You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider all of the information provided in this document.

OVERVIEW

During the Track Record Period, we focused on the R&D, manufacture and sales of medical consumables. We provide medical institutions with comprehensive, quality medical consumables solutions, comprising (i) drug delivery products; (ii) vascular access products; (iii) blood specimen collection products; and (iv) others, which mainly include interventional therapy products, surgical products and medical imaging consumable products.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to be, continuously and materially affected by a number of factors, including the following:

Successful Development and Commercialization of New Products

We offer a comprehensive range of products, including (i) drug delivery products, (ii) vascular access products, (iii) blood specimen collection products, and (iv) others, mainly including interventional therapy products, surgical products and medical imaging consumable products. Our ability to develop and successfully commercialize new products is one of the key factors affecting our results of operations and financial condition.

Our success depends on our ability to anticipate industry trends, identify, develop and market innovative products, and meet our customers' evolving demand in a timely and cost-effective manner. In 2023, 2024 and 2025, our R&D expenses amounted to RMB64.5 million, RMB63.2 million and RMB69.7 million, respectively. Through our sustained R&D efforts, we have established a comprehensive business portfolio that enables us to serve multiple clinical departments and a wide range of use scenarios. In addition, as of the Latest Practicable Date, we also obtained 151 medical device registration certificates, including 106 Class III medical device registration certificates, laying a solid foundation for our continuous expansion of product portfolio.

In addition, medical devices must obtain the requisite filings or registrations from the NMPA, the FDA or other applicable regulatory authorities before they can be manufactured or commercialized in the relevant markets, and certain approvals are subject to periodic renewal. Changes in applicable regulatory requirements may increase the time and costs required to launch new products and maintain registrations for existing products. Moving forward, we will continuously innovate and expand our product portfolio that aligns with market trends and downstream demand, while accelerating the commercialization and market penetration of our approved products, thereby enhancing our stable profitability and supporting our sustained growth.

Extensive Distributor Network to Enhance Market Penetration

We generate a substantial portion of our revenue from sales to distributors. In 2023, 2024 and 2025, our revenue from distributors amounted to RMB900.3 million, RMB904.7 million and RMB892.6 million, accounting for 95.7%, 96.7% and 98.1% of our total revenue, respectively. As a result, our ability to expand and efficiently manage our distribution network remains critical to our business and financial performance. To this end, we have devoted substantial efforts to continuously expanding and optimizing our distributor network. As of December 31, 2023, 2024 and 2025, we cooperated with 4,394, 4,807 and 5,276 distributors, respectively, demonstrating steady growth in our distribution coverage.

Through our extensive nationwide distributor network, we have achieved broad market reach. Looking forward, we believe that our continued focus on strengthening and expanding our distributor network will be crucial to driving increased sales volumes, enhancing our market share, supporting sustained revenue growth and ultimately contributing to the improvement of our overall financial performance.

Effective Cost Management and Improvement of Operational Efficiency

Our results of operation are also affected by our ability to manage costs effectively and enhance operational efficiency. In 2023, 2024 and 2025, our cost of sales amounted to RMB512.1 million, RMB506.6 million and RMB476.8 million, accounting for 54.4%, 54.1% and 52.4% of our total revenue, respectively. Our cost of sales consists of (i) raw materials, (ii) labor costs, (iii) manufacturing costs, and (iv) freight and others. During the Track Record Period, our raw materials have been the largest component of our cost of sales. In 2023, 2024 and 2025, our raw materials amounted to RMB265.7 million, RMB254.9 million and RMB236.9 million, accounting for 51.9%, 50.3% and 49.7% of our total cost of sales, respectively. Thus, the fluctuations of raw material prices will have a direct impact on our cost of sales, and in turn affect our financial performance. To mitigate such fluctuations, we have entered into long-term procurement agreements with our core suppliers to achieve scaled procurement, and sourced key materials through stringent procedures to ensure cost-effectiveness and reliability.

Moreover, our ability to effectively manage our operating expenses would also substantially affect our profitability. Our operating expenses, comprising selling and distribution expenses, administrative expenses and R&D expenses, amounted to RMB254.7 million, RMB261.0 million and RMB263.1 million in 2023, 2024 and 2025, accounting for 27.1%, 27.9% and 28.9% of our total revenue, respectively. Specifically, we incurred substantial selling and distribution expenses as we maintain sales and marketing team to sell and promote our products in China and overseas. As we launch new products, expand our product lines and further penetrate into existing and new markets, we may incur additional expenses for involving more sales and marketing activities. Going forward, we aim to maintain stringent cost control and continuously improve our operational efficiency, thereby improving our gross margin and overall profitability.

Changes in Regulatory Environment

The medical consumables industry is highly regulated in China and globally. Government policies and regulations, and their implementation and enforcement, significantly impact the supply, demand and pricing of our products, as well as on the cost of compliance in countries and regions where we operate. In recent years, regulatory authorities in the PRC, the U.S. and many other countries and regions have promulgated policies to encourage the development of innovative medical devices, which have contributed to the growth of the medical devices industry. Changes in policies and regulations may also affect our results of operations. For example, in recent years, the healthcare regulatory framework in China has undergone various changes, including the tendering process, centralized procurement regime and the two-invoice system. These policies have influenced our choice of sales models, pricing flexibility, and the channels for our products to enter hospitals. We may face downward pricing pressure if our products are included in the centralized procurement regime or additional products of ours are included in the medical insurance reimbursement list, even if such inclusions are expected to increase the sales volume of our products. We will need to constantly adjust our operations and sales practices in order to comply with any changes in the regulatory environment in the countries and regions where our products are sold to.

BASIS OF PREPARATION AND PRESENTATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently applied by our Group in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. For details of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see Notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

PRINCIPAL COMPONENTS OF CONSOLIDATED PROFIT OR LOSS

Revenue

We generate revenues from (i) drug delivery products, (ii) vascular access products, (iii) blood specimen collection products, and (iv) others, mainly including interventional therapy products, surgical products and medical imaging consumable products.

Cost of Sales

Our cost of sales consists of (i) raw materials, (ii) labor costs, (iii) manufacturing costs, and (iv) freight and others.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

Other Income and Gains

Our other income and gains comprise (i) government grants related to our asset and income, which mainly comprise government subsidies to support our business operations, R&D activities and talent recruitment, which are generally non-recurring, (ii) VAT input tax credit increment deduction, (iii) interest income related to our bank deposits, (iv) investment income from structured deposits, (v) net foreign exchange gains, (vi) gains on lease terminations, (vii) gains on disposal of property, plant and equipment, (viii) fair value gains on structured deposits, and (ix) others.

Selling and Distribution Expenses

Our selling and distribution expenses comprise (i) staff costs mainly representing the salaries and benefits paid to our sales personnel, (ii) marketing and promotion expenses mainly in relation to our advertising and exhibition fees, (iii) travel expenses, (iv) office expenses, (v) share-based payment, and (vi) others.

Administrative Expenses

Our administrative expenses comprise (i) staff costs mainly representing the salaries and benefits paid to our administrative personnel, (ii) tax and surcharges, (iii) share-based payment, (iv) depreciation and amortization, (v) professional service fees, (vi) travelling and entertainment expenses, (vii) office expenses, and (viii) others.

Research and Development Expenses

Our research and development expenses comprise (i) staff costs mainly representing the salaries and benefits paid to our R&D personnel, (ii) raw materials and consumables used in our R&D activities, (iii) testing and registration expenses relating to the testing and regulatory registration of our new products under development, (iv) depreciation and amortization, (v) share-based payment, and (vi) others.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets mainly relate to our impairment and collection of trade and other receivables.

Other Expenses

Our other expenses comprise (i) impairment losses on property, plant and equipment, (ii) losses on disposal of items of property, plant and equipment, (iii) donations, and (iv) others.

Finance Costs

Our finance costs comprise (i) interest on bank borrowings, and (ii) interest on lease liabilities.

Income Tax Expense

Our income tax expense represented income tax payable by us at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction in which we operate or are domiciled.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in Chinese Mainland are subject to corporate income tax ("**CIT**") at a rate of 25% on the taxable income. During the Track Record Period, our Company was entitled to a preferential tax rate of 15% because we were qualified as "High and New Technology Enterprise."

During the Track Record Period, all subsidiaries were entitled to effective preferential tax rates of 5% because they were regarded as "small-scale minimal profit enterprises" with taxable income not exceeding RMB3,000,000. See note 11 to the Accountants' Report in Appendix I to this document for further details.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated profit or loss for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**940,570**	**100.0**	**935,628**	**100.0**	**909,726**	**100.0**
Cost of sales	(512,108)	(54.4)	(506,554)	(54.1)	(476,830)	(52.4)
Gross profit	**428,462**	**45.6**	**429,074**	**45.9**	**432,896**	**47.6**
Other income and gains	9,035	1.0	9,971	1.1	11,088	1.2
Selling and distribution expenses	(145,336)	(15.5)	(151,791)	(16.2)	(136,953)	(15.1)
Administrative expenses	(44,843)	(4.8)	(46,045)	(4.9)	(56,444)	(6.2)
Research and development expenses	(64,486)	(6.9)	(63,196)	(6.8)	(69,736)	(7.7)
Impairment losses on financial assets, net	(1,086)	(0.1)	(2,476)	(0.3)	(3,459)	(0.4)
Other expenses	(4,557)	(0.5)	(1,649)	(0.2)	(2,629)	(0.3)
Finance costs	(1,734)	(0.2)	(663)	(0.1)	(621)	(0.1)
Profit before tax	**175,455**	**18.7**	**173,225**	**18.5**	**174,142**	**19.1**
Income tax expense	(19,377)	(2.1)	(20,178)	(2.2)	(20,034)	(2.2)
Profit for the year	**156,078**	**16.6**	**153,047**	**16.4**	**154,108**	**16.9**

Revenue

The following table sets forth a breakdown of our revenue by product category, in absolute amounts and as percentages of the total revenue, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Drug delivery products	561,082	59.7	551,738	59.0	493,043	54.2
Vascular access products	320,070	34.0	304,657	32.6	324,556	35.7
Blood specimen collection products	43,796	4.6	56,847	6.1	66,134	7.3
Others(1)	15,622	1.7	22,386	2.3	25,993	2.8
Total	**940,570**	**100.0**	**935,628**	**100.0**	**909,726**	**100.0**

Note:

(1) Primarily include interventional therapy products, surgical products and medical imaging consumable products.

Drug Delivery Products

Comparison between 2024 and 2025. Our revenue from drug delivery products decreased by 10.6% from RMB551.7 million in 2024 to RMB493.0 million in 2025, primarily due to the decrease in the sales volume from 524.3 million units in 2024 to 466.9 million units in 2025. Such decrease in sales volume was mainly attributable to (i) changes in medical policies, which affected demand for our products and led to the overall decrease in the sales volume of drug delivery products, and (ii) we reduced the production and sales of products with relatively lower profit margin.

Comparison between 2023 and 2024. Our revenue from drug delivery products remained relatively stable at RMB561.1 million in 2023 and RMB551.7 million in 2024.

Vascular Access Products

Comparison between 2024 and 2025. Our revenue from vascular access products increased by 6.5% from RMB304.7 million in 2024 to RMB324.6 million in 2025, primarily due to the increase in the sales volume from 77.8 million units in 2024 to 85.7 million units in 2025. Such increase in sales volume was mainly attributable to the expansion of our sales channel and our successful bids in centralized volume-based procurement programs, which enabled us to expand our market share and achieve steady sales growth, particularly for our PIVC.

Comparison between 2023 and 2024. Our revenue from vascular access products decreased by 4.8% from RMB320.1 million in 2023 to RMB304.7 million in 2024, primarily due to the decrease in the average selling price from RMB4.5 per unit in 2023 to RMB3.9 per unit in 2024, mainly because additional categories and a greater geographic coverage of our vascular access products were included in centralized volume-based procurement programs.

Blood Specimen Collection Products

During the Track Record Period, our revenue from blood specimen collection products increased from RMB43.8 million in 2023 to RMB56.8 million in 2024, and further to RMB66.1 million in 2025, primarily due to increase in the sales volume from 58.8 million units in 2023 to 77.6 million units in 2024, and further to 84.1 million units in 2025. Such increases were mainly attributable to the strong market demand for our arterial blood samplers, which obtained regulatory approval in 2022 and achieved broad customer acceptance in both domestic and overseas markets due to the competitive advantages and relatively limited competition in the market.

Others

During the Track Record Period, our revenue from others increased from RMB15.6 million in 2023 to RMB22.4 million in 2024, and further to RMB26.0 million in 2025, primarily due to the increased sales of our surgical products and medical imaging consumable products driven by growing market demand, particularly high-pressure contrast injectors.

Cost of Sales

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

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	265,715	51.9	254,856	50.3	236,936	49.7
Labor costs	78,385	15.3	84,981	16.8	85,678	18.0
Manufacturing costs	144,310	28.2	142,923	28.2	133,069	27.9
Freight and others	23,698	4.6	23,794	4.7	21,147	4.4
Total	**512,108**	**100.0**	**506,554**	**100.0**	**476,830**	**100.0**

Comparison between 2024 and 2025. Our cost of sales decreased by 5.9% from RMB506.6 million in 2024 to RMB476.8 million in 2025, primarily due to our effective cost control measures including optimization of manufacturing processes, increased automation in production and in-house production of certain key components.

Comparison between 2023 and 2024. Our cost of sales remained relatively stable at RMB512.1 million in 2023 and RMB506.6 million in 2024.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit, in absolute amounts and as percentages of revenue, or gross profit margins, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Drug delivery products	203,582	36.3	206,961	37.5	189,502	38.4
Vascular access products	198,368	62.0	183,285	60.2	197,355	60.8
Blood specimen collection products	18,760	42.8	26,742	47.0	33,490	50.6
Others	7,752	49.6	12,086	54.0	12,549	48.3
Total gross profit/overall gross margin	**428,462**	**45.6**	**429,074**	**45.9**	**432,896**	**47.6**

During the Track Record Period, our gross profit margin steadily increased from 45.6% in 2023 to 45.9% in 2024 and 47.6% in 2025, primarily due to our effective cost control measures. The gross profit margin of our blood specimen collection products increased from 42.8% in 2023 to 47.0% in 2024, and further to 50.6% in 2025, primarily due to the changes in our product mix, as certain products entailing higher profit margin contributed a larger proportion of our revenue.

Other Income and Gains

The following table sets forth a breakdown of our other income and gains, in absolute amounts and as percentages of our total other income and gains, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Government grants	2,870	31.7	1,626	16.3	3,057	27.6
VAT input tax credit increment deduction	2,385	26.4	2,663	26.7	2,322	20.9
Interest income	1,416	15.7	1,433	14.4	1,334	12.0
Investment income from structured deposits	1,607	17.8	2,821	28.3	3,920	35.4
Others	467	5.2	1,018	10.2	378	3.4
Subtotal	**8,745**	**96.8**	**9,561**	**95.9**	**11,011**	**99.3**

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gains						
Foreign exchange gains, net	212	2.3	406	4.1	77	0.7
Gains on lease terminations	18	0.2	4	0.0	—	—
Gains on disposal of property, plant and equipment	59	0.7	—	—	—	—
Fair value gains on structured deposits	1	0.0	—	—	—	—
Subtotal	**290**	**3.2**	**410**	**4.1**	**77**	**0.7**
Total	**9,035**	**100.0**	**9,971**	**100.0**	**11,088**	**100.0**

Comparison between 2024 and 2025. Our other income and gains increased by 11.2% from RMB10.0 million in 2024 to RMB11.1 million in 2025, primarily due to (i) the increase in government grants of RMB1.4 million, mainly because we received a special development fund in connection with talent introduction and technology development in 2025, and (ii) the increase in investment income from structured deposits of RMB1.1 million, mainly attributable to our increased purchase of structured deposits due to our strong cash flow position.

Comparison between 2023 and 2024. Our other income and gains increased by 10.4% from RMB9.0 million in 2023 to RMB10.0 million in 2024, primarily due to the increase in investment income from structured deposits of RMB1.2 million, mainly attributable to our increased purchase of structured deposits after taking into account our cash flow position.

Selling and Distribution Expenses

In 2023, 2024 and 2025, our selling and distribution expenses represented 15.5%, 16.2% and 15.1% of our total revenue, respectively.

The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as percentages of our total selling and distribution expenses, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	79,759	54.9	92,341	60.8	102,122	74.6
Marketing and promotion expenses	40,709	28.0	35,564	23.4	14,922	10.9
Travel expenses	19,595	13.5	19,357	12.8	13,608	9.9
Office expenses	1,234	0.8	1,052	0.7	1,297	1.0
Share-based payment	601	0.4	694	0.5	740	0.5
Others	3,438	2.4	2,783	1.8	4,264	3.1
Total	**145,336**	**100.0**	**151,791**	**100.0**	**136,953**	**100.0**

Comparison between 2024 and 2025. Our selling and distribution expenses decreased by 9.8% from RMB151.8 million in 2024 to RMB137.0 million in 2025, primarily due to the decrease in marketing and promotion expenses of RMB20.6 million, mainly because we gradually reduced marketing and promotion activities in regions where our products had been included in centralized procurement programs following the expansion of centralized volume-based procurement scope.

Comparison between 2023 and 2024. Our selling and distribution expenses remained relatively stable at RMB145.3 million in 2023 and RMB151.8 million in 2024.

Administrative Expenses

In 2023, 2024 and 2025, our administrative expenses represented 4.8%, 4.9% and 6.2% of our total revenue, respectively.

The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as percentages of our total administrative expenses, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	13,764	30.7	15,445	33.5	19,181	34.0
Tax and surcharges	11,607	25.9	11,333	24.6	11,772	20.9
Share-based payment	5,065	11.3	6,626	14.4	8,744	15.5
Depreciation and amortization	4,088	9.1	4,736	10.3	5,156	9.1
Professional service fees	2,350	5.2	805	1.7	3,651	6.5
Travelling and entertainment expenses	1,353	3.0	2,241	4.9	3,063	5.4
Office expenses	3,221	7.2	1,920	4.2	1,883	3.3
Others	3,395	7.6	2,939	6.4	2,994	5.3
Total	**44,843**	**100.0**	**46,045**	**100.0**	**56,444**	**100.0**

Comparison between 2024 and 2025. Our administrative expenses increased by 22.6% from RMB46.0 million in 2024 to RMB56.4 million in 2025, primarily due to (i) the increase in staff costs of RMB3.7 million, mainly due to the higher number of our administrative personnel and the resulting higher salaries and bonuses, and (ii) the increase in professional service fee of RMB2.8 million in connection with our proposed [REDACTED] on the Stock Exchange.

Comparison between 2023 and 2024. Our administrative expenses remained relatively stable at RMB44.8 million in 2023 and RMB46.0 million in 2024.

Research and Development Expenses

In 2023, 2024 and 2025, our research and development expenses represented 6.9%, 6.8% and 7.7% of our total revenue, respectively.

The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as percentages of our total research and development expenses, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	36,630	56.8	38,835	61.5	40,205	57.7
Raw materials and consumable used	13,300	20.6	11,363	18.0	11,105	15.9
Testing and registration expenses	6,674	10.3	4,473	7.1	9,955	14.3
Depreciation and amortization	2,355	3.7	2,768	4.4	3,309	4.7
Share-based payment	2,707	4.2	3,394	5.4	2,588	3.7
Others	2,820	4.4	2,363	3.6	2,574	3.7
Total	**64,486**	**100.0**	**63,196**	**100.0**	**69,736**	**100.0**

Comparison between 2024 and 2025. Our research and development expenses increased by 10.3% from RMB63.2 million in 2024 to RMB69.7 million in 2025, primarily due to the increase in testing and registration expenses of RMB5.5 million, mainly because several of our interventional therapy products and vascular access product projects entered the testing stage in 2025, resulting in relatively higher costs of relevant biological testing and animal studies due to product characteristics.

Comparison between 2023 and 2024. Our research and development expenses remained relatively stable at RMB64.5 million in 2023 and RMB63.2 million in 2024.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased significantly from RMB1.1 million in 2023 to RMB2.5 million in 2024, and further to RMB3.5 million in 2025, primarily due to increased impairment provisions made based on the aging profile of our trade and other receivables.

Other Expenses

The following table sets forth a breakdown of our other expenses, in absolute amounts and as percentages of our total other expenses, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Impairment losses on property, plant and equipment	3,988	87.5	—	—	1,858	70.7
Losses on disposal of items of property, plant and equipment	—	—	645	39.1	203	7.7
Donations.	162	3.6	253	15.3	100	3.8
Others	407	8.9	751	45.6	468	17.8
Total	**4,557**	**100.0**	**1,649**	**100.0**	**2,629**	**100.0**

Comparison between 2024 and 2025. Our other expenses increased by 59.4% from RMB1.6 million in 2024 to RMB2.6 million in 2025, primarily due to the increase in impairment losses on property, plant and equipment of RMB1.9 million, mainly in connection with our purchases of automated production equipment and the phasing out of certain less efficient production equipment.

Comparison between 2023 and 2024. Our other expenses decreased by 63.8% from RMB4.6 million in 2023 to RMB1.6 million in 2024, primarily due to the decrease in impairment losses on property, plant and equipment of RMB4.0 million, as we recognized higher impairment losses in 2023 in connection with the phasing out of certain less efficient production equipment.

Finance Costs

The following table sets forth a breakdown of our finance costs, in absolute amounts and as percentages of our total finance costs, for the periods indicated:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on bank borrowings . .	1,621	93.5	392	59.1	431	69.4
Interest on lease liabilities	113	6.5	271	40.9	190	30.6
Total	**1,734**	**100.0**	**663**	**100.0**	**621**	**100.0**

Comparison between 2024 and 2025. Our finance costs remained relatively stable at RMB0.7 million in 2024 and RMB0.6 million in 2025.

Comparison between 2023 and 2024. Our finance costs decreased by 61.8% from RMB1.7 million in 2023 to RMB0.7 million in 2024, primarily due to the decrease in interest on bank borrowings of RMB1.2 million, as we repaid all of our bank borrowings in 2024.

Income Tax Expense

During the Track Record Period, our income tax expense remained relatively stable at RMB19.4 million, RMB20.2 million and RMB20.0 million in 2023, 2024 and 2025, respectively. And our effective tax rate (calculated as income tax expense divided by profit before tax) was 11.0%, 11.6% and 11.5%, respectively.

As of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Profit for the Year

As a result of the foregoing, our profit for the year remained relatively stable at RMB156.1 million in 2023, RMB153.0 million in 2024, and RMB154.1 million in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements mainly from cash generated from our business operations. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations and the net [REDACTED] from the [REDACTED]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB185.1 million, RMB213.3 million and RMB292.9 million as of December 31, 2023, 2024 and 2025, respectively.

Working Capital Sufficiency

Taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	240,672	195,701	234,424
Net cash flows used in investing activities	(107,832)	(68,109)	(84,145)
Net cash flows used in financing activities	(69,959)	(99,427)	(70,684)
Net increase in cash and cash equivalents	**62,881**	**28,165**	**79,595**
Cash and cash equivalents at the beginning of the year	122,221	185,102	213,267
Cash and cash equivalents at the end of the year	**185,102**	**213,267**	**292,862**

Net Cash Flows from Operating Activities

Our cash flows from operating activities reflect our profit before tax adjusted for: (i) non-cash or non-operating items (such as depreciation of property, plant and equipment and equity-settled share-based payment expenses); (ii) the effects of movement in working capital (such as contract liabilities, other payables and accruals and trade and bills receivables); and (iii) other cash items (including interest received and income tax paid).

In 2025, we had net cash flows from operating activities of RMB234.4 million, which primarily consisted of profit before tax of RMB174.1 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB43.3 million, and (ii) equity-settled share-based payment expenses of RMB12.8 million. The amount was further adjusted by changes in working capital, mainly including (i) an increase in contract liabilities of RMB10.4 million, and (ii) an increase in other payables and accruals of RMB10.3 million.

In 2024, we had net cash flows from operating activities of RMB195.7 million, which primarily consisted of profit before tax of RMB173.2 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB41.2 million, and (ii) equity-settled share-based payment expenses of RMB11.6 million. The amount was further adjusted by changes in working capital, mainly including a decrease in trade and bills payables of RMB8.1 million.

In 2023, we had net cash flows from operating activities of RMB240.7 million, which primarily consisted of profit before tax of RMB175.5 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation of property, plant and equipment of RMB40.8 million. The amount was further adjusted by changes in working capital, mainly including an increase in other payables and accruals of RMB10.5 million, partially offset by a decrease in trade and bills payables of RMB7.4 million.

Net Cash Flows Used in Investing Activities

Our cash inflows from investing activities primarily consisted of proceeds from redemption of structured deposits. Our cash outflows from investing activities primarily consist of purchases of structured deposits and purchases of items of property, plant and equipment.

In 2025, our net cash flows used in investing activities was RMB84.1 million, which consisted primarily of (i) purchases of structured deposits of RMB687.0 million, and (ii) purchases of items of property, plant and equipment of RMB70.1 million, partially offset by proceeds from redemption of structured deposits of RMB687.0 million.

In 2024, our net cash flows used in investing activities was RMB68.1 million, which consisted primarily of (i) purchases of structured deposits of RMB732.4 million, and (ii) purchases of items of property, plant and equipment of RMB62.1 million, partially offset by proceeds from redemption of structured deposits of RMB733.4 million.

In 2023, our net cash flows used in investing activities was RMB107.8 million, which consisted primarily of (i) purchases of structured deposits of RMB446.8 million, and (ii) purchases of items of property, plant and equipment of RMB83.4 million, partially offset by proceeds from redemption of structured deposits of RMB450.9 million.

Net Cash Flows Used in Financing Activities

Our cash inflows from financing activities primarily consisted of new bank borrowings. Our cash outflows from financing activities primarily consisted of dividends paid and repayment of bank borrowings.

In 2025, our net cash flows used in financing activities was RMB70.7 million, which primarily consisted of (i) repurchase of shares of RMB45.9 million, and (ii) dividends paid of RMB40.0 million.

In 2024, our net cash flows used in financing activities was RMB99.4 million, which primarily consisted of (i) repayment of bank borrowings of RMB49.5 million, and (ii) dividends paid of RMB46.7 million.

In 2023, our net cash flows used in financing activities was RMB70.0 million, which primarily consisted of (i) dividends paid of RMB66.7 million, and (ii) repayment of bank borrowings of RMB59.5 million, partially offset by new bank borrowings of RMB59.5 million.

SELECTED BALANCE SHEET ITEMS

Current Assets/Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current Assets				
Inventories	165,010	163,647	164,388	161,549
Trade and bills receivables	50,673	53,966	41,939	44,317
Prepayments, other receivables and other assets	9,413	10,726	13,162	27,523
Financial assets at fair value through profit or loss	1,001	—	—	—
Financial assets at fair value through other comprehensive income	854	2,088	5,767	5,065
Time deposits	—	—	32,563	10,775
Restricted cash	2,872	2,249	1,449	1,449
Cash and cash equivalents	185,102	213,267	292,862	328,138
Total current assets	**414,925**	**445,943**	**552,130**	**578,816**
Current liabilities				
Trade and bills payables	54,949	46,811	42,826	30,935
Other payables and accruals	80,932	85,549	73,952	73,911
Contract liabilities	51,671	46,046	56,476	31,006
Bank borrowings	49,533	—	5,015	5,000
Lease liabilities	1,760	2,095	2,448	2,590
Income tax payable	7,989	7,080	9,875	9,846
Total current liabilities	**246,834**	**187,581**	**190,592**	**153,288**
Net Current Assets	**168,091**	**258,362**	**361,538**	**425,528**

Comparison between December 31, 2025 and March 31, 2026. Our net current assets increased from RMB361.5 million as of December 31, 2025 to RMB425.5 million as of March 31, 2026, primarily due to (i) the increase in cash and cash equivalents of RMB35.3 million, and (ii) the decrease in contract liabilities of RMB25.5 million.

Comparison between December 31, 2024 and December 31, 2025. Our net current assets increased from RMB258.4 million as of December 31, 2024 to RMB361.5 million as of December 31, 2025, primarily due to the increase in cash and cash equivalents of RMB79.6 million.

Comparison between December 31, 2023 and December 31, 2024. Our net current assets increased from RMB168.1 million as of December 31, 2023 to RMB258.4 million as of December 31, 2024, primarily due to (i) the decrease in bank borrowings of RMB49.5 million, as we repaid all of our bank borrowings in 2024, and (ii) the increase in cash and cash equivalents of RMB28.2 million.

Inventories

Our inventories consist of (i) raw materials, mainly including polymer materials, packaging materials, and components, (ii) work in progress, and (iii) finished goods. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	63,159	59,943	56,745
Work in progress	40,005	35,967	37,447
Finished goods	61,846	67,737	70,196
Total	**165,010**	**163,647**	**164,388**

During the Track Record Period, our inventory remained relatively stable at RMB165.0 million, RMB163.6 million and RMB164.4 million as of December 31, 2023, 2024 and 2025, respectively. We believe that by maintaining optimal inventory levels, we can meet our customer demand and ensure their satisfaction without compromising our liquidity. To this end, we have put in place a set of policies and procedures to manage our inventories. See "Business — Logistics and Inventory Management — Inventory Management" for details.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	161,914	159,901	161,149
One to two years	9,206	2,615	5,320
Two to three years	1,553	4,273	780
Over three years	494	1,174	3,253
Total	**173,167**	**167,963**	**170,502**

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

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days(1)	126	123	129

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year divided by cost of sales for that corresponding year and multiplied by 365 days.

Our inventory turnover days remained relatively stable at 126 days, 123 days and 129 days in 2023, 2024 and 2025, respectively.

As of March 31, 2026, RMB142.1 million, or 83.3%, of our inventories as of December 31, 2025 had been sold or utilized.

Trade and Bills Receivables

Our trade and bills receivables mainly represent outstanding amounts due from our customers. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	46,125	46,788	42,909
Impairment	(2,798)	(5,325)	(8,570)
Trade receivables, net	43,327	41,463	34,339
Bills receivables	7,346	12,503	7,600
Total	**50,673**	**53,966**	**41,939**

Our trade and bills receivables remained relatively stable at RMB50.7 million as of December 31, 2023 and RMB54.0 million as of December 31, 2024. Our trade and bills receivables decreased from RMB54.0 million as of December 31, 2024 to RMB41.9 million of December 31, 2025, primarily due to our enhanced collection efforts.

The following table sets forth the aging analysis of the trade receivables based on invoice date and/or acceptance, and net of loss allowance as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 12 months	34,744	36,752	34,199
13 to 24 months	8,583	305	74
25 to 36 months	—	4,406	66
Over 36 months	—	—	—
Total	**43,327**	**41,463**	**34,339**

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

	Year Ended December 31,		
	2023	**2024**	**2025**
Trade receivables turnover days(1)	17	18	18

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant year, divided by the revenue for the same year and multiplied by 365 days.

Our trade receivables turnover days remained stable at 17 days in 2023 and 18 days in both 2024 and 2025. During the Track Record Period, we did not experience any significant losses associated with our trade and bills receivables, and the fluctuation in our trade and bills receivables did not have any material adverse impact on our liquidity or cash flows.

As of March 31, 2026, RMB40.9 million, or 80.9%, of our trade and bills receivables as of December 31, 2025, had been settled.

Prepayments, Other Receivables and Other Assets

Our current prepayments, other receivables and other assets primarily consist of (i) prepayments mainly related to advance payments for raw materials and utilities expenses, (ii) [REDACTED] expenses, (iii) value-added tax recoverable and prepaid other tax, and (iv) other receivables. Our non-current prepayments, other receivables and other assets consist of prepayments for purchase of long-term assets, mainly in connection with our equipment. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayments	7,542	8,327	9,719
Deferred [REDACTED] expenses	—	—	1,448
Value-added tax recoverable and prepaid other tax	534	1,025	976
Other receivables	1,712	1,698	1,492
Impairment allowance	(375)	(324)	(473)
Subtotal	**9,413**	**10,726**	**13,162**
Non-current			
Prepayments for purchase of long-term assets	14,172	2,411	1,481
Total	**23,585**	**13,137**	**14,643**

Our prepayments, other receivables and other assets decreased from RMB23.6 million as of December 31, 2023 to RMB13.1 million as of December 31, 2024, primarily due to a decrease of RMB11.8 million in prepayments for the purchase of long-term assets.

Our prepayments, other receivables and other assets remained relatively stable at RMB13.1 million as of December 31, 2024 and RMB14.6 million as of December 31, 2025.

Financial Assets at Fair Value through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income primarily represent bank acceptance bills received from customers for the settlement of trade receivables.

Our financial assets at fair value through other comprehensive income increased from RMB0.9 million as of December 31, 2023 to RMB2.1 million as of December 31, 2024, and further to RMB5.8 million as of December 31, 2025, primarily due to the increased balance of bank acceptance bills with high credit ratings at the end of the period.

Trade and Bills Payables

Our trade and bills payables mainly represent balances due to our suppliers for raw materials. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	54,949	46,011	42,826
Bills payables	—	800	—
Total	**54,949**	**46,811**	**42,826**

Our trade and bills payables decreased from RMB54.9 million as of December 31, 2023 to RMB46.8 million as of December 31, 2024, and further to RMB42.8 million as of December 31, 2025, primarily due to a decrease in trade payables, mainly attributable to our reduced procurement of certain key components as we gradually achieved in-house production of such components.

The following table sets forth an aging analysis of our trade payables based on the date of goods or services received as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
Within 12 months	54,333	45,606	42,682
13 to 24 months	260	332	52
25 to 36 months	53	18	50
Over 36 months	303	55	42
Total	**54,949**	**46,011**	**42,826**

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

	Year Ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[(1)]	40	37	34

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by our cost of sales for the relevant year and multiplied by 365 days.

During the Track Record Period, our trade payables turnover days decreased from 40 days in 2023 to 37 days in 2024, and further to 34 days in 2025, primarily due to the decrease in the balance of our trade payables, mainly attributable to our reduced procurement of certain key components as we gradually achieved in-house production of such components.

As of March 31, 2026, RMB33.4 million, or 78.0%, of total trade and bills payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payable relating to the salaries and benefits payable to our employees, (ii) payables for purchase of long-term assets mainly relating to purchases of equipment, (iii) other tax payables mainly representing VAT and surcharges, (iv) deposits and other payables mainly representing the deposits provided by certain distributors to ensure their compliance with our management policy, (v) provision for warranties, (vi) deferred income mainly representing government grants, and (vii) refund liabilities representing the estimated product return amount based on expected return rate. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	35,179	35,474	41,836
Payables for purchase of long-term assets	22,654	26,352	9,281
Other tax payables	15,382	14,769	12,792
Deposits and other payables	5,777	6,545	8,038
Provision	301	629	—
Deferred income	845	1,045	1,237
Refund liabilities	794	736	769
Total	**80,932**	**85,549**	**73,952**

Our other payables and accruals increased from RMB80.9 million as of December 31, 2023 to RMB85.5 million as of December 31, 2024, primarily due to the increase in payables for purchase of long-term assets of RMB3.7 million, mainly in connection with our purchases of automated production equipment and the construction of new manufacturing facilities.

Our other payables and accruals decreased from RMB85.5 million as of December 31, 2024 to RMB74.0 million as of December 31, 2025, primarily due to the decrease in payables for purchase of long-term assets of RMB17.1 million, as we settled certain payables relating to automated equipment purchases and the construction of new manufacturing facilities.

As of March 31, 2026, RMB50.5 million, or 68.2%, of total other payables and accruals as of December 31, 2025, had been subsequently settled.

Contract Liabilities

Our contract liabilities arose from (i) sale of medical devices, and (ii) deferred sale incentives, representing incentives to distributors that achieve sales benchmarks. See "Business — Sales and Marketing — Contractual Agreements with Distributors" for details. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sale medical devices	38,775	33,033	43,185
Deferred sale incentives	12,896	13,013	13,291
Total	**51,671**	**46,046**	**56,476**

Our contract liabilities decreased from RMB51.7 million as of December 31, 2023 to RMB46.0 million as of December 31, 2024, primarily due to the decrease in contract liabilities arising from sale of medical devices of RMB5.8 million, mainly because we granted credit terms to certain customers with long-term cooperation relationships and good credit profiles.

Our contract liabilities increased from RMB46.0 million as of December 31, 2024 to RMB56.5 million as of December 31, 2025, primarily due to the increase in contract liabilities arising from sale of medical devices of RMB10.2 million, mainly in connection with the increase in customer base and customer orders towards the end of 2025.

As of March 31, 2026, RMB49.1 million, or 87.0%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Non-current Assets/Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Property, plant and equipment	454,096	480,850	486,137
Right-of-use assets	36,201	46,263	45,195
Intangible assets	773	651	536
Long-term prepayments	14,172	2,411	1,481
Time deposits	30,743	31,653	20,111
Deferred tax assets	3,977	5,023	8,447
Total non-current assets	**539,962**	**566,851**	**561,907**
Non-current liabilities			
Bank borrowings	—	—	15,000
Lease liabilities	3,839	3,451	2,983
Deferred income	8,572	8,622	11,231
Total non-current liabilities	**12,411**	**12,073**	**29,214**

Property, Plant and Equipment

Our property, plant and equipment consist of (i) buildings, (ii) molds and production equipment, (iii) office equipment and electronic devices, (iv) motor vehicles, and (v) construction in progress. The following table sets forth our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	208,256	208,082	226,378
Molds and production equipment	207,095	230,981	238,322
Office equipment and electronic devices	10,423	11,162	15,203
Motor vehicles	918	1,978	2,043
Construction in progress	27,404	28,647	4,191
Total	**454,096**	**480,850**	**486,137**

Our property, plant and equipment increased from RMB454.1 million as of December 31, 2023 to RMB480.9 million as of December 31, 2024, primarily due to the increase in molds and production equipment of RMB23.9 million, mainly because we purchased more production equipment to support the expansion of our production capacity.

Our property, plant and equipment remained relatively stable at RMB480.9 million as of December 31, 2024 and RMB486.1 million as of December 31, 2025.

Right-of-use Assets

Our right-of-use assets consist of (i) buildings, and (ii) land use rights. The following table sets forth our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	5,781	5,563	5,575
Land use rights	30,420	40,700	39,620
Total	**36,201**	**46,263**	**45,195**

Our right-of-use assets increased from RMB36.2 million as of December 31, 2023 to RMB46.3 million as of December 31, 2024, primarily due to the increase in land use rights of RMB10.3 million.

Our right-of-use assets remained relatively stable at RMB46.3 million as of December 31, 2024 and RMB45.2 million as of December 31, 2025.

Deferred Income

Our deferred income represents government grants we received in support of our business operations and research and development projects.

Our deferred income remained relatively stable at RMB9.4 million and RMB9.7 million as of December 31, 2023 and 2024. Our deferred income increased to RMB12.5 million as of December 31, 2025, mainly reflecting government grants we received to support the upgrading of our production equipment.

INDEBTEDNESS

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Bank borrowings	49,533	—	5,015	5,000
Lease liabilities	1,760	2,095	2,448	2,590
Non-current				
Bank borrowings	—	—	15,000	15,000
Lease liabilities	3,839	3,451	2,983	2,959
Total	**55,132**	**5,546**	**25,446**	**25,549**

Bank Borrowings

As of December 31, 2023, 2024 and 2025 and March 31, 2026, our bank borrowings, including current and non-current portions, amounted to RMB49.5 million, nil, RMB20.0 million and RMB20.0 million, respectively. During the Track Record Period, our bank borrowings were all denominated in RMB with fixed interest rates, and thus we were not subject to interest rate risks associated with these bank borrowings.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity [REDACTED] in the future. Our Directors confirm that there was no default in payments of our liabilities, and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

As of March 31, 2026, our committed unutilized banking facilities amounted to RMB508.4 million.

Lease Liabilities

Our lease liabilities are mainly in relation to our leased offices in Zibo, Shanghai and Shenzhen. As of December 31, 2023, 2024 and 2025 and March 31, 2026, our lease liabilities, including current and non-current portions, amounted to RMB5.6 million, RMB5.5 million, RMB5.4 million and RMB5.5 million, respectively, remaining relatively stable during the Track Record Period.

Contingent Liabilities or Guarantees

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities that would have a material impact on our financial position or results of operations.

No Other Outstanding Indebtedness

Except as disclosed above, as of March 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since March 31, 2026.

CAPITAL EXPENDITURE

The following table sets forth a breakdown of our capital expenditure for the periods indicated:

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of items of property, plant and equipment	83,411	62,105	70,090
Purchase of intangible assets	653	114	70
Total	**84,064**	**62,219**	**70,160**

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities. We expect to incur capital expenditure in the near future, primarily to support the growth of our business. We expect to fund these capital expenditures with a combination of cash flow generated from operating activities and net [REDACTED] from the [REDACTED]. See "Future Plans and Use of [REDACTED]" for further details about our planned capital expenditure. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB8.6 million, RMB13.7 million and RMB3.1 million, respectively, primarily in connection with capital expenditure contracted for but not yet provided for properties, plant and equipment.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	As of/For the Year Ended December 31,		
	2023	2024	2025
Current ratio(1)	1.7	2.4	2.9
Quick ratio(2)	1.0	1.5	2.0
Gross profit margin(3)	45.6%	45.9%	47.6%
Net profit margin(4)	16.6%	16.4%	16.9%
Return on assets(5)	17.2%	15.6%	14.5%
Return on equity(6)	24.1%	20.3%	18.1%

Notes:

(1) Current ratio equals total current assets divided by total current liabilities.

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

(3) Gross profit margin equals to gross profit divided by revenue for the respective year.

(4) Net profit margin equals to profit for the year divided by revenue for the respective year.

(5) Return on assets equals to profit for the year divided by average balance of total assets at the beginning and the end of that year and multiplied by 100%.

(6) Return on equity equals to profits for the year divided by average balance of total equity at the beginning and the end of that year and multiplied by 100%.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 36 to the Accountants' Report included in Appendix I. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board has reviewed and agreed the following risk management policies. See Note 39 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Credit Risk

We trade only with recognized and creditworthy parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. The credit risk of our other financial assets, which comprise cash and cash equivalents, restricted cash, time deposits and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity and flexibility of funding through the use of bank and other borrowings and lease liabilities.

Capital Management

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

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

We monitor capital using a gearing ratio, which is net debt divided by capital plus net debt. We aim to maintain the gearing ratio at a reasonable level. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, bank and other borrowings and lease liabilities, less cash and cash equivalents, restricted cash and time deposits. Capital represents equity attributable to owners of our Company.

DIVIDENDS

For the years ended December 31, 2023, 2024 and 2025, we declared and paid dividends of RMB66.7 million, RMB46.7 million and RMB40.0 million, respectively. See also Note 41 to the Accountants' Report in Appendix I to this document.

We do not maintain a formal dividend policy or have a fixed dividend distribution ratio, and we may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Pursuant to the Articles of Association, our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had RMB384.9 million of retained profits available for distribution to our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Savills Valuation and Professional Services (China) Limited, an independent property valuer, has valued certain of our property interests ("**Selective Property Interests**") as of March 31, 2026. The full text of its letter, valuation report and certificates in connection with the Selective Property Interests are set out in Appendix IV to this document.

The table below shows the reconciliation of the Selective Property Interests from December 31, 2025 being the date to which our Group's latest audited consolidated financial results were prepared, to March 31, 2026:

	RMB'000
Net book value our selective property as of December 31, 2025	**287,988**
Depreciation for the three months ended March 31, 2026	2,908
Net book value as of March 31, 2026	**285,080**
Valuation surplus as of March 31, 2026	69,020
Valuation as of March 31, 2026 as set out in Appendix IV to this document	**354,100**

Note:

(1) The selective property mainly comprises buildings, land use rights and other related site facilities.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED]-related expenses, such as [REDACTED] fees and [REDACTED], and (ii) non-[REDACTED]-related expenses, comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK$[REDACTED], accounting for approximately of [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED]-related expenses of HK$[REDACTED], professional fees for our legal advisors and Reporting Accountants of HK$[REDACTED] and other fees and expenses of HK$[REDACTED]. An estimated amount of HK$[REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED]% of our gross [REDACTED], was or is expected to be expensed through profit or loss and the remaining amount of HK$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We recognized [REDACTED] expenses of [REDACTED], [REDACTED] and [REDACTED] in 2023, 2024 and 2025 in our consolidated statements of profit or loss and other comprehensive income, respectively.

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

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

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date of our latest audited financial statements, and there has been no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.