You should read the following discussion and analysis in conjunction with financial statements, including the notes thereto included in the Accountants' Report in Appendix I to this document and the selected historical financial information presented elsewhere to this document. Our financial statements were prepared in accordance with HKFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections headed "Risk Factors", "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a pioneer and leading player in percutaneous puncture surgical robot market in China, according to CIC. We primarily engage in R&D, production and commercialization of percutaneous puncture surgical robots. We obtained Class III medical device registration certificate in 2024 for our RC120. RC120 is a surgical robot independently developed by us to assist doctors in navigation and positioning in adult lung percutaneous puncture surgeries and features 7-degree-of-freedom robot platform, operative precision, safety and efficiency. We provided RC120 to hospitals for clinical use during the Track Record Period. As of the Latest Practicable Date, we were in the clinical evaluation stage for the indication expansion to adult abdominal solid organ percutaneous puncture surgeries and in the preclinical development stage for nine projects in relation to RC100, indication expansions and function upgrade. In addition, as of the Latest Practicable Date, our consumable product portfolio primarily consisted of three types of consumables in registration application stage and one type of consumables in pre-clinical development stage.

During the Track Record Period, we only had one customer who engaged us to provide one-off technical support services in 2023. We generated revenue of RMB0.2 million, nil, nil and nil in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our net loss was RMB34.2 million, RMB37.0 million, RMB19.1 million and RMB18.1 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on March 28, 2019. On November 17, 2025, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC. Our historical financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by our Company in the preparation of the historical financial information throughout the Track Record Period and the interim comparative financial information of our Company for the six months ended June 30, 2024 and other explanatory information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Growth and Competitive Landscape of Surgical Robot Market in China

Our financial performance and future growth depend on the overall growth of surgical robot market, as well as changes in its competitive landscape. In China, the surgical robot market is still at an emerging stage, but with significant growth potential. The surgical robot market in China reached approximately RMB6.7 billion in 2024 and is projected to grow to RMB55.7 billion by 2032, representing a CAGR of 30.2%. In particular, we expect the market segments for percutaneous puncture surgical robots to continue to grow. The market size of percutaneous puncture surgical robots in China reached approximately RMB12.6 million in 2024 and is projected to surge to RMB1,503.6 million by 2032, representing a CAGR of 81.8%. For details, see "Industry Overview."

In addition, our position and changes in the competitive landscape in the surgical robot market in China will also impact our results of operations. We are a domestic pioneer in the fast-growing percutaneous puncture surgical robot industry in China. Our RC120, is approved and recently commercialized. We face competition with international and domestic surgical robot companies, especially those focused on percutaneous puncture surgical robots. The market incumbents and the development of their products may affect our market position and demand for our products, which may in turn affect our results of operations. In addition, new competitors may emerge with potentially superior products, which may affect our competitive advantages and in turn affect our results of operations.

Development and Commercialization of Our Pipeline Products

Our business and results of operations depend on our ability to successfully advance the development of our pipeline products. We received NMPA approval of RC120 in 2024 and recently commercialized the product, but our other pipeline products are still at different stages of development. For more information on the development status of our pipeline products, see "Business — Our Product Portfolio." Whether our pipeline products can demonstrate favorable safety and efficacy clinical evaluation results, whether we can obtain the requisite regulatory approvals for our pipeline products in time, and whether we can build a sales and marketing network to commercialize our products successfully are crucial for our business and results of operations.

R&D Costs

Our results of operations are significantly affected by our ability to control our costs and expenses, particularly, R&D costs. Since our inception, we have focused our resources on R&D activities. The development of medical devices requires significant investment of resources over a prolonged period of time, and we intend to continue making sustained investments in this area. We have devoted significant resources to R&D activities, and our pipeline of product candidates have been steadily advancing and expanding. Our current R&D activities mainly relate to indication expansions and function upgrade of percutaneous puncture surgical robot product candidates and other relevant consumable product candidates. For details, see "Business — Research and Development" in this document. In 2023, 2024 and the six months ended June 30, 2024 and 2025, we incurred R&D costs of RMB23.9 million, RMB19.0 million, RMB9.2 million and RMB9.1 million, respectively. For the same years or periods, our R&D costs accounted for 67.7%, 49.5%, 46.3% and 49.6% of our total costs and expenses, respectively. In 2023, 2024 and the six months ended June 30, 2024 and 2025, we recorded RMB7.9 million, RMB11.2 million, RMB3.9 million and RMB7.7 million, respectively, in R&D costs for our Core Product. We expect that our R&D costs will continue to contribute to a large proportion of our total operating expenses for the foreseeable future as we move pipeline products currently at preclinical stage into more advanced clinical evaluation stage.

Administrative Expenses

Our financial results are also significantly affected by our administrative expenses. We incurred administrative expenses of RMB8.3 million, RMB13.7 million, RMB8.6 million and RMB5.3 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. The share-based compensation expenses amounted to RMB0.7 million, RMB7.0 million, RMB5.4 million and RMB1.8 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, representing 8.3%, 51.4%, 62.1% and 34.6% of our total administrative expenses for the same years or periods, respectively. As a result, issuance of share incentives during the Track Record Period had and will continue to have an impact on our administrative expenses. We expect to continue to incur considerable administrative expenses for ordinary course of business in the future to support our growing business scale. We also anticipate our administrative expenses for ordinary course of business, in particular, expenses in legal, compliance, accounting, recruitment, and investor and public relations areas, will increase as we operate as a public company following the completion of the [**REDACTED**].

Funding for Our Operation

During the Track Record Period, we primarily funded our working capital requirements through equity financing. Going forward, in the event of the successful commercialization of our product candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized products. However, with the continuing expansion of our business, we may require further funding through public or private offerings, debt financing or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our financial statements, which have been prepared in accordance with HKFRS. The preparation of our financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year or period of the Track Record Period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our more critical accounting policies and significant estimates and assumptions are described below. See Note 2 and Note 3 to the Accountants' Report in Appendix I to this document for further details on our accounting policies and estimates.

Our management has identified below the accounting policies and estimates that they believe are critical to the preparation of our historical financial information:

Significant accounting policies

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenue from testing services is recognized at the point in time when the service is provided and accepted by the customer.

Research and development costs

All research costs are charged to profit or loss as incurred.

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

Share-based payments

In recognition of the contributions of our employees and to incentivize them to further promote our development, Share-based payments were made to certain of our employees in 2023, 2024 and 2025 by granting them partnership interests in Shanghai Ruicong L.P., our employee incentive platform, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow model.

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

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

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

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

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately.

Critical accounting and estimates

Impairment of non-financial assets

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

Estimation of grant date fair value of restricted shares

We granted restricted shares to our director and employees during the Track Record Periods. We have engaged an independent valuer to evaluate the grant date fair value of the restricted shares, which is determined based on the fair value of our ordinary shares at the grant date of the award. Estimation of the fair value of our ordinary shares involves significant assumptions, such as risk-free interest rate and weighted average cost of capital, that might not be observable in the market, and it could have a significant impact on the share-based payment expenses charged to profit or loss.

Leases — Estimating the incremental borrowing rate

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for companies that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in our functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as our stand-alone credit rating).

Deferred tax assets

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended December 31,		For the six months ended June 30,	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue	156	–	–	–
Cost of sales	(33)	–	–	–
Gross profit	**123**	**–**	**–**	**–**
Other income and gains	871	1,157	776	129
Research and development costs	(23,861)	(18,904)	(9,204)	(9,053)
Selling and distribution expenses	(2,919)	(5,280)	(1,882)	(3,756)
Administrative expenses	(8,327)	(13,685)	(8,648)	(5,334)
Other expenses	(1)	–	–	(1)
Finance costs	(97)	(287)	(130)	(106)
Loss before tax	**(34,211)**	**(36,999)**	**(19,088)**	**(18,121)**
Income tax expense	–	–	–	–
Loss and total comprehensive loss for the year/period	**(34,211)**	**(36,999)**	**(19,088)**	**(18,121)**

DESCRIPTION OF MAJOR COMPONENTS IN OUR STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we only had one customer who engaged us to provide one-off technical support services in 2023 and we recorded revenue of RMB0.2 million in 2023.

Cost of sales

During the Track Record Period, our cost of sales primarily consisted of staff cost in relation to the one-off technical support services we provided in 2023.

Gross profit and gross profit margin

During the Track Record Period, we recorded gross profit of RMB0.1 million and gross profit margin of 78.8% in 2023 from the one-off technical support services we provided.

Other income and gains

During the Track Record Period, our other income and gains primarily consisted of other income including (i) government grants, which were generally non-recurring, (ii) bank interest income, and (iii) others mainly in relation to refund of individual income tax processing fees, as well as gains and losses, including net foreign exchange gains or losses in connection with the transfer of USD capital account funds into RMB special accounts for our business operations. The following table sets forth a breakdown of our other income and gains for the periods indicated.

	Year ended December 31,		**For the six months ended June 30,**	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other Income				
Government grants	202	472	204	150
Bank interest income	80	144	130	9
Others	10	18	18	–
	292	634	352	159
Gains/(losses)				
Foreign exchange differences, net	579	523	424	(30)
Total other income and gains	**871**	**1,157**	**776**	**129**

R&D costs

During the Track Record Period, our R&D costs consisted of (i) staff cost mainly representing salaries and benefits incurred for our R&D personnel; (ii) share-based payment expenses incurred for R&D employees; (iii) depreciation and amortization expenses mainly associated with R&D offices, laboratories, and equipment; (iv) material expenses incurred in relation to the purchase of materials used in R&D activities and testing; (v) project service expenses mainly in relation to consultation, design and other technical support services provided by relevant third-party service suppliers; (vi) testing expenses primarily covering costs of type test and other testing-related technical support for R&D projects; (vii) intellectual property and patent application expenses including patent agency fees, application fees, and annual fees for R&D-related intellectual property; (viii) clinical study expenses related to clinical trial operations, including those incurred for CROs, clinical sites, and trial-related medical monitoring and data management services; (ix) renovation expenses; (x) medical device production registration expenses; and (xi) others primarily consisting of miscellaneous costs.

For the years ended December 31, 2023 and 2024 and the six months ended June 30, 2024 and 2025, we incurred R&D costs of RMB23.9 million, RMB18.9 million, RMB9.2 million and RMB9.1 million, respectively. For the years ended December 31, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our R&D costs attributable to our Core Product were RMB7.9 million, RMB11.2 million, RMB3.9 million and RMB7.7 million, respectively, accounting for 33.0%, 59.2%, 42.3% and 84.3% of our total R&D costs in the respective period. Our R&D costs attributable to our Core Product increased from RMB7.9 million in 2023 to RMB11.2 million in 2024, and increased from RMB3.9 million for the six months ended June 30, 2024 to RMB7.7 million for the six months ended June 30, 2025, primarily due to our continuous R&D efforts in expanding indications, upgrading its functions and diversifying the models of RC120.

The following table sets forth a breakdown of our R&D costs for the periods indicated.

	Year ended December 31,		**For the six months ended June 30,**	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Staff cost	12,123	11,484	5,851	5,287
Share-based payment expenses	2,831	4,174	1,741	2,550
Depreciation and amortization expenses	969	774	428	371
Material expenses	5,196	1,398	468	209
Project service expenses	1,020	585	460	205
Testing expenses	125	32	32	138
Intellectual property and patent application expenses	302	205	89	130
Clinical study expenses	616	25	–	100
Renovation expenses	227	115	92	8
Medical device production registration expenses	267	–	–	–
Others	185	112	43	55
	23,861	**18,904**	**9,204**	**9,053**

Selling and distribution expenses

During the Track Record Period, our selling and distribution expenses consisted of (i) staff cost representing salaries, bonuses and welfare expenses incurred for our sales and marketing personnel; (ii) share-based payment expenses incurred for employees engaged in sales and marketing activities; (iii) labor outsourcing expenses; (iv) traveling and business-related expenses including costs incurred during customer visits, technical exchanges, and contract negotiations; (v) depreciation and amortization expenses related to puncture surgical robots provided to hospitals for clinical use, office equipment and assets used in sales operations; and (vi) others primarily consisting of miscellaneous expenses.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated.

	Year ended December 31,		For the six months ended June 30,	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Staff cost	2,357	2,364	1,177	1,039
Share-based payment expenses	–	758	58	860
Labor outsourcing expenses	–	117	–	747
Traveling and business-related expenses	487	1,624	625	815
Depreciation and amortization expenses	10	88	9	167
Others	64	329	13	128
	2,919	**5,280**	**1,882**	**3,756**

Administrative expenses

During the Track Record Period, our administrative expenses consisted of (i) staff cost mainly representing salaries, bonuses, and welfare expenses incurred for administrative personnel, (ii) share-based payment expenses incurred for administrative employees; (iii) depreciation and amortization expenses related to office facilities and equipment; (iv) service fees including those incurred for professional service providers for legal, financial, and regulatory matters; (v) office and utilities expenses; (vi) traveling and business-related expenses incurred during operational activities and professional engagements and (vii) others primarily consisting of miscellaneous expenses.

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,		For the six months ended June 30,	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Staff cost	5,358	4,677	2,393	2,365
Share-based payment expenses	688	7,032	5,367	1,848
Depreciation and amortization expenses	943	1,000	538	628
Service fees	401	215	49	73
Office and utilities expenses	427	371	192	147
Traveling and business-related expenses	382	153	65	34
Others	128	238	44	238
	8,327	**13,685**	**8,648**	**5,334**

Other expenses

During the Track Record Period, our other expenses were mainly non-recurring costs incurred during our operations, which mainly comprised late payment penalties for stamp duty in 2023 and late payment penalties for tax filing in 2025. Our other expenses was RMB1,000, nil, nil and RMB1,000, respectively, for the years ended December 31, 2023 and 2024, and for the six months ended June 30, 2024 and 2025.

Finance costs

During the Track Record Period, our finance costs primarily consisted of (i) interest expenses on lease liabilities, and (ii) interest expenses on bank loans.

The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,		For the six months ended June 30,	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Interest expenses on lease liabilities	97	53	33	35
Interest on bank loans	–	234	97	71
Total	**97**	**287**	**130**	**106**

Income tax expense

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("EIT") rate is 25% for entities operating in Mainland China. The Company is subject to tax at a rate of 25%. No China income tax was provided for as our Company was in loss position and had no estimated assessable profits during the Track Record Period.

RESULTS OF OPERATIONS

Six months ended June 30, 2025 compared to six months ended June 30, 2024

Revenue

Our revenue was nil for the six months ended June 30, 2024 and 2025 because we remained in the process of commercializing of our products.

Cost of sales

Our cost of sales was nil for the six months ended June 30, 2024 and 2025 because we remained in the process of commercializing of our products and did not incur any cost of sales.

Gross profit and gross profit margin

Our gross profit and gross profit margin were nil for the six months ended June 30, 2024 and 2025 because we remained in the process of commercializing of our products.

Other income and gains

Our other income and gains decrease from RMB0.8 million for the six months ended June 30, 2024 to RMB0.1 million for the six months ended June 30, 2025, primarily because (i) the net foreign exchange differences changed from gains of RMB0.4 million for the six months ended June 30, 2024 to losses of RMB30,000 for the six months ended June 30, 2025 mainly due to the decrease in our US capital account balance to support our business operation and the depreciation of USD against RMB, and (ii) the bank interest income decreased from RMB0.1 million for the six months ended June 30, 2024 to RMB9,000 for the six months ended June 30, 2025 mainly because of the decrease in our average bank balance to fund our business operation.

R&D costs

Our R&D costs remained relatively stable and were RMB9.2 million for the six months ended June 30, 2024 and RMB9.1 million for the six months ended June 30, 2025, respectively.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB1.9 million for the six months ended June 30, 2024, to RMB3.8 million for the six months ended June 30, 2025, primarily because of an increase in share-based payment expenses from RMB58,000 for the six months ended June 30, 2024 to RMB0.9 million for the six months ended June 30, 2025 mainly due to an increase in the amortization expenses of shares granted to our sales personnel primarily reflecting additional share grants, and an increase in labor outsourcing expenses from nil for the six months ended June 30, 2024 to RMB0.8 million for the six months ended June 30, 2025.

Administrative expenses

Our administrative expenses decreased from RMB8.6 million for the six months ended June 30, 2024, to RMB5.3 million for the six months ended June 30, 2025, primarily due to a decrease in share-based payment expenses which decreased from RMB5.4 million for the six months ended June 30, 2024 to RMB1.8 million for the six months ended June 30, 2025 primarily because we granted incentive shares to one of our senior management for the six months ended June 30, 2024 which were fully vested immediately in the same period, while we did not have any similar incentive shares fully vested for the six months ended June 30, 2025.

Finance costs

Our finance costs was RMB0.1 million for the six months ended June 30, 2024 and 2025, and remained relatively stable.

Income tax expense

Our income tax expense was nil for the six months ended June 30, 2024 and 2025 because we remained in the process of commercializing of our products, and did not record any taxable income.

Loss for the period

As a result, our loss for the period decreased by 5.1% from RMB19.1 million for the six months ended June 30, 2024 to RMB18.1 million for the six months ended June 30, 2025.

Year ended December 31, 2024 compared to year ended December 31, 2023

Revenue

Our revenue decreased from RMB0.2 million for the year ended December 31, 2023 to nil for the year ended December 31, 2024 because we remained in the process of commercializing of our products, and the RMB0.2 million revenue recorded for the year ended December 31, 2023 was from the provision of one-off technical support services.

Cost of sales

Our cost of sales decreased from RMB33,000 for the year ended December 31, 2023 to nil for the year ended December 31, 2024, because we remained in the process of commercializing of our products and did not incur any cost of sales for the year ended December 31, 2024.

Gross profit and gross profit margin

Our gross profit decreased from RMB0.1 million, with a gross profit margin of 78.8% for the year ended December 31, 2023 to nil for the year ended December 31, 2024, because we remained in the process of commercializing of our products for the year ended December 31, 2024.

Other income and gains

Our other income and gains increased from RMB0.9 million for the year ended December 31, 2023 to RMB1.2 million for the year ended December 31, 2024, primarily because of an increase in government grants from RMB0.2 million for the year ended December 31, 2023 to RMB0.5 million for the year ended December 31, 2024, mainly due to an increase in government grants which intended to incentivize specialized innovative technology companies.

R&D costs

Our R&D costs decreased from RMB23.9 million for the year ended December 31, 2023 to RMB18.9 million for the year ended December 31, 2024, primarily because of the decrease in material expenses from RMB5.2 million for the year ended December 31, 2023 to RMB1.4 million for the year ended December 31, 2024 and the decrease in project services expenses from RMB1.0 million for the year ended December 31, 2023 to RMB0.6 million for the year ended December 31, 2024, both of which were primarily due to the suspension of certain R&D projects which called for significant funding.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB2.9 million for the year ended December 31, 2023, to RMB5.3 million for the year ended December 31, 2024, mainly due to an increase in traveling and business-related expenses from RMB0.5 million for the year ended December 31, 2023 to RMB1.6 million for the year ended December 31, 2024, because of our greater marketing efforts in 2024, as well as an increase in share-based payment expenses from nil for the year ended December 31, 2023 to RMB0.8 million for the year ended December 31, 2024, mainly due to an increase in the amortization expenses of shares granted to sales and marketing personnel.

Administrative expenses

Our administrative expenses increased from RMB8.3 million for the year ended December 31, 2023 to RMB13.7 million for the year ended December 31, 2024, mainly due to an increase in share-based payment expenses from RMB0.7 million for the year ended December 31, 2023 to RMB7.0 million for the year ended December 31, 2024 primarily because we granted incentive shares to one of our senior management for the year ended December 31, 2024 which were fully vested immediately in the same year while we did not have any similar incentive share grants for the year ended December 31, 2023, partially offset by a decrease in staff cost from RMB5.4 million for the year ended December 31, 2023 to RMB4.7 million for the year ended December 31, 2024, mainly because we incurred a higher level of annual bonus for the year ended December 31, 2023 compared to the year ended December 31, 2024.

Finance costs

Our finance costs increased from RMB0.1 million for the year ended December 31, 2023 to RMB0.3 million for the year ended December 31, 2024, primarily due to an increase in loan interest because we obtained bank loans of RMB15.0 million from commercial banks for the year ended December 31, 2024.

Income tax expense

Our income tax expense was nil for the year ended December 31, 2023 and 2024 because we remained in the process of commercializing of our products and did not record any taxable income.

Loss for the year

As a result, our loss for the year increased by 8.2% from RMB34.2 million for the year ended December 31, 2023 to RMB37.0 million for the year ended December 31, 2024.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our statements of financial position as of the dates indicated, which has been extracted from the Accountants' Report set out in Appendix I to this document:

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	45,353	28,449	18,703
Total non-current assets	7,477	8,503	11,683
Total assets	**52,830**	**36,952**	**30,386**
Total current liabilities	6,106	15,881	21,528
Total non-current liabilities	761	143	793
Total liabilities	**6,867**	**16,024**	**22,321**
Net current assets/(liabilities)	**39,247**	**12,568**	**(2,825)**
Net assets	**45,963**	**20,928**	**8,065**
Paid-in capital	24,893	24,893	24,893
Reserves/(Deficits)	21,070	(3,965)	(16,828)
TOTAL EQUITY	**45,963**	**20,928**	**8,065**

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

	As of December 31,		As of June 30,	As of October 31,
	2023	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)
Current Assets				
Inventories	417	1,272	1,863	900
Trade receivables	165	73	73	–
Prepayments, other receivables and other assets	744	471	1,334	1,526
Cash and cash equivalents	44,027	26,633	15,433	71,303
	45,353	**28,449**	**18,703**	**73,729**
Current Liabilities				
Trade payables	464	490	1,625	1,250
Other payables and accruals	4,808	4,835	11,059	10,186
Interest-bearing bank borrowings	–	10,000	–	–
Contract liabilities	–	–	7,965	7,600
Lease liabilities	834	556	879	875
	6,106	**15,881**	**21,528**	**19,911**
Net Current Assets/(Liabilities)	**39,247**	**12,568**	**(2,825)**	**53,818**

Our net current assets decreased from RMB39.2 million as of December 31, 2023 to RMB12.6 million as of December 31, 2024 primarily because of (i) a decrease in cash and cash equivalents from RMB44.0 million as of December 31, 2023 to RMB26.6 million as of December 31, 2024 mainly due to funding our daily operations and (ii) an increase in interest-bearing bank borrowings from nil as of December 31, 2023 to RMB10.0 million as of December 31, 2024 mainly due to the loan we drew down in 2024 to support our business operation.

We had net current liabilities of RMB2.8 million as of June 30, 2025 compared to net current assets of RMB12.6 million as of December 31, 2024 primarily because of a decrease in cash and cash equivalents from RMB26.6 million as of December 31, 2024 to RMB15.4 million as of June 30, 2025 mainly due to funding our daily operations, which is partially offset by a decrease in interest-bearing bank borrowings from RMB10.0 million as of December 31, 2024 to nil as of June 30, 2025, primarily because we repaid the loan in the six months ended June 30, 2025.

Property, plant and equipment

Our property, plant and equipment primarily consisted of (i) machinery equipment, (ii) motor vehicles, (iii) electronic equipment, (iv) furniture and fixtures and (v) leasehold improvements. The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Machinery equipment	1,257	3,704	6,290
Motor vehicles	78	37	16
Electronic equipment	491	297	193
Furniture and fixtures	229	175	149
Leasehold improvements	1,038	500	261
Total	**3,093**	**4,713**	**6,909**

Our property, plant and equipment increased from RMB3.1 million as of December 31, 2023, to RMB4.7 million as of December 31, 2024, and RMB6.9 million as of June 30, 2025. The increases in our property, plant and equipment during the Track Record Period were primarily due to the increases in our machinery equipment which were the result of the reclassification of our products provided to hospitals for clinical use as a party of our sales and marketing strategy from inventory to our property, plant and equipment.

Inventories

Our inventories primarily consisted of (i) raw materials such as parts and components of our products, and (ii) finished goods.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	417	78	1,863
Finished goods	–	1,194	–
Total	**417**	**1,272**	**1,863**

Our inventories increased from RMB0.4 million as of December 31, 2023 to RMB1.3 million as of December 31, 2024 mainly attributable to an increase in our finished goods, representing our newly produced RC120 products.

Our inventories then increased to RMB1.9 million as of June 30, 2025, mainly due to our procurement of parts and components of our RC120 products. We do not have any applicable inventory turnover days for the year ended December 31, 2024 and for the six months ended June 30, 2025 because we did not have cost of sales in the same periods. Our inventory turnover days for the year ended December 31, 2023 are not meaningful because the inventories of raw materials were not relevant to the cost of sales from one-off technical support services we provided for the year ended December 31, 2023.

As of October 31, 2025, RMB0.2 million, or 11.6% of our inventories as of June 30, 2025 had been utilized or sold.

Trade receivables

Our trade receivables primarily represent the outstanding amounts due to us from our customers for our one-off technical support services.

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

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	165	73	73
Total	**165**	**73**	**73**

Our trade receivables decreased from RMB0.2 million as of December 31, 2023 to RMB73,000 as of December 31, 2024, and remained at RMB73,000 as of June 30, 2025. They mainly represented fee receivables for one-off technical support services we provided and subsequent collection of fees receivable.

Our trade receivables had no recent history of default amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so our Directors are of the opinion that the ECLs in respect of these balances are minimal. The balances are interest-free and are not secured with collateral.

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

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	165	–	–
1 to 2 years	–	73	–
2 to 3 years	–	–	73
	165	**73**	**73**

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date.

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

	For the year ended December 31,		For the six months ended June 30,
	2023	2024	2025
Trade receivables turnover days(1)	193.0	N/A(2)	N/A(2)

Notes:

(1) Trade receivables turnover days are calculated by dividing the average of the opening and closing balance of trade receivables by revenue and multiplying by 365 days or 180 days, where appropriate.

(2) Trade receivables turnover days are not available for the year ended December 31, 2024 and for the six months ended June 30, 2025 because we did not have revenue in the periods.

Our average trade receivables turnover days were 193.0 days for the year ended December 31, 2023.

As of October 31, 2025, RMB73,000, or 100.0% of our trade receivables as of June 30, 2025 was settled.

Prepayments, other receivables and other assets

The prepayments, other receivables and other assets mainly represent (i) prepayments to suppliers, which primarily consist of advance payments for raw material and services procurement, (ii) deductive input value-added tax, which is expected to be offset against future output VAT, arising from specific transactions such as procurement of R&D and production materials, clinical trials, clinical registrations, and inspection and testing services, (iii) deposits, which primarily comprise office leasing deposits and other miscellaneous receivables related to deposits, (iv) staff advance, which mainly include advances made for portion of social insurance and housing fund contributions withheld, (v) long-term deposits, which mainly include long-term lab premise leasing deposits, and (vi) long-term prepaid expenses, which mainly include prepayments for third-party software system maintenance services.

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

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayments	738	287	352
Deductive input value-added tax	–	184	920
Deposits	6	–	45
Staff advance	–	–	17
Total-current	**744**	**471**	**1,334**
Non-current			
Long-term deposits	214	214	169
Long-term prepaid expenses	350	157	62
Deductible input value-added tax	1,747	2,408	2,271
Total-non-current	**2,311**	**2,779**	**2,502**
Total	**3,055**	**3,250**	**3,836**

Our prepayments, other receivables and other assets increased from RMB3.1 million as of December 31, 2023 to RMB3.3 million as of December 31, 2024, mainly due to an increase in non-current deductive input value-added tax from RMB1.7 million as of December 31, 2023 to RMB2.4 million as of December 31, 2024, primarily because of our procurement of materials and services for purpose of R&D and production.

Our prepayments, other receivables and other assets increased from RMB3.3 million as of December 31, 2024 to RMB3.8 million as of June 30, 2025, mainly due to an increase in current deductive input value-added tax to RMB0.9 million as of June 30, 2025 primarily because of our procurement of materials and services for purpose of R&D and production.

Cash and cash equivalents

Our cash and cash equivalents decreased from RMB44.0 million as of December 31, 2023 to RMB26.6 million as of December 31, 2024. Our cash and cash equivalents further decreased to RMB15.4 million as of June 30, 2025. The decreases in our cash and cash equivalents were primarily due to funding our business operations and our repayment of bank borrowings.

Trade payables

Our trade payables primarily mainly represent balances due to our suppliers of raw materials.

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	464	490	1,625
Total	**464**	**490**	**1,625**

Our trade payables remained stable and was RMB0.5 million as of December 31, 2023 and, 2024, respectively.

Our trade payables increased to RMB1.6 million as of June 30, 2025, primarily due to our purchase of raw materials for production.

The following table sets forth an aging analysis of our trade payables based on the purchase time as of the date indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	464	490	1,608
1 to 2 years	–	–	17
	464	**490**	**1,625**

During the Track Record Period, our major suppliers generally granted us a credit period of nil to 30 days.

We do not have any applicable trade payables turnover days for the year ended December 31, 2024 and for the six months ended June 30, 2025 because we did not have cost of sales in the same periods. Our trade payables turnover days for the year ended December 31, 2023 are not meaningful because the trade payables were not relevant to the cost of sales from one-off technical support services, which were mainly staff costs, we provided for the year ended December 31, 2023.

As of October 31, 2025, RMB1.6 million, or 96.9% of our trade payables as of June 30, 2025 was settled.

Other payables and accruals

Our other payables and accruals primarily represent (i) payroll and welfare payable, which mainly consist of accrued salaries, bonuses and social insurance contributions; (ii) other tax payables, which primarily include value-added tax and other local surcharges; (iii) other payables, which mainly consist of deposits from our distributor customers and unpaid amounts related to miscellaneous expenses.

The following tables set forth the breakdown of the current portion of our other payables and accruals as of the dates indicated.

	As of December 31,		As of June 30,
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	4,441	2,172	1,566
Other taxes payable	123	178	1,103
Other payables	244	2,485	8,390
Total	**4,808**	**4,835**	**11,059**

Our other payables and accruals (current portion) remained stable and were RMB4.8 million as of December 31, 2023 and 2024, respectively.

Our other payables and accruals (current portion) increased to RMB11.1 million as of June 30, 2025, primarily due to an increase in other payables from RMB2.5 million as of December 31, 2024 to RMB8.4 million as of June 30, 2025 mainly because of the deposits from our distributor customers.

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings were nil, RMB10.0 million and nil as of December 31, 2023, 2024, and June 30, 2025, respectively, representing guarantee loans from two commercial banks in China.

Contract liabilities

Our contract liabilities were nil, nil and RMB8.0 million, respectively, as of December 31, 2023 and 2024, and June 30, 2025, which were mainly due to the prepayment received from a distributor customer in relation to our prospective sales of percutaneous puncture surgical robots.

As of October 31, 2025, RMB1.2 million, or 15.6% of our contract liabilities as of June 30, 2025 was recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth selected cash flow data from our statements of cash flows for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash used in operating activities	(28,797)	(26,451)	(16,128)	(162)
Net cash used in investing activities	(1,540)	(283)	(141)	(65)
Net cash (used in)/from financing activities	(1,465)	8,817	9,343	(10,943)
Net decrease in cash and cash equivalents	(31,802)	(17,917)	(6,926)	(11,170)
Cash and cash equivalents at beginning of the year/period	75,250	44,027	44,027	26,633
Effects of exchange rate changes, net	579	523	424	(30)
Total cash and cash equivalents at end of year/period	**44,027**	**26,633**	**37,525**	**15,433**

Net cash used in operating activities

During the Track Record Period, we had incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our R&D costs, selling and distribution expenses and administrative expenses.

For the six months ended June 30, 2025, we had net cash used in operating activities of RMB0.2 million. We had operating cash outflow before movements in working capital of RMB11.5 million, primarily consisting of loss before tax of RMB18.1 million, as adjusted for equity-settled share award expense of RMB5.3 million. Movements in working capital resulted in a net cash inflow of RMB11.3 million, primarily consisting of an increase in contract liabilities of RMB8.0 million, an increase in other payables and accruals of RMB6.3 million, partially offset by an increase in inventories of RMB3.4 million.

For the year ended December 31, 2024, we had net cash used in operating activities of RMB26.5 million. We had operating cash outflow before movements in working capital of RMB22.9 million, primarily consisting of loss before tax of RMB37.0 million, as adjusted for equity-settled share award expense of RMB12.0 million. Movements in working capital resulted in a net cash outflow of RMB3.6 million, primarily consisting of an increase in inventories of RMB3.5 million.

For the year ended December 31, 2023, we had net cash used in operating activities of RMB28.8 million. We had operating cash outflow before movements in working capital of RMB29.1 million, primarily consisting of loss before tax of RMB34.2 million, as adjusted for equity-settled share award expense of RMB3.5 million. Movements in working capital resulted in a net cash inflow of RMB0.3 million, primarily consisting of an increase in other payables and accruals of RMB1.3 million.

Net cash used in investing activities

For the six months ended June 30, 2025, our net cash used in investing activities amounted to RMB65,000, primarily due to purchases of items of property, plant and equipment such as decoration, and certain molds for R&D purpose.

For the year ended December 31, 2024, our net cash used in investing activities amounted to RMB0.3 million, primarily due to purchases of items of property, plant and equipment such as certain molds for R&D purpose.

For the year ended December 31, 2023, our net cash used in investing activities amounted to RMB1.5 million, primarily due to purchases of items of property, plant and equipment such as electronic equipment, servers, and certain molds for R&D purpose.

Net cash used in or from financing activities

For the six months ended June 30, 2025, our net cash used in financing activities amounted to RMB10.9 million, primarily due to repayment of bank borrowings of RMB10.0 million.

For the year ended December 31, 2024, our net cash from financing activities amounted to RMB8.8 million, primarily due to new bank borrowings of RMB15.0 million, partially offset by repayment of bank borrowings of RMB5.0 million.

For the year ended December 31, 2023, our net cash used in financing activities amounted to RMB1.5 million, primarily due to lease payment.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the periods indicated:

	Year ended December 31,		**For the six months ended June 30,**	
	2023	**2024**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
R&D Costs				
R&D Costs for Core Product				
Clinical study expenses	616	25	–	100
Staff costs	4,101	8,624	3,667	4,824
Costs of materials and consumables	890	210	248	179
Others	560	230	119	379
Subtotal	6,167	9,089	4,034	5,482
R&D Costs for Other Product Candidates				
Staff costs	7,316	4,266	3,899	831
Costs of materials and consumables	3,600	1,248	389	30
Others	1,272	577	444	88
Subtotal	12,188	6,091	4,732	949
Workforce employment(1)	7,267	7,903	4,617	3,640
Product marketing	487	1,625	625	815
Production costs(2)	–	3,381	890	1,583
Non-income taxes, royalties and other governmental charges(3)	18	5	2	2

Notes:

(1) Represents total staff costs, excluding those related to R&D and production.

(2) Represents staff, materials and utilities costs for the production of RC120 Puncture Surgical Robots.

(3) Represent the stamp duties paid.

(4) During the Track Record Period, we did not incur any contingency allowance.

Working capital sufficiency

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate cash from operating activities such as the successful commercialization of our products. We believe our funding requirements will be satisfied by using funds from a combination of cash flows from operating activities and net [**REDACTED**] from the [**REDACTED**]. As of October 31, 2025, we had cash and cash equivalents of RMB71.3 million. After taking into consideration the above, and the net [**REDACTED**] from the [**REDACTED**], in the absence of unforeseeable circumstances, our Directors are of the opinion that we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution expenses and administrative expenses for at least the next 12 months from the date of this document.

Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this document, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; (ii) capital expenditures; and (iii) lease payments. Assuming that the average cash burn rate going forward will be 2.5 times the level in the year ended December 31, 2024, we estimate that our cash and cash equivalents as of October 31, 2025 will be able to maintain our financial viability for 11.5 months, or, if we also take into account the estimated net [**REDACTED**] (based on the low-end of the indicative [**REDACTED**]) from the [**REDACTED**], for at least 109.0 months.

INDEBTEDNESS

Indebtedness

Our indebtedness primarily consisted of interest-bearing bank borrowings and lease liabilities. As of December 31, 2023 and 2024 and June 30, 2025 and October 31, 2025, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of June 30,	As of October 31,
	2023	**2024**	**2025**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Non-current				
Lease liabilities	761	143	793	310
Current				
Interest-bearing bank borrowings	–	10,000	–	–
Lease liabilities	834	556	879	875
Total	**1,595**	**10,699**	**1,672**	**1,185**

Bank borrowings

Our bank borrowings amounted to nil, RMB10.0 million, nil and nil, respectively, as of December 31, 2023 and 2024, and June 30, 2025 and October 31, 2025, representing loans from PRC commercial banks, which were primarily used to fund our business operation. During the Track Record Period, our bank borrowings generally bore effective interest rates ranging from 2.80% to 3.10% per annum and guaranteed by the shareholder of the Company, Mr. Liu Jian.

As of October 31, 2025, we did not have any banking facilities.

Our Directors confirm that there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing as of the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Lease liabilities

During the Track Record Period, our lease liabilities were mainly related to the offices we leased for business operations. Our lease liabilities decreased from RMB1.6 million as of December 31, 2023 to RMB0.7 million as of December 31, 2024, primarily due to the payment of rents. Our lease liabilities then increased to RMB1.7 million as of June 30, 2025, primarily due to our extension of leases for our business operations.

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Capital commitments

As of December 31, 2022, 2023 and 2024 and June 30, 2025, we did not have any material capital commitments.

Capital expenditure

Our capital expenditure during the Track Record Period mainly consisted of purchase of property, plant and equipment, and purchase of intangible assets. For the years ended December 31, 2023 and 2024 and six months ended June 30, 2025, our capital expenditure amounted to RMB1.5 million, RMB0.3 million and RMB65,000, respectively. We intend to fund our planned capital expenditures through a combination of cash generated from operating activities as well as the net [**REDACTED**] from the [**REDACTED**]. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the market and changes in the regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTION

During the Track Record Period, our transaction with a related party refers to the bank loan guarantees provided by Mr. Liu Jian for certain bank loans made to our Company of up to RMB10,000,000 as of December 31, 2024, as described in Note 31 to the Accountants' Report in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date or for the period indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
Current ratio(2) (Times)	7.4	1.8	0.9
Quick ratio(3) (Times)	7.4	1.7	0.8
Debt-to-asset ratio(4) (%)	13.0	43.4	73.5

Notes:

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

(2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(3) Debt-to-asset ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total assets and multiplied by 100%.

Our current ratio decreased from 7.4 as of December 31, 2023 to 1.8 as of December 31, 2024. The decrease was primarily due to the increase in interest-bearing bank borrowings as we drew down loan in 2024 to support our business operation. Our current ratio further decreased to 0.9 as of June 30, 2025. The decrease was primarily due to the decrease in cash and cash equivalents, as we funded our daily operations.

Our quick ratio decreased from 7.4 as of December 31, 2023 to 1.7 as of December 31, 2024. The decrease was primarily due to the increase in interest-bearing bank borrowings as we drew down loan in 2024 to support our business operation. Our quick ratio further decreased to 0.8 as of June 30, 2025. The decrease was primarily due to the decrease in cash and cash equivalents, as we funded our daily operations.

Our debt-to-asset ratio increased from 13.0% as of December 31, 2023 to 43.4% as of December 31, 2024. The increase was primarily due to the increase in interest-bearing bank borrowings and the decrease in cash and cash equivalents in 2024. Our debt-to-asset ratio further increased to 73.5% as of June 30, 2025. The increase was primarily due to the increase in lease liabilities and the decrease in cash and cash equivalents in the first half of 2025.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, credit risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 33 to the Accountants' Report in Appendix I to this document for further details.

DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by the Company during the Track Record Period. We currently do not have a fixed dividend payout ratio. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, any final dividends for a financial year will be subject to our Shareholders' approval.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, if we incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2025, our retained earnings were nil, which represented our distributable reserves as of the same date.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Unaudited [**REDACTED**] Financial Information" in Appendix IIA to this document for further details of our unaudited [**REDACTED**] statement of adjusted net tangible assets.

No adjustment has been made to the unaudited [**REDACTED**] adjusted net tangible assets attributable to our equity shareholders to reflect our any trading results or other transactions entered into subsequent to June 30, 2025.

EVENTS AFTER THE TRACK RECORD PERIOD

In September 2025, investors made capital injections of RMB70,000,000 to our Company, among which a total amount of RMB580,843 was registered as Company's paid-in capital and the remaining RMB69,419,157 was credited to capital reserve.

On November 17, 2025, our Company was converted to a joint stock limited liability company, details please refer to Note 1 to the Accountants' Report in Appendix I to this document.

[**REDACTED**] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. We expect to incur total [**REDACTED**] expenses of approximately HK$[**REDACTED**] million (assuming the [**REDACTED**] and the [**REDACTED**] is not exercised and based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range), representing [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**] assuming no H Shares are issued pursuant to the [**REDACTED**] and the [**REDACTED**]. The total [**REDACTED**] expenses consist of (i) approximately HK$[**REDACTED**] million [**REDACTED**] related expenses and (ii) approximately HK$[**REDACTED**] million non-[**REDACTED**] related expenses (including (a) fees and expenses of legal advisors and reporting accountants of approximately HK$[**REDACTED**] million; and (b) other fees and expenses of approximately HK$[**REDACTED**] million). During the Track Record Period, we incurred [**REDACTED**] expenses of [**REDACTED**], [**REDACTED**] of which was charged to our statements of profit or loss and other comprehensive income, and [**REDACTED**] million of which was attributable to the [**REDACTED**] of H Shares and will be deducted from equity upon the [**REDACTED**]. We expect to incur additional [**REDACTED**] expenses of approximately HK$[**REDACTED**] million after the Track Record Period, approximately HK$[**REDACTED**] million of which is expected to be charged to our statements of profit or loss and other comprehensive income, and approximately HK$[**REDACTED**] million of which is attributable to the [**REDACTED**] of H Shares and will be deducted from equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

See "Summary — Recent Developments and No Material Adverse Change" for our recent developments that occurred subsequent to the Track Record Period.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since June 30, 2025, and there is no event since June 30, 2025 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.