Bills receivables at FVTOCI	20,118	21,617	9,627
Term deposits	2,532,974	2,504,331	4,216,686
Restricted bank balances	–	32,608	32,102
Cash and cash equivalents	3,207,998	5,142,149	2,929,931
Total current assets	6,307,206	10,490,724	10,005,707
Total assets	7,137,359	11,447,802	11,045,560

	As of December 31,		As of March 31,
	2024	*2025*	*2026*
	(RMB in thousands)		
Current liabilities			
Borrowings	830,788	941,564	1,038,144
Trade and other payables	758,703	965,871	926,165
Contract liabilities	356,135	7,312	7,247
Refund liabilities	9,725	7,579	8,225
Sale and leaseback payable	7,735	–	–
Lease liabilities	12,457	23,900	28,383
Tax payable	14,130	–	–
Deferred income	4,983	8,456	7,637
Total current liabilities	1,994,656	1,954,682	2,015,801
Net current assets	4,312,550	8,536,042	7,989,906
Total assets less current liabilities	5,142,703	9,493,120	9,029,759
Non-current liabilities			
Borrowings	1,189,430	2,615,960	3,110,490
Lease liabilities	28,126	132,802	141,259
Deferred tax liabilities	1,938	4,322	18,021
Deferred income	37,284	117,362	116,271
Total non-current liabilities	1,256,778	2,870,446	3,386,041
Total liabilities	3,251,434	4,825,128	5,401,842
Net assets	3,885,925	6,622,674	5,643,718

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings and structures, equipment, building improvements, motor vehicles and construction in progress. The following table sets forth the components of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of March 31,
	2024	*2025*	*2026*
	(RMB in thousands)		
Buildings and structures	154,079	138,740	136,558
Equipment	287,217	329,048	338,921
Motor vehicles	2,036	5,181	4,864
Buildings improvements	71,626	111,903	111,053
Construction in progress	35,508	115,802	165,859
Total	550,466	700,674	757,255

Our property, plant and equipment increased from RMB550.5 million as of December 31, 2024 to RMB700.7 million as of December 31, 2025, primarily due to (i) an increase in equipment as we procured additional research and development devices, and (ii) an increase in construction in progress in connection with the continued expansion of our Baili-Bio Base, where we are building new production workshops, partially offset by (iii) a decrease in buildings and structures due to depreciation and a write-off arising from the demolition and reconstruction of a workshop at our Baili Base, one of our manufacturing facilities for marketed generic drugs and traditional Chinese medicine products.

Our property, plant and equipment further increased to RMB757.3 million as of March 31, 2026, primarily due to (i) a continued increase in construction in progress as we continued to build out the new production workshops at our Baili-Bio Base, and (ii) a continued increase in equipment as we procured additional research and development devices.

Right-of-use Assets

Our right-of-use assets consisted primarily of leased office and laboratory premises. Our right-of-use assets increased from RMB65.1 million as of December 31, 2024 to RMB166.7 million as of December 31, 2025, primarily due to an increase in leased laboratory assets at our overseas subsidiary. Our right-of-use assets increased to RMB169.2 million as of March 31, 2026, primarily due to an increase in leased office and laboratory premises.

Deferred tax assets

Our deferred tax assets mainly arose from unused tax losses and timing differences on research and development expenses recognized under both PRC Enterprise Income Tax and U.S. Corporate Income Tax. Our deferred tax assets decreased from RMB179.2 million as of December 31, 2024 to RMB38.2 million as of December 31, 2025, primarily due to (i) the non-recognition of any deferred tax asset in respect of our unused tax losses under PRC Enterprise Income Tax as of December 31, 2025, due to the unpredictability of future profit streams (as compared to RMB197.5 million recognized as of December 31, 2024), and (ii) a decrease in the deferred tax asset recognized in respect of timing differences on research and development expenses under U.S. Corporate Income Tax, from RMB325.3 million to RMB156.9 million. Our deferred tax assets subsequently increased to RMB53.6 million as of March 31, 2026, primarily due to the recognition of a deferred tax asset of RMB29.7 million in respect of our tax losses under U.S. Corporate Income Tax, partially offset by a further decrease in the deferred tax asset for timing differences on research and development expenses under U.S. Corporate Income Tax, from RMB156.9 million to RMB105.4 million.

Deposits for acquisition of property, plant and equipment

Our deposits for acquisition of property, plant and equipment arose from deposits paid in connection with our acquisition of property, plant and equipment for new projects, primarily relating to the expansion of our Baili-Bio Base, where we are building new production workshops. Our deposits for acquisition of property, plant and equipment increased from RMB31.4 million as of December 31, 2024 to RMB40.7 million as of December 31, 2025, primarily due to increased investment in the construction of these new production workshops at our Baili-Bio Base. Our deposits for acquisition of property, plant and equipment further increased to RMB49.6 million as of March 31, 2026, primarily due to continued investment in the construction of these new production workshops at our Baili-Bio Base.

Inventories

Our inventories consisted primarily of raw materials and consumables, work in progress, finished goods and goods in transit. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
Raw materials and consumables	79,648	89,790	84,914
Work in progress	29,915	13,605	21,460
Finished goods	42,571	49,710	41,307
Goods in transit	1,661	443	957
	153,795	153,548	148,638
Less: provision	(3,889)	(7,238)	(3,958)
Total	149,906	146,310	144,680

Our inventories remained relatively stable throughout the Track Record Period, decreasing from RMB149.9 million as of December 31, 2024 to RMB146.3 million as of December 31, 2025, and further to RMB144.7 million as of March 31, 2026.

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

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
Within one year	127,876	117,290	120,791
One year to two years	11,133	24,494	15,962
Two years to three years	7,942	3,843	3,317
Over three years	6,844	7,921	8,568
Less: provision	(3,889)	(7,238)	(3,958)
Total	149,906	146,310	144,680

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

	Year ended December 31,		Three months ended March 31,
	2024	2025	2026
Inventory turnover days[1]	182.5	202.7	273.4

(1) Calculated by the average of the net values of opening and closing inventory balances for such period divided by the cost of sales for the relevant period and multiplied by the number of days during such period (i.e. 90 days for the three months ended March 31, 2026 and 365 days for 2024 and 2025).

Our inventory turnover days were 182.5 days, 202.7 days and 273.4 days in 2024, 2025 and the three months ended March 31, 2026, respectively. The increase was primarily due to an increasing proportion of research and development-related inventory, which has a longer holding period as it is consumed in clinical trials rather than sold commercially. Excluding the effect of research and development-related inventory, our inventory turnover days remained relatively stable.

As of June 30, 2026, approximately RMB90.6 million, or 61.0%, of our inventories as of March 31, 2026 had been subsequently consumed.

Trade and Other Receivables

The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		As of March 31,
	2024	**2025**	**2026**
	(RMB in thousands)		
Trade receivables-contract with customers	118,328	77,719	71,736
Less: allowance for credit losses	(11,613)	(9,966)	(9,774)
	106,715	67,753	61,962
Bills receivables	12,506	11,560	12,404
Less: allowance for credit losses	(625)	(578)	(620)
	11,881	10,982	11,784
Other receivables	49,885	23,979	24,368
Less: allowance for credit losses	(3,427)	(2,329)	(1,811)
	46,458	21,650	22,557
Prepayments to suppliers	81,590	133,863	139,596
Value-added tax recoverable	75,543	178,414	207,504
Prepaid expenses	1,801	2,135	2,755
Deferred share issue costs	26,913	–	–
Total	350,901	414,797	446,158

Our trade and other receivables increased from RMB350.9 million as of December 31, 2024 to RMB414.8 million as of December 31, 2025, primarily due to an increase in prepayments to suppliers and an increase in value-added tax recoverable, partially offset by a decrease in trade receivables in line with the decrease in our revenue from the sale of pharmaceutical products and a decrease in other receivables. Our trade and other receivables further increased to RMB446.2 million as of March 31, 2026, primarily due to a further increase in value-added tax recoverable and prepayments to suppliers, and an increase in other receivables due to an increase in interest receivable, and an increase in bills receivables due to an increase in bill settlements by our customers, while our trade receivables remained relatively stable.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		As of March 31,
	2024	**2025**	**2026**
	(RMB in thousands)		
Within 1 year	116,245	76,331	71,192
1-2 years	1,669	1,487	1,454
2-3 years	350	627	858
Over 3 years	332	290	242
Total	118,596	78,735	73,746

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

	Year ended December 31,		Three months ended March 31,
	2024	2025	2026
Trade receivables turnover days[(1)]	6.4	12.6	62.0

(1) Calculated by the average of the net values of opening and closing trade receivable balances for such period divided by the revenue for the relevant period and multiplied by the number of days during such period (i.e. 90 days for the three months ended March 31, 2026 and 365 days for 2024 and 2025).

Our trade receivables turnover days were 6.4 days, 12.6 days and 62.0 days in 2024, 2025 and the three months ended March 31, 2026, respectively. The relatively low trade turnover days in 2024 and 2025 was primarily due to the effect of revenue recognized in connection with our license fee income, namely the Upfront Payment recognized in 2024 and the milestone payment and technology transfer income recognized in 2025, which affected the ratio of trade receivables to revenue in those periods. Our trade receivables turnover days in the three months ended March 31, 2026 reflect a return to a level more representative of our ordinary pharmaceutical product sales and the credit terms we granted to our distributors, as our trade receivables turnover is jointly influenced by revenue and collection timing and remained relatively stable in periods without milestone-related revenue recognition.

As of June 30, 2026, approximately RMB45.0 million, or 62.8%, of our trade receivables as of March 31, 2026 had been subsequently collected.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consisted of our investment in wealth management products and foreign currency forward contracts. We had financial assets at FVTPL of nil, RMB2,170.0 million and RMB2,167.8 million as of December 31, 2024, 2025 and March 31, 2026, representing our investment in cash management products, reflecting an increase in the deployment of our funds into such products since 2025, with the balance remaining relatively stable as of March 31, 2026.

Cash and Cash Equivalents

Our cash and cash equivalents consisted of bank balances and cash and certificates of deposit. Our cash and cash equivalents increased from RMB3,208.0 million as of December 31, 2024 to RMB5,142.1 million as of December 31, 2025, primarily due to certain term deposits with a maturity of more than three months maturing and being held as cash and cash equivalents as of the end of 2025. Our cash and cash equivalents further decreased to RMB2,929.9 million as of March 31, 2026, because we continued to place funds into term deposits with a maturity of more than three months during the three months ended March 31, 2026.

Trade and Other Payables

Our trade and other payables primarily consisted of trade payables, other payables, value-added tax and other tax payable and notes payables. The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
Trade payables	113,797	112,150	104,863
Trade payables settled with endorsed bills	7,476	6,367	9,148
Bills payables	105,450	94,678	113,444

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
Subtotal	226,723	213,195	227,455
Salaries and wages payables	79,479	118,302	63,012
Other tax payables	17,661	21,605	8,093
Other accruals	7,319	24,604	14,673
Accrual for promotional costs	48,548	46,075	40,211
Accrual for test and examination costs	284,067	425,465	472,404
Consideration payable for acquisition of property, plant and equipment	30,031	55,790	36,296
Deposits from suppliers	52,600	55,920	58,818
Accruals for share issue costs	7,417	–	–
Other payables	4,858	4,915	5,203
Subtotal	531,980	752,676	698,710
Total	758,703	965,871	926,165

Our trade and other payables increased from RMB758.7 million as of December 31, 2024 to RMB965.9 million as of December 31, 2025, primarily due to an increase in payables for staff remuneration and an increase in payables in connection with our research and development activities. Our trade and other payables decreased slightly to RMB926.2 million as of March 31, 2026, primarily due to a decrease in payables for staff remuneration following the payment of year-end bonuses during the three months ended March 31, 2026.

The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		As of March 31,
	2024	2025	2026
	(RMB in thousands)		
Within 1 year	223,998	209,722	226,094
1-2 years	2,527	2,628	102
2-3 years	63	647	759
Over 3 years	135	198	500
Total	226,723	213,195	227,455

The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,		Three months ended March 31,
	2024	2025	2026
Trade payables turnover days[(1)]	152.4	154.6	203.9

(1) Calculated by the average of the net values of opening and closing trade payable balances for such period divided by the cost of sales for the relevant period and multiplied by the number of days during such period (i.e. 90 days for the three months ended March 31, 2026 and 365 days for 2024 and 2025).

Our trade payables turnover days were 152.4 days, 154.6 days and 203.9 days in 2024, 2025 and the three months ended March 31, 2026, respectively. Our trade payables turnover days remained relatively stable in 2024 and 2025 and increased in the three months ended March 31, 2026, which was primarily due to increased procurement of research and development-related inventory from suppliers who generally offer longer credit terms than our suppliers of raw materials for pharmaceutical production.

As of June 30, 2026, approximately RMB41.1 million, or 39.2%, of our trade payables as of March 31, 2026 had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our primary use of cash was to fund our working capital requirements and other recurring expenses, including research and development expenses in relation to our innovative drug pipeline. We financed our operations and other capital requirements mainly through licensing income as well as bank borrowings and equity financing. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Our anticipated cash needs primarily relate to our business operations, sales and marketing, and R&D. We expect to fund our future working capital and other cash requirements with existing cash and cash equivalents, revenue generated from sales of our products and services, the [**REDACTED**] from the [**REDACTED**], and bank and other borrowings.

As of June 30, 2026, the most recent practicable date for determining our indebtedness, we had cash and cash equivalents of RMB3,399.5 million. Considering our internal resources, our cash flow from operations and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to cover at least 125% of our costs for at least the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		Three months ended March 31,	
	2024	2025	2025	2026
	(RMB in thousands)			
			(unaudited)	
Net cash from/(used in) operating activities	3,841,817	(977,064)	(539,171)	(778,427)
Net cash (used in)/from investing activities	(2,348,591)	(2,152,263)	259,152	(1,642,024)
Net cash from financing activities	1,273,891	5,156,223	739,010	365,505
Net increase/(decrease) in cash and cash equivalents	2,767,117	2,026,896	458,991	(2,054,946)
Cash and cash equivalents at the beginning of the year/period	391,693	3,207,998	3,207,998	5,142,149
Effect of foreign exchange rate changes	49,188	(92,745)	(5,887)	(157,272)
Cash and cash equivalents at the end of the year/period	3,207,998	5,142,149	3,661,102	2,929,931

Net cash from/(used in) operating activities

Our net cash used in operating activities was RMB778.4 million in the three months ended March 31, 2026, primarily due to our loss before tax of RMB776.2 million, adjusted by certain non-cash and non-operating items, including a net foreign exchange loss of RMB142.6 million, and (i) changes in working capital that negatively affected our cash flows, primarily including a decrease in trade and other payables of RMB41.1 million and an increase in trade and other receivables of RMB27.8 million, and (ii) changes in working capital that positively affected our cash flows, primarily including a decrease in bills receivables at FVTOCI of RMB11.8 million.

Our net cash used in operating activities was RMB977.1 million in 2025, primarily due to our loss before tax of RMB721.4 million, adjusted by certain non-cash and non-operating items, including a net foreign exchange loss of RMB97.7 million, and (i) changes in working capital that negatively affected our cash flows, primarily including a decrease in contract liabilities of RMB348.8 million, reflecting the recognition of license fee income from the transfer of manufacturing technology, and (ii) changes in working capital that positively affected our cash flows, primarily including an increase in trade and other payables of RMB186.6 million.

Our net cash generated from operating activities was RMB3,841.8 million in 2024, primarily due to our profit before tax of RMB3,978.2 million, adjusted by certain non-cash and non-operating items, including depreciation of property, plant and equipment of RMB68.4 million, and (i) changes in working capital that negatively affected our cash flows, primarily including an increase in trade and other receivables of RMB109.0 million, and (ii) changes in working capital that positively affected our cash flows, primarily including an increase in contract liabilities of RMB347.5 million.

Net cash (used in)/from investing activities

Our net cash used in investing activities was RMB1,642.0 million in the three months ended March 31, 2026, primarily due to our net placement of term deposits of RMB1,685.3 million.

Our net cash used in investing activities was RMB2,152.3 million in 2025, primarily due to our net purchase of financial assets at FVTPL of RMB2,149.8 million.

Our net cash used in investing activities was RMB2,348.6 million in 2024, primarily due to our net placement of term deposits of RMB2,512.4 million.

Net cash from financing activities

Our net cash generated from financing activities was RMB365.5 million in the three months ended March 31, 2026, primarily due to new bank borrowings raised, net of repayments, of RMB590.7 million, partially offset by payments for the repurchase of A shares of RMB200.0 million.

Our net cash generated from financing activities was RMB5,156.2 million in 2025, primarily due to proceeds from the placement of A shares, net of transaction costs, of RMB3,731.1 million and new bank borrowings raised, net of repayments, of RMB1,537.0 million.

Our net cash generated from financing activities was RMB1,273.9 million in 2024, primarily due to new bank borrowings raised, net of repayments, of RMB1,385.0 million.

Current Assets and Current Liabilities

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

	As of December 31,		As of March 31,	As of June 30,
	2024	2025	2026	2026
	(RMB in thousands)			
				(Unaudited)
Current assets				
Inventories	149,906	146,310	144,680	164,884
Right to returned goods assets	6,414	4,835	5,268	5,070
Contract costs	12,286	–	–	–
Trade and other receivables	350,901	414,797	446,158	477,462
Tax recoverable	26,609	54,030	53,434	61,157
Financial assets at FVTPL	–	2,170,047	2,167,821	1,726,688
Bills receivables at FVTOCI	20,118	21,617	9,627	9,020
Term deposits	2,532,974	2,504,331	4,216,686	3,947,841
Restricted bank balances	–	32,608	32,102	31,658
Cash and cash equivalents	3,207,998	5,142,149	2,929,931	3,399,497
Total current assets	6,307,206	10,490,724	10,005,707	9,823,277
Current liabilities				
Borrowings	830,788	941,564	1,038,144	1,244,374
Trade and other payables	758,703	965,871	926,165	1,041,621
Contract liabilities	356,135	7,312	7,247	6,312
Refund liabilities	9,725	7,579	8,225	7,907
Sale and leaseback payable	7,735	–	–	–
Lease liabilities	12,457	23,900	28,383	31,047
Tax payable	14,130	–	–	–
Deferred income	4,983	8,456	7,637	7,637
Total current liabilities	1,994,656	1,954,682	2,015,801	2,338,898
Net current assets	4,312,550	8,536,042	7,989,906	7,484,379

Our net current assets decreased from RMB7,989.9 million as of March 31, 2026 to RMB7,484.4 million as of June 30, 2026, primarily due to (i) a decrease in financial assets at FVTPL of RMB441.1 million as we redeemed certain cash management products, (ii) an increase in borrowings of RMB206.2 million as we continued to draw down new bank borrowings to meet our business operating needs, (iii) a decrease in term deposits of RMB268.8 million as certain term deposits matured, partially offset by (iv) an increase in cash and cash equivalents of RMB469.6 million.

Our net current assets decreased from RMB8,536.0 million as of December 31, 2025 to RMB7,989.9 million as of March 31, 2026, primarily due to (i) a decrease in cash and cash equivalents of RMB2,212.2 million as we placed funds into term deposits with a maturity of more than three months, and (ii) an increase in borrowings of RMB96.6 million, partially offset by (iii) an increase in term deposits of RMB1,712.4 million; and (iv) an increase in trade and other receivables of RMB31.4 million.

Our net current assets increased from RMB4,312.6 million as of December 31, 2024 to RMB8,536.0 million as of December 31, 2025, primarily due to (i) an increase in cash and cash equivalents of RMB1,934.2 million, (ii) an increase in financial assets at FVTPL of RMB2,170.0

million, and (iii) a decrease in contract liabilities of RMB348.8 million, reflecting the recognition of license fee income from the transfer of manufacturing technology in 2025, partially offset by (iv) an increase in trade and other payables of RMB207.2 million.

CASH OPERATING COSTS

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

	For the year ended December 31,		For the three months ended March 31,	
	2024	2025	2025	2026
	(RMB in thousands)			
Costs relating to research and development of our Core Products				
Testing and examination costs	384,097	1,081,999	238,095	241,073
Staff costs	133,301	334,741	64,339	104,328
Cost of materials	64,109	227,605	46,097	84,759
Others	40,723	107,479	14,003	27,509
Subtotal	622,230	1,751,825	362,535	457,668
Costs relating to research and development of our other innovative drug candidates				
Testing and examination costs	245,887	253,116	60,451	71,278
Staff costs	177,813	250,249	55,108	96,035
Cost of materials	85,266	130,302	15,910	42,118
Others	78,469	114,927	23,796	39,455
Subtotal	587,434	748,593	155,264	248,885
Costs relating to research and development of our generic drug candidates				
Testing and examination costs	8,842	5,710	1,525	609
Staff costs	19,772	11,860	6,415	1,742
Cost of materials	14,954	8,822	186	439
Others	3,488	2,973	1,227	321
Subtotal	47,057	29,365	9,353	3,111
Total	1,256,721	2,529,783	527,151	709,664

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily related to additions of items of property, plant and equipment and additions of intangible assets. Our capital expenditure amounted to RMB92.1 million, RMB248.6 million and RMB81.9 million in 2024, 2025 and the three months ended March 31, 2026, respectively. We plan to fund our future capital expenditure with cash at hand, cash generated from our operations and bank and other borrowings.

CAPITAL COMMITMENTS

As of December 31, 2024, 2025 and March 31, 2026, our capital commitments amounted to RMB34.9 million, RMB114.2 million and RMB118.6 million, representing the capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in our consolidated statements of financial position. We expect to satisfy our capital commitments using financial resources currently available to us.

INDEBTEDNESS

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

	As of December 31,		As of March 31,	As of June 30,
	2024	2025	2026	2026
	(RMB in thousands)			*(unaudited)*
Current				
Lease liabilities	12,457	23,900	28,383	31,047
Borrowings	830,788	941,564	1,038,144	1,244,374
Sale and leaseback payable	7,735	–	–	–
Subtotal	850,980	965,464	1,066,527	1,275,421
Non-current				
Lease liabilities	28,126	132,802	141,259	156,458
Borrowings	1,189,430	2,615,960	3,110,490	3,814,447
Subtotal	1,217,556	2,748,762	3,251,749	3,970,905
Total	2,068,536	3,714,226	4,318,276	5,246,326

Lease Liabilities

During the Track Record Period, our lease liabilities primarily related to our unpaid lease payment obligations. Our lease liabilities increased from RMB40.6 million as of December 31, 2024 to RMB156.7 million as of December 31, 2025, primarily due to an increase in our leased assets, consistent with the increase in right-of-use assets, primarily reflecting new leases of laboratory assets at our overseas subsidiary. Our lease liabilities increased to RMB169.6 million as of March 31, 2026, and further to RMB187.5 million as of June 30, 2026, since our leased assets continued to increase, primarily reflecting new leases of office and laboratory premises. As of June 30, 2026, all of our lease liabilities were unguaranteed and were secured by rental deposits.

Borrowings

Our borrowings increased from RMB2,020.2 million as of December 31, 2024 to RMB3,557.5 million as of December 31, 2025, primarily due to new bank borrowings drawn down to meet our business operating needs. Our borrowings increased to RMB4,148.6 million as of March 31, 2026, and further to RMB5,058.8 million as of June 30, 2026 since we continued to draw down new bank borrowings to meet our business operating needs.

During the Track Record Period, our bank loans came from commercial banks and financial institutions bearing effective interest rates in the range of 1.80% to 3.95% per annum.

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

	As of December 31,		As of March 31,	As of June 30,
	2024	2025	2026	2026
	(RMB in thousands)			*(unaudited)*
Borrowings				
Secured and unguaranteed	1,269,497	243,432	237,685	–
Unsecured and unguaranteed	750,721	3,314,092	3,910,949	5,058,821
Total	**2,020,218**	**3,557,524**	**4,148,634**	**5,058,821**

Sale and Leaseback Payable

Our sale and leaseback payables related to our leases of certain property, plant and equipment. As of December 31, 2024 and 2025, March 31, 2026 and June 30, 2026, we had sale and leaseback payable of RMB7.7 million, nil, nil, and nil, respectively.

Authorized but Unissued Debt Securities

Our authorized but unissued debt securities are related to the registration of sci-tech innovation bonds approved by the National Association of Financial Market Institutional Investors in June 2026, pursuant to which we shall have the right to issue medium-term notes up to a cap amount of RMB6.0 billion within a period of two years since the date of approval. As of June 30, 2026, no medium-term notes have been issued. The specific terms of the notes, including any securities or guarantees, will be determined at the time of issuance.

Indebtedness Statement

Except as disclosed in this document, as of June 30, 2026, we did not have any other outstanding or authorized but unissued debt securities, term loans, other borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, mortgages and charges, guarantees or other material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we 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. Our Directors also confirm that there has been no material change in our indebtedness since June 30, 2026 and up to the date of this document.

RELATED PARTY TRANSACTIONS

We may enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 40 to the Accountants' Report set out in Appendix I to this document.

WORKING CAPITAL SUFFICIENCY

Based on our available cash and cash equivalents, term deposits and financial assets at FVTPL, the anticipated cash flow from operations, available banking facilities and the anticipated [**REDACTED**] from the [**REDACTED**], our Directors are of the opinion that we will have sufficient funds to meet 125% of our working capital requirements and financial requirements of our capital expenditure for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments. Assuming an average cash burn rate going forward of [**REDACTED**] times the level of the 15 months from January 1, 2025 to March 31, 2026, we estimate that our cash at bank and on hand and other financial assets as of March 31, 2026 will be able to maintain our financial viability for [**REDACTED**] months from March 31, 2026 taking into account the estimated [**REDACTED**] from the [**REDACTED**], net of capitalized [**REDACTED**]; or we estimate that we will be able to maintain our financial viability for [**REDACTED**] months from March 31, 2026 without taking into account the estimated [**REDACTED**] from the [**REDACTED**], net of capitalized [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,		As of/in the three months ended March 31,
	2024	2025	2026
Gross profit margin(1)	95.0%	89.4%	49.1%
Current ratio(2)	3.2	5.4	5.0
Quick ratio(3)	3.1	5.3	4.9

(1) Gross profit margin is calculated by dividing gross profit by our revenue for the period/year indicated.
(2) Current ratio is calculated by dividing total current assets by total current liabilities as of the date indicated.
(3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of year/period end.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of market and other financial risks, including currency risk, credit risk, liquidity risk and interest rate risk. We manage and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner. See Note 44 to the Accountants' Report set out in Appendix I to this document for details.

DIVIDEND

We did not declare or pay dividends on our H Shares during the Track Record Period. We currently expect to retain all future earnings for use in operation and expansion of our business, and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including the successful commercialization of our products as well as our earnings, capital requirements, overall financial condition and contractual restrictions. Currently, we do not have a dividend policy or pre-determined dividend payout ratio in place. As confirmed by our PRC Legal Advisor, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above.

DISTRIBUTABLE RESERVES

As of March 31, 2026, the Company did not have any reserves available for distribution to our Shareholders.

[**REDACTED**]

[**REDACTED**] to be borne by us are estimated to be approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), representing approximately [**REDACTED**]% of the estimated [**REDACTED**] from the [**REDACTED**] assuming no H Shares are [**REDACTED**] pursuant to the [**REDACTED**]. The [**REDACTED**] consist of (i) [**REDACTED**]-related expenses, including [**REDACTED**], of approximately HK$[**REDACTED**] million, and (ii) non-[**REDACTED**]-related expenses of approximately HK$[**REDACTED**], comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$[**REDACTED**], and (b) other fees and expenses of approximately HK$[**REDACTED**]. Among the total [**REDACTED**], approximately RMB[**REDACTED**] will be directly attributable to the [**REDACTED**] of our H Shares, which will be deducted from equity upon the completion of the [**REDACTED**], and nil has been expensed during the Track Record Period, and the remaining amount of approximately RMB[**REDACTED**] is expected to be expensed upon the [**REDACTED**]. We do not believe any of the above fees or expenses are material or are unusually high to us. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since March 31, 2026, being the end date of the periods reported in Appendix I to this document, and there was no event since March 31, 2026 that would materially affect the information as set out in the Accountants' Report included 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, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.