You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS. 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 the information provided in this document.

OVERVIEW

Founded in 2018, we are a pioneer and leader in developing and commercializing percutaneous puncture and ablation surgical robots in China. According to CIC, we ranked first in China in terms of the market share for percutaneous puncture and ablation surgical robots for three consecutive years from 2022. We are committed to delivering an end-to-end solution for precise, minimally invasive oncology care, covering clinical needs from early-to-advanced stages and extending to *ex vivo* organ preservation and assessment. We offer a portfolio that includes both domestic and global firsts in percutaneous puncture and ablation, and we have built an intelligent robotic product matrix centered on "percutaneous localization and precision therapy." Our Core Product is a percutaneous puncture surgical robot available in four models, namely, TH-S1, TH-S, TH-S Pro and TH-SA. We hold NMPA Class III registration certificates for TH-S1, TH-S and TH-S Pro for lung and abdominal puncture, and we are expanding the application of TH-S1 to include retroperitoneal lesions. Beyond our Core Product, our pipeline also includes two key products, TH-X MW and TH-X HMW, both percutaneous microwave ablation surgical robots approved for the treatment of liver tumors, and additional product candidates, including the TH-P series of compact percutaneous puncture surgical robots which are approved for lung and abdominal puncture, the MW150 microwave ablation device, the TH-X Cryo cryoablation robot, the TH-LS KI300 and TH-LS LU100 *ex vivo* organ preservation and assessment systems and a full range of dedicated disposables compatible with our surgical robots and organ preservation and assessment systems.

We began to commercialize our Core Product in China in 2023. During the Track Record Period, we generated modest revenue from sales of two models of our Core Product, TH-S1 and TH-S, and disposables on a limited scale. In 2023 and 2024 and the six months ended June 30, 2024 and 2025, our revenue amounted to RMB2.3 million, RMB1.8 million, RMB0.1 million and RMB0.2 million, respectively, and we incurred net losses of RMB95.5 million, RMB92.2 million, RMB53.4 million and RMB56.7 million, respectively. Our net losses mainly resulted from research and development expenses, selling and distribution expenses and administrative expenses incurred in the respective periods.

We expect to continue to incur net losses in the near future. As we continue to advance our R&D efforts with an aim to expanding applications of our Core Product, continue the development of, and seeking approval for our key products and other product pipelines, and strengthen manufacturing and commercialization capabilities, we expect to continue to incur significant amount of research and development expenses and other operating costs. Meanwhile, we are anticipating revenue streams to evolve from the commercialization of our Core Product in the near future. We expect the expanding revenue streams will set the stage for a steady approach towards profitability.

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on March 16, 2018. Pursuant to the supplemental agreements entered into between our Company and the Pre-[**REDACTED**] Investors in relation to the termination of certain of special rights granted by us, including redemption rights which are void *ab initio* as described in note 27 to the Accountants' Report set out in Appendix I to this document, having taking into account the legal and regulatory framework of our Company's jurisdiction and the governing law of the supplementary agreements, the Directors considered that it is appropriate to present the Pre-[**REDACTED**] Investments as equity throughout the Track Record Period in relation to the ordinary shares issued to Pre-[**REDACTED**] investors. For details, see note 27 of the Accountants' Report set out in Appendix I to this document.

Our historical financial information has been prepared in accordance with all applicable IFRS as issued by the International Accounting Standards Board (the "**IASB**"). All IFRS 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.

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe our results of operations and financial conditions are mainly affected by a number of general factors that impact our ability to capitalize on the growth of target markets, including but not limited to (i) the overall economic growth and conditions; (ii) technological advancement in the sectors in which we operate; and (iii) regulatory environment.

In addition, our results of operations are also primarily affected by the following company-specific factors:

Growth and Competitive Landscape of the Global Medical Robot Market

Our financial performance and growth depend on the overall growth of the global, in particular, China's medical robot market. Supported by sustained technological innovation, rising clinical demand for precision and standardized care, and digital transformation across healthcare systems, the global and China's medical robotic market is expected to continue to grow. According to CIC, the global medical robot market has entered a period of rapid growth and is expected to reach US$87.5 billion by 2032. Meanwhile, China is expected to be a major contributor, with market size growing from US$3.4 billion in 2024 to US$22.8 billion by 2032, implying a CAGR of 26.8%, underpinned by policy support, accelerating hospital automation, local manufacturing capacity and cost advantages.

In addition, changes in competitive landscape in the medical robot market in China and globally will also affect our results of operations. Globally, the percutaneous puncture surgical robot market is transitioning into a new phase defined by tighter convergence of imaging navigation, intelligent planning and robotic execution. China's percutaneous puncture surgical robot market is still at an early stage, with a limited pool of approved products and new entrants emerging. As of the Latest Practicable Date, a total of 17 percutaneous puncture surgical robots had obtained NMPA approvals in China (including 4 from us), comprising 15 domestic products and two imported products. Among them, our systems had recorded the highest number of trial installations nationwide in 2024. Going forward, as more market participants enter and contribute to medical robot industry, we expect the overall development of the market to accelerate, thereby fueling its growth. In September 2024, our percutaneous microwave ablation surgical robot obtained NMPA approval. However, due to the late timing of approval, there were no substantive sales recorded in 2024.

We believe that by leveraging our leadership as a pioneer in percutaneous and ablation surgical robots in China, together with our proven track record in clinical applications and strong support of government initiatives promoting the development of innovative enterprises, we are well-positioned to capture expected growth of the market with our robust product portfolio and improve our financial performance and results of operations in the near future as we advance through commercialization.

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. As of the Latest Practicable Date, we had obtained eight NMPA Class III medical device registration certificates (including two under the innovative device program, comprising one domestic first and one global first) and four NMPA Class II registration certificates. As of the same date, the flagship model of our Core Product, TH-S1 was under development for other application in addition to the commercialized application. Beyond our Core Product, our pipeline also includes two key products, TH-X MW and TH-X

HMW, both percutaneous microwave ablation surgical robots approved for the treatment of liver tumors, and additional product candidates, including the TH-P series of compact percutaneous puncture surgical robots which are approved for lung and abdominal puncture, the MW150 microwave ablation device, the TH-X Cryo cryoablation robot, the TH-LS KI300 and TH-LS LU100 *ex vivo* organ preservation and assessment systems and a full range of dedicated disposables compatible with our surgical robots and organ preservation and assessment systems. For more information on the development status of our pipeline products, see "Business—Our Product Portfolio." As a result, our ability to sustain an innovative, safe and efficient pipeline products accepted by the physical and hospital community are crucial for our business and results of operations.

Our Ability to Successfully Ramp up Sales of Approved Product

Our business and results of operations depend on our ability to commercialize our pipeline candidates, if they are approved, for marketing. During the Track Record Period, we sold two models of our Core Product, TH-S1 and TH-S, both of which were commercially launched in 2023. As we generate revenue primarily from product sales, pricing and sales volume of our commercialized products has a significant impact on our results of operations. Currently, we are still in the early stage of commercialization and we are in the process of promoting market acceptance of our products by the physician and hospital communities. In addition, we plan to expand our international footprint and build global presence. For example, we expect to submit the CE marking application for TH-S1 in the first quarter of 2026. Our ability to do so, however, depends on the successful commercialization of such product and whether we are able to effectively implement our marketing strategies. Our key products and other pipeline products, after obtaining relevant regulatory approvals, may also require significant marketing efforts to improve market acceptance before we generate any revenue from product sales.

Our Ability to Improve Operating Efficiency

Our profitability will depend upon our ability to effectively control our cost of sales and improve operating efficiency. Our cost of sales primarily consists of (i) raw material costs; (ii) manufacturing costs, including depreciation and amortization, utility costs, and repair and maintenance expenses; and (iii) labor costs. Our cost of sales as a percentage of revenue was 18.0%, 26.9%, 65.0% and 32.9% in 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively. Currently, we are still in an early stage of commercializing our products. As our production volume and revenue grow, we expect our cost of sales as a percentage of revenue may decrease, which will drive our future business growth. For details, see "—Principal Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income."

In addition, our business and results of operations are significantly affected by our operating cost structure, which primarily consisted of research and development expenses, administrative expenses and selling and distribution expenses during the Track Record Period.

Research and development activities are central to our business. Our R&D efforts are guided by unmet needs evidenced in the surgical robot market, and we strive to address these clinical needs by advancing surgical robots to benefit both physicians and patients on a wider scale. See "Business—Research and Development." In 2023 and 2024 and the six months ended June 30, 2024 and 2025, our research and development expenses amounted to RMB40.8 million, RMB50.8 million RMB22.5 million and RMB23.4 million, respectively, representing 41.3%, 40.4%, 41.8% and 40.2% of our total operating expenses (being research and development expenses, administrative expenses and selling and distribution expenses), respectively. Our research and development expenses primarily consist of (i) staff costs, including salaries, bonus and welfare for research and development employees; (ii) raw material costs; (iii) depreciation and amortization, mainly attributable to our machinery and equipment used for R&D purposes; (iv) clinical trial and testing expenses primarily including payments to CROs and other medical institutions and testing fees incurred during the research and development of our pipeline products; (v) office expenses; and (vi) third-party contracting costs, primarily including technical service fees. We expect that our research and development 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 earlier clinical stage into more advanced clinical trials and advance preclinical programs into clinical trials, as well as our continued clinical development of our pipeline products.

We had established an in-house sales and marketing team comprising 50 members as of the Latest Practicable Date to provide our end customers with dedicated support. In 2023 and 2024 and the six months ended June 30, 2024 and 2025, we incurred sales and distribution expenses of RMB27.7 million, RMB40.1 million, RMB16.6 million and RMB18.2 million, respectively. As we expect to ramp up sales of our commercialized products and receive marketing approvals for more pipeline products, we will further expand our sales and marketing efforts and our in-house sales and marketing team, and our selling and distribution expenses will increase accordingly.

Our administrative expenses primarily consist of (i) staff costs; (ii) business development expenses; (iii) depreciation and amortization; (iv) office and traveling expenses; and (v) professional service fees, in relation to market studies on local policies and routine legal, valuation and auditing services. In 2023 and 2024 and the six months ended June 30, 2024 and 2025, we incurred administrative expenses of RMB30.1 million, RMB34.9 million, RMB14.7 million and RMB16.6 million, respectively. We expect our administrative expenses to increase in the future to support our business expansion. We also anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company.

We expect our cost structure to evolve as our business expands and as we develop and launch new products in the future. Going forward, we will continue to endeavor to further improve operating efficiency and to achieve economies of scale to enhance our profit margin.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective estimates and assumptions, as well as complex judgments related to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. 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 to these estimates and assumptions in the foreseeable future. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions.

We believe that the (i) material accounting information in relation to research and development costs, revenue recognition, fair value measurement, investments and other financial assets and classification as equity and financial liabilities, as detailed in note 2.3 to the Accountants' Report in Appendix I to this document; and (ii) accounting judgments and estimates including research and development expenses, recognition of income taxes and deferred tax assets, impairment of non-financial assets, among others, as set forth in details in note 3 to the Accountants' Report in Appendix I to this document are critical and/or involve the most important estimates and judgments we used in preparing our financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Year ended December 31,		Six months ended June 30,	
	2023	2024	2024	2025
	(RMB'000)			
			(unaudited)	
Revenue	**2,301**	**1,791**	**100**	**173**
Cost of sales	(415)	(481)	(65)	(57)
Gross profit	**1,886**	**1,310**	**35**	**116**
Other income and gains	1,593	33,264	585	1,636
Selling and distribution expenses	(27,701)	(40,094)	(16,550)	(18,170)
Administrative expenses	(30,124)	(34,851)	(14,710)	(16,622)
Research and development expenses	(40,754)	(50,846)	(22,472)	(23,371)
(Provision for)/reversal of impairment loss of financial assets, net	(3)	(34)	(11)	35

	Year ended December 31,		Six months ended June 30,	
	2023	2024	2024	2025
	(RMB'000)			
			(unaudited)	
Other expenses	–	(308)	(29)	(170)
Finance costs	(438)	(594)	(209)	(188)
Loss before tax	**(95,541)**	**(92,153)**	**(53,361)**	**(56,734)**
Income tax expense	–	(3)	–	–
Loss and total comprehensive loss for the year/period	**(95,541)**	**(92,156)**	**(53,361)**	**(56,734)**
Attributable to:				
Owners of the parent	(94,928)	(92,156)	(53,361)	(56,734)
Non-controlling interests	(613)	–	–	–

For details on the accounting treatment of redemption rights of Pre-[**REDACTED**] investments, see "—Share Capital and Total Equity" and note 27 to the Accountants' Report set out in Appendix I to this document.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated modest revenue from sales of two models of Core Product, TH-S1 and TH-S, and sales of disposables, which are single-use consumables compatible with our surgical robots, supporting their continued use and functionality. We derived all of our revenue from the PRC during the Track Record Period. The following table sets forth a breakdown of our revenue by product type, both in absolute amount and as a percentage of total, as for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2023		2024		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
					(unaudited)			
Surgical robots	2,301	100.0	1,593	88.9	–	–	–	–
Disposables	–	–	198	11.1	100	100.0	173	100.0
Total	**2,301**	**100.0**	**1,791**	**100.0**	**100**	**100.0**	**173**	**100.0**

Comparison between the six months ended June 30, 2024 and 2025. Our revenue increased from RMB0.1 million in the six months ended June 30, 2024 to RMB0.2 million in the six months ended June 30, 2025. For both periods, we derived all of our revenue from sales of disposables. We expect the sales of disposables to increase in the future, driven by the rising adoption of our surgical robots by physicians and hospitals.

Comparison between 2023 and 2024. Our revenue decreased from RMB2.3 million in 2023 to RMB1.8 million in 2024. The fluctuation in revenue was primarily attributable to the variations in the models of surgical robot sold, each carrying different selling prices.

Cost of Sales

Our cost of sales primarily consists of (i) raw material costs; (ii) manufacturing costs, mainly including depreciation and amortization, utility costs and repair and maintenance expenses; and (iii) labor costs. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
					(unaudited)			
Raw material costs	361	87.0	450	93.6	58	89.2	51	89.5
Manufacturing costs	17	4.1	22	4.6	7	10.8	6	10.5
Labor costs	37	8.9	9	1.9	–	–	–	–
Total	**415**	**100.0**	**481**	**100.0**	**65**	**100.0**	**57**	**100.0**

Comparison between the six months ended June 30, 2024 and 2025. Our cost of sales decreased from RMB65,000 in the six months ended June 30, 2024 to RMB57,000 in the six months ended June 30, 2025, primarily due to the use of domestically sourced substitute materials of lower costs, as well as a reduction in unit costs resulting from increased production volume.

Comparison between 2023 and 2024. Our cost of sales increased from RMB0.4 million in 2023 to RMB0.5 million in 2024, primarily due to the increased raw material costs in relation to disposables sold in 2024.

Gross Profit and Gross Profit Margin

Our gross profit was RMB1.9 million, RMB1.3 million, RMB35,000 and RMB0.1 million in 2023 and 2024 and in the six months ended June 30, 2024 and 2025, respectively. We achieved a gross profit margin of 82.0%, 73.1%, 35.0% and 67.1% in 2023 and 2024 and in the six months ended June 30, 2024 and 2025, respectively.

Our gross profit margin is influenced by a number of interrelated factors. These include variations in the mix of products sold, the pricing of our products and the scale of our manufacturing operations. Additionally, products in early stages of development may incur higher initial costs, which can impact our profit margins. Fluctuations in raw material prices, labor costs and overall operational efficiency may further contribute to changes in our gross profit margin.

Comparison between the six months ended June 30, 2024 and 2025. Our gross profit margin increased from 35.0% in the six months ended June 30, 2024 to 67.1% in the six months ended June 30, 2025, primarily due to the use of domestically sourced substitute material of lower costs in 2025, as well as the improved economies of scale resulting from increased production volume.

Comparison between 2023 and 2024. Our gross profit margin decreased from 82.0% in 2023 to 73.1% in 2024, primarily as we sold disposables of lower gross profit margin in 2024. In addition, gross profit margin from sales of our surgical robots fluctuated, primarily affected by the pricing and types of surgical robot sold.

Other Income and Gains

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2023	2024	2024	2025
	(RMB'000)			
			(unaudited)	
Other income				
Government grants	471	31,904	15	578
Bank interest income	174	623	392	182
Investment income from financial products	589	695	95	697
Others	6	11	–	–
Gains				
Fair value gains on financial assets at fair value through profit or loss	–	–	26	169
Gain on termination of a lease contract	353	31	57	10
Total	**1,593**	**33,264**	**585**	**1,636**

Comparison between the six months ended June 30, 2024 and 2025. Our other income and gains increased significantly from RMB0.6 million in the six months ended June 30, 2024 to RMB1.6 million in the six months ended June 30, 2025, primarily due to (i) an increase in investment income from financial products as a result of the increased investments; and (ii) an increase in government grants in relation to the development of our products, as part of our treasury management to generate income from surplus cash after we received capital contribution from our Pre-[**REDACTED**] investors in early 2025.

Comparison between 2023 and 2024. Our other income and gains increased significantly from RMB1.6 million in 2023 to RMB33.3 million in 2024, primarily due to an increase in government grants reflecting (i) award amount from Hengqin Guangdong-Macao In-Depth Cooperation Zone Economic Development Bureau in September 2024. In January 2024, we received First Prize at the 3rd Hengqin International Sci-Tech Innovation Competition with an award amount of RMB50.0 million of which RMB22.5 million was recognized in 2024; and (ii) award amount related to the recognition as "Potential Unicorn" of RMB6.0 million.

Selling and Distribution Expenses

Our selling and distribution expenses consisted of (i) staff costs, including salaries, bonus and welfare for our sales personnel; (ii) office and business expenses, mainly representing expenses incurred for business development activities, traveling expenses for our sales personnel and other office expenses; (iii) marketing expenses, mainly representing costs incurred in relation marketing campaigns targeting our distributors and trainings provided to hospitals; (iv) depreciation and amortization, mainly arising from surgical robots for trial uses; and (v) others. The following table sets forth a breakdown of our selling and distribution expenses by nature for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
					(unaudited)			
Staff costs	19,554	70.6	20,950	52.3	11,157	67.4	9,421	51.8
Office and business expenses	6,084	22.0	7,854	19.6	2,675	16.2	4,800	26.4
Marketing expenses	810	2.9	7,306	18.2	975	5.9	2,123	11.7
Depreciation and amortization	766	2.8	2,482	6.2	1,128	6.8	1,356	7.5
Others	487	1.7	1,502	3.7	615	3.7	470	2.6
Total	**27,701**	**100.0**	**40,094**	**100.0**	**16,550**	**100.0**	**18,170**	**100.0**

Comparison between the six months ended June 30, 2024 and 2025. Our selling and distribution expenses increased by 9.8% from RMB16.6 million in the six months ended June 30, 2024 to RMB18.2 million in the six months ended June 30, 2025, primarily due to an increase in office and business expenses and marketing expenses as a result of increased overall marketing activities, partially offset by a decrease in staff costs as a result of our adjustments to sales team structure.

Comparison between 2023 and 2024. Our selling and distribution expenses increased by 44.7% from RMB27.7 million in 2023 to RMB40.1 million in 2024, primarily due to a significant increase in marketing expenses and other expenses, reflecting our increased marketing activities to promote our Core Product after we obtained relevant regulatory approvals.

Administrative Expenses

Our administrative expenses consisted of (i) staff costs, including salaries, bonus and welfare for administrative personal and our management; (ii) business development expenses; (iii) depreciation and amortization; (iv) office and traveling expenses; (v) professional service fees, in relation to market studies on local policies and routine legal, valuation and auditing services; and (vi) others. The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
					(unaudited)			
Staff costs	11,979	39.8	12,390	35.6	6,153	41.8	6,748	40.6
Business development expenses	2,500	8.3	5,287	15.2	1,877	12.8	2,570	15.5
Depreciation and amortization	5,341	17.7	5,057	14.5	2,337	15.9	2,567	15.4
Office and traveling expenses	5,959	19.8	5,701	16.4	2,810	19.1	2,439	14.7
Professional service fees	4,226	14.0	6,311	18.1	1,508	10.3	2,281	13.7
Others	119	0.4	105	0.2	25	0.1	17	0.1
Total	**30,124**	**100.0**	**34,851**	**100.0**	**14,710**	**100.0**	**16,622**	**100.0**

Comparison between the six months ended June 30, 2024 and 2025. Our administrative expenses increased by 13.0% from RMB14.7 million in the six months ended June 30, 2024 to RMB16.6 million in the six months ended June 30, 2025, primarily due to (i) the increase in professional service fees; (ii) the increase in business development expenses; and (iii) the increase in staff costs. These increases were mainly driven by our business expansion.

Comparison between 2023 and 2024. Our administrative expenses increased by 15.7% from RMB30.1 million in 2023 to RMB34.9 million in 2024, primarily due to (i) the increase in business development expenses; (ii) the increase in professional service fees to support our business as a result of our business expansion.

Research and Development Expenses

Our research and development expenses consist of (i) staff costs, including salaries, bonus and welfare for research and development employees; (ii) raw material costs; (iii) depreciation and amortization, mainly attributable to our machinery and equipment used for R&D purposes; (iv) clinical trial and testing expenses primarily including payments to CROs and other medical institutions and testing fees incurred during the research and development of our pipeline products; (v) office expenses; (vi) third-party contracting costs, primarily including technical service fees and (vii) others. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2023		2024		2024		2025	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
					(unaudited)			
Staff costs	22,273	54.6	27,856	54.8	13,729	61.1	14,480	62.0
Raw material costs	4,140	10.2	7,963	15.7	1,770	7.9	3,636	15.6
Depreciation and amortization	3,644	8.9	5,656	11.1	2,643	11.8	3,225	13.8
Clinical trial and testing expenses	4,904	12.0	3,588	7.1	1,343	6.0	960	4.1
Office expenses	1,084	2.7	1,380	2.7	607	2.7	857	3.7
Third-party contracting costs	4,647	11.4	4,281	8.4	2,264	10.1	103	0.4
Others	62	0.2	122	0.2	116	0.4	110	0.4
Total	**40,754**	**100.0**	**50,846**	**100.0**	**22,472**	**100.0**	**23,371**	**100.0**

Our research and development expenses attributable to our Core Product were RMB23.2 million, RMB11.9 million, RMB10.1 million and RMB7.4 million in 2023 and 2024 and the six months ended June 30, 2024 and 2025, respectively, accounting for 23.5%, 9.4%, 18.7% and 12.8% of our total operating expenses (i.e. research and development costs, selling and distribution expenses and administrative expenses collectively) in the respective period. Our research and development costs attributable to our Core Product decreased from RMB23.2 million in 2023 to RMB11.9 million in 2024 and from RMB10.1 million in the six months ended June 30, 2024 to RMB7.4 million in the six months ended June 30, 2025, primarily as we allocated resources to the marketing and promotion of the products that were commercially launched in 2023 and invested in development of our key products and other product pipeline. In the six months ended June 30, 2025, our research and development costs attributable to our Core Product were mainly attributable to its iterated model, TH-SA. We expect to continue to incur research and development costs for our Core Product as we continue our R&D to expand its application and to pursue product iteration.

Comparison between the six months ended June 30, 2024 and 2025. Our research and development expenses remained relatively stable at RMB22.5 million and RMB23.4 million in the six months ended June 30, 2024 and 2025, respectively. Such change was a combined effect of (i) the increases in staff costs and raw material costs; and (ii) the decrease in third-party contracting costs as well as clinical trial and testing expenses. The composition of our research and development costs generally fluctuated from period to period, depending on the stage of development of our products.

Comparison between 2023 and 2024. Our research and development expenses increased by 24.8% from RMB40.8 million in 2023 to RMB50.8 million in 2024, primarily due to (i) the increase in staff costs, following the adjustment to our R&D personnel structure including the hiring of new R&D staff and salary increment; (ii) the increases in raw material costs and third-party contracting costs incurred, which relates to our increased R&D activities for TH-P and perfusion system products; and (iii) the increase in depreciation and amortization. Such increases were partially offset by the decrease in clinical trial and testing expenses.

Provision for/(Reversal of) Impairment Loss of Financial Assets, net

Our impairment losses on financial assets mainly arose from our other receivables. In 2023, 2024 and the six months ended June 30, 2024, we incurred provision for impairment losses on financial assets of RMB3,000, RMB34,000 and RMB11,000, respectively. In the six months ended June 30, 2025, we recorded reversal of impairment loss on financial assets of RMB35,000, as our other receivables decreased.

Other Expenses

Our other expenses mainly consisted of donations and write-off of certain electronic equipment. In 2023, 2024 and the six months ended June 30, 2024 and 2025, we incurred other expenses of nil, RMB0.3 million, RMB29,000 and RMB0.2 million, respectively.

Finance Costs

Our finance costs consisted of (i) interest on bank and other loans; and (ii) interest on lease liabilities. In 2023, 2024 and the six months ended June 30, 2024 and 2025, we incurred finance costs of RMB0.4 million, RMB0.6 million, RMB0.2 million and RMB0.2 million, respectively.

Comparison between the six months ended June 30, 2024 and 2025. Our finance costs remained stable at RMB0.2 million in the six months ended June 30, 2024 and 2025.

Comparison between 2023 and 2024. Our finance costs increased from RMB0.4 million in 2023 to RMB0.6 million in 2024, primarily due to an increase in interest on lease liabilities as we entered into new lease contracts for office building.

Income Tax

Our income tax primarily consisted of 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.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no material disputes or unresolved tax issues with the relevant tax authorities. The following sets forth our principal applicable tax rates in different jurisdictions:

Chinese Mainland

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("EIT") rate of the PRC subsidiaries was 25% during the Track Record Period except for our Company which was subject to tax concession set out below. A preferential tax treatment is available to our Company, which was recognized as a High and New Technology Enterprise in 2023, and a lower corporate income tax of 15% has been applied since then. A preferential tax treatment is available to True Health (Guangdong Hengqin) and True Health (Beijing), which were recognized as a High and New Technology Enterprise in 2024, and a lower corporate income tax of 15% has been applied since then. The certificate of High and New Technology Enterprise must be renewed every three years.

Macau

Our subsidiary incorporated in Macau is subject to Macau profits tax at the rate of 12% on the estimated assessable profits arising in Macau. No provision for Macau profits tax has been made as we had no assessable profits derived from or earned in Macau during the Track Record Period.

In 2023 and the six months ended June 30, 2024 and 2025, we did not incur any income tax as we did not have any assessable profits. In 2024, we incurred tax expense of RMB3,000, resulting from the assessment profits arising from investment gains of wealth management products in our subsidiary.

DISCUSSION OF CERTAIN KEY ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		As of June 30,
	2023	2024	2025
		(RMB'000)	
Non-current assets			
Property, plant and equipment	13,632	16,659	14,818
Right-of-use assets	8,630	11,957	8,167
Intangible assets	2,107	1,411	996
Investment in an associate	–	–	400
Prepayments, deposits and other receivables	6,923	11,633	13,589
Total non-current assets	**31,292**	**41,660**	**37,970**
Current assets			
Inventories	8,178	21,688	28,042
Prepayments, deposits and other receivables	4,386	8,119	16,021
Financial assets at fair value through profit or loss	–	–	140,169
Cash and cash equivalents	122,484	83,908	78,700
Total current assets	**135,048**	**113,715**	**262,932**
Current liabilities			
Trade payables	55	885	1,852
Other payables and accruals	14,006	15,134	7,895
Contract liabilities	549	2,230	2,407
Lease liabilities	4,776	6,361	4,708
Tax payable	–	2	–
Total current liabilities	**19,386**	**24,612**	**16,862**
Net current assets	**115,662**	**89,103**	**246,070**
Total assets less current liabilities	**146,954**	**130,763**	**284,040**
Non-current liabilities			
Lease liabilities	4,114	5,307	2,788
Deferred income	1,092	6	8,196
Total non-current liabilities	**5,206**	**5,313**	**10,984**
NET ASSETS	**141,748**	**125,450**	**273,056**
Equity			
Equity attributable to owners of the parent			
Paid-in capital	23,545	24,698	32,082
Reserves	118,203	100,752	240,974
TOTAL EQUITY	**141,748**	**125,450**	**273,056**

For details on the accounting treatment of redemption rights of Pre-[**REDACTED**] investments, see "—Share Capital and Total Equity" and note 27 to the Accountants' Report set out in Appendix I to this document.

Property, Plant and Equipment

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

	As of December 31,		As of June 30,
	2023	2024	2025
		(RMB'000)	
Machinery and equipment	10,637	14,145	13,085
Leasehold improvements	1,606	1,723	919
Electronic equipment	1,090	633	700
Motor vehicles	128	90	71
Office equipment	171	68	43
Total	**13,632**	**16,659**	**14,818**

Our property, plant and equipment increased from RMB13.6 million as of December 31, 2023 to RMB16.7 million as of December 31, 2024, primarily due to the additions of machinery and equipment for our production. Our property, plant and equipment decreased from RMB16.7 million as of December 31, 2024 to RMB14.8 million as of June 30, 2025, primarily attributable to the depreciation charged during the period.

Intangible Assets

Our intangible assets comprised the software and intellectual property used in our operations. As of December 31, 2023 and 2024 and June 30, 2025, our intangible assets amounted to RMB2.1 million, RMB1.4 million and RMB1.0 million, respectively. The continued decrease throughout the Track Record Period was mainly due to the amortization of our software and intellectual property during the period.

Inventories

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)	
Raw materials	6,561	8,921	9,021
Finished goods	1,617	12,767	19,021
Total	**8,178**	**21,688**	**28,042**

Our inventories increased significantly from RMB8.2 million as of December 31, 2023 to RMB21.7 million as of December 31, 2024 and further to RMB28.0 million as of June 30, 2025, primarily due to the increase in raw materials and finished goods to fulfill our orders.

As of the end of each period during the Track Record Period, we had significant inventory balance relative to our sales amount, primarily as we were in the process of ramping up our sales, as well as the stocking up raw materials for future production. As of December 31, 2023 and 2024 and June 30, 2025, we had inventories aged over one year of nil, RMB0.3 million and RMB4.0 million, respectively, accounting for nil, 1.2% and 14.2% of our total inventories as of the respective dates, which represented finished goods of surgical robots produced based on customers' orders. We had not made any provision for our inventories with aged over one year during the Track Record Period, considering that these surgical robots are generally produced to orders to be delivered to our customers.

As of October 31, 2025, RMB5.3 million of our inventories as of June 30, 2025 had been utilized or sold.

Prepayments, Deposits and Other Receivables

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

	As of December 31,		As of June 30,
	2023	2024	2025
		(RMB'000)	
Non-current			
Prepayments for long-term assets[1]	2,031	–	–
Deposits[2]	1,540	1,201	598
Value-added tax recoverable	3,365	10,442	12,996
	6,936	11,643	13,594
Impairment allowance	(13)	(10)	(5)
Subtotal	6,923	11,633	13,589
Current			
Prepayments[3]	3,915	3,330	14,688
Deposits[2]	394	799	1,264
Other receivables[4]	81	4,031	80
	4,390	8,160	16,032
Impairment allowance	(4)	(41)	(11)
Subtotal	4,386	8,119	16,021
Total	**11,309**	**19,752**	**29,610**

Notes:

(1) Including prepayments for purchases of property, plant and equipment.

(2) Mainly including rental deposits, which were classified into current and non-current assets depending on terms of the underlying leases.

(3) Mainly including prepayments for purchase of inventories and other services.

(4) Mainly representing cash in transit, being cross-border remittances pending clearance by bank as of the period-end date.

Our prepayments, deposits and other receivables as recognized under non-current assets increased from RMB6.9 million as of December 31, 2023 to RMB11.6 million as of December 31, 2024, primarily due to an increase in value-added tax recoverable, arising from our purchases of inventories and other services. Our prepayments, deposits and other receivables as recognized under non-current assets increased slightly from RMB11.6 million as of December 31, 2024 to RMB13.6 million as of June 30, 2025, primarily due to a further increase in value-added tax recoverable.

Our prepayments, deposits and other receivables as recognized under current assets increased from RMB4.4 million as of December 31, 2023 to RMB8.1 million as of December 31, 2024, primarily due to an increase in other receivables in relation certain cross-border remittances pending clearance by bank as of December 31, 2024, which had been subsequently recorded as cash and cash equivalents after the year end date. Our prepayments, deposits and other receivables as recognized under current assets increased from RMB8.1 million as of December 31, 2024 to RMB16.0 million as of June 30, 2025, primarily due to an increase in prepayments for purchases of inventories.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at FVTPL represented our investments in wealth management products as part of our treasury management to generate income from surplus cash. As of June 30, 2025, we had financial assets at FVTPL amounting to RMB140.2 million.

During the Track Record Period, we generally invested in products classified as low-risks with terms generally ranging from one to six months. All applications for investments in wealth management products are prepared and submitted by the finance department, and are subject to review and approval by our general manager. In evaluating such investments, our management takes into account our future operating cash flows to ensue liquidity for our business needs.

Trade Payables

Our trade payables primarily represented outstanding amounts due to our suppliers, which are mainly suppliers for raw materials and research and development services. The following table sets forth the aging analysis of our trade payables, based on the invoice date, as of the dates indicated:

	As of December 31,		As of June 30, 2025
	2023	2024	
		(RMB'000)	
Within 3 months	36	796	1,822
3 to 6 months	1	80	8
6 to 12 months	5	8	21
Over 1 year	13	1	1
Total trade payables	**55**	**885**	**1,852**

Our trade payables increased significantly from RMB55,000 as of December 31, 2023 to RMB0.9 million as of December 31, 2024 and further increased to RMB1.9 million as of June 30, 2025, primarily due to the increase in purchases to support our orders and R&D activities.

We calculate the trade payable turnover days using the average of the opening and ending trade payables balances for the period, divided by total purchases for the relevant period, multiplied by the number of days in the relevant period (i.e. 365 days for each of the years ended December 31, 2023 and 2024 and 181 days in the six months ended June 30, 2025). The following table sets forth our trade payable turnover days for the periods indicated:

	Year ended December 31,		Six months ended June 30,
	2023	**2024**	**2025**
Trade payable turnover days	8	2	8

During the Track Record Period, we recorded a relatively low trade payable turnover days as certain of our purchases required advance payments.

As of October 31, 2025, RMB1.7 million of our trade payables as of June 30, 2025 were subsequently settled.

Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
		(RMB'000)	
Payroll payables	7,466	9,282	6,289
Loan from a Director	–	976	–
Loan from a Director's family member	–	273	–
Other payables[(1)]	5,494	954	922
Other tax payables	1,046	3,649	684
Total other payables and accruals	**14,006**	**15,134**	**7,895**

Note:

(1) Mainly including finance service fee payable and other miscellaneous payables.

Our other payables and accruals increased by 8.1% from RMB14.0 million as of December 31, 2023 to RMB15.1 million as of December 31, 2024, due to (i) an increase in other tax payables; (ii) an increase in payroll payables, generally in line with the increase in our headcount; and (iii) an increase in loan from a Director, representing a loan from Ms. Cheong amounting to MOP1,000,000 at an interest rate of 12% per annum. Such increases were partially offset by a decrease in other payables as a result of the settlement of the finance service fee during the year. Our other payables and accruals decreased by 47.8% from RMB15.1 million as of December 31, 2024 to RMB7.9 million as of June 30, 2025, primarily due to (i) a decrease in other tax payables as a result of settlement made to tax authorities; and (ii) a decrease in payroll payables as a result of the settlement of bonus payment during the period.

Deferred Income

Our deferred income arose from subsidies received from the government in relation to our researches and capital investments. The relevant grant is recognized as other income in profit or loss as the underlying project progresses upon the fulfillment of certain conditions.

Our deferred income decreased significantly from RMB1.1 million as of December 31, 2023 to RMB6,000 as of December 31, 2024, primarily due as we recognized the previously received government grants to the profit or loss as the recognition conditions are fulfilled. Our deferred income increased from RMB6,000 as of December 31, 2024 to and RMB8.2 million as of June 30, 2025, primarily as we received more government subsidies.

Share Capital and Total Equity

Our paid-in capital/share capital amounted to RMB23.5 million, RMB24.7 million and RMB32.1 million as of December 31, 2023, 2024 and June 30, 2025, respectively.

Pursuant to the shareholder's agreements entered into between our Company and certain of the Pre-[**REDACTED**] Investors (collectively the "Agreements"), our Company issued 13,388,227 ordinary shares, representing the number of shares after the conversion into a joint stock company, to certain Pre-[**REDACTED**] Investors for a total net cash proceeds of RMB640.0 million. Pursuant to the Agreements, we granted the Pre-[**REDACTED**] Investors with special rights ("Special Rights") including, among others, redemption rights.

During the Track Record Period, there was no exercise of Special Rights.

From May 2025 to November 2025, our Company and the Pre-[**REDACTED**] Investors subsequently entered into supplemental agreements, pursuant to which we had irrecoverably terminated certain of the Special Rights to Pre-[**REDACTED**] investors, including redemption rights and such special rights were considered *void ab initio*. Taking into account the legal and regulatory framework of our Company's jurisdiction and the governing law of the supplemental agreements, our Directors considered that it is appropriate to present the Pre-[**REDACTED**] Investments as equity throughout the Track Record Period.

For illustrative purpose, had the Special Rights granted to the Pre-[**REDACTED**] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements, the redemption financial liabilities, total current liabilities and net deficits would have been:

	As of December 31,		As of June 30,
	2023	2024	2025
		(RMB'000)	
Redemption financial liabilities	388,129	499,590	542,195
Total current liabilities	407,515	524,202	559,057
Net deficits	(246,381)	(374,140)	(269,139)

The finance costs associated with the redemption financial liabilities, the total net losses, basic and dilutive loss per share would have been:

	Year ended December 31,		Six months ended June 30,	
	2023	2024	2024	2025
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance costs associated with the redemption financial liabilities	25,355	35,605	13,984	33,403
Total net losses	(120,896)	(127,761)	(67,345)	(90,137)
Basic and dilutive loss per share (RMB per share)	(5.60)	(5.30)	(2.86)	(3.11)

NET CURRENT ASSETS

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

	As of December 31,		As of June 30,	As of October 31,
	2023	2024	2025	2025
		(RMB'000)		
				(unaudited)
Current assets				
Inventories	8,178	21,688	28,042	37,392
Trade receivables	–	–	–	2,538
Prepayments, deposits and other receivables	4,386	8,119	16,021	17,815
Financial assets at fair value through profit or loss	–	–	140,169	139,930
Cash and cash equivalents	122,484	83,908	78,700	64,369
Total current assets	**135,048**	**113,715**	**262,932**	**262,044**
Current liabilities				
Trade payables	55	885	1,852	608
Other payables and accruals	14,006	15,134	7,895	10,969
Contract liabilities	549	2,230	2,407	2,046
Lease liabilities	4,776	6,361	4,708	5,451
Tax payable	–	2	–	–
Total current liabilities	**19,386**	**24,612**	**16,862**	**19,074**
Net current assets	**115,662**	**89,103**	**246,070**	**242,970**

We had net current assets of RMB115.7 million, RMB89.1 million, RMB246.1 million and RMB243.0 million as of December 31, 2023 and 2024, June 30, 2025 and October 31, 2025, respectively.

Our net current assets decreased from RMB115.7 million as of December 31, 2023 to RMB89.1 million as of December 31, 2024, primarily due to a significant decrease in cash and cash equivalents as we spent cash on operations and capital expenditure. Our net current assets increased significantly from RMB89.1 million as of December 31, 2024 to RMB246.1 million as of June 30, 2025, primarily due to the increase in financial assets at fair value through profit or loss as we invested our cash from contribution by Pre-[**REDACTED**] Investors for treasury management purpose. Our net current assets remained relatively stable at RMB246.1 million as of June 30, 2025 and RMB243.0 million as of October 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our use of cash was primarily related to research and development activities, operating activities and capital expenditure. Historically, we financed our operations mainly through funds from our investors, cash generated from our operating activities and financing activities. As of December 31, 2023 and 2024 and June 30, 2025, we had cash and cash equivalents of RMB122.5 million, RMB83.9 million and RMB78.7 million, respectively. In addition, as of June 30, 2025, we had financial assets at fair value through profit or loss of RMB140.2 million. As of October 31, 2025, we did not have any unutilized banking facilities.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating activities, financing activities, and [**REDACTED**] from the [**REDACTED**].

Cash Flows Analysis

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,		Six months ended June 30,	
	2023	2024	2024	2025
	(RMB'000)		*(unaudited)*	
Net cash flows used in operating activities	(83,966)	(97,045)	(56,684)	(62,703)
Net cash flows used in investing activities	(657)	(6,658)	(30,418)	(140,967)
Net cash flows from financing activities	139,623	65,133	45,128	198,678
Net increase/(decrease) in cash and cash equivalents	55,000	(38,570)	(41,974)	(4,992)
Cash and cash equivalents at the beginning of the year/period	67,484	122,484	122,484	83,908
Effect of foreign exchange rate changes, net	–	(6)	(5)	(216)
Cash and cash equivalents at the end of the year/period	122,484	83,908	80,505	78,700

Operating Activities

Cash flows from operating activities consist of our loss before tax adjusted for (i) certain non-cash or non-operating activities related items, primarily including finance costs, interest income, depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, investment income from financial assets and impairment losses on financial assets, among with others; (ii) the effects of movement in working capital such as inventories, prepayments, deposits and other receivables and other payables and accruals, among others, and (iii) income tax paid. Cash flows from operating activities can be significantly affected by factors such as fluctuations of loss before tax across periods, and the amount of payment of trade payables to suppliers or other counterparties during the ordinary course of our business, which also primarily accounted for the difference in the net cash flows generated from operating activities across periods during the Track Record Period. We recorded net operating cash outflow throughout the Track Record Period as our business was still at early stage of development with only a limited number of commercialized products.

Our net cash used in operating activities was RMB62.7 million in the six months ended June 30, 2025. This net cash outflow was attributable to (i) loss before tax of RMB56.7 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) depreciation of right-of-use assets of RMB3.9 million; (ii) depreciation of property, plant and equipment of RMB3.0 million, and (iii) investment income from financial products of RMB0.7 million. This amount was further adjusted for the negative effect in working capital. The negative effect of changes in working capital primarily represents (i) an increase in prepayments, deposits and other receivables of RMB9.8 million; (ii) a decrease in other payables and accruals of RMB5.6 million; and (iii) an increase in inventories of RMB6.4 million.

Our net cash used in operating activities was RMB97.0 million in 2024. This net cash outflow was attributable to (i) loss before tax of RMB92.2 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) depreciation of right-of-use assets of RMB6.9 million; and (ii) depreciation of property, plant and equipment of RMB4.9 million. This amount was further adjusted for the negative effect in working capital. The negative effect of changes in working capital primarily represents (i) an increase in inventories of RMB13.5 million; and (ii) an increase in prepayments, deposits and other receivables of RMB10.5 million, partially offset by (iii) an increase in other payables and accruals of RMB5.1 million.

Our net cash used in operating activities was RMB84.0 million in 2023. This net cash outflow was attributable to (i) loss before tax of RMB95.5 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) depreciation of right-of-use assets of RMB5.8 million; and (ii) depreciation of property, plant and equipment of RMB2.9 million.

Investing Activities

Our net cash used in investing activities was RMB141.0 million in the six months ended June 30, 2025. This net cash outflow was primarily due to (i) purchases of wealth management products of RMB380.0 million, partially offset by (ii) proceeds from disposal of wealth management products of RMB240.7 million.

Our net cash used in investing activities was RMB6.7 million in 2024. This net cash outflow was primarily due to (i) purchases of wealth management products of RMB238.5 million; and (ii) purchases of property, plant and equipment of RMB7.9 million. This net cash outflow was partially offset by proceeds from disposal of wealth management products of RMB239.2 million.

Our net cash used in investing activities was RMB0.7 million in 2023. This net cash outflow was primarily due to (i) purchases of wealth management products of RMB140.0 million; and (ii) purchases of property, plant and equipment of RMB13.3 million. This net cash outflow was partially offset by proceeds from disposal of wealth management products of RMB152.6 million.

Financing Activities

Our net cash from financing activities was RMB198.7 million in the six months ended June 30, 2025. This net cash inflow was primarily due to capital contribution by shareholders of RMB204.3 million, partially offset by a repayment of lease payments of RMB4.4 million.

Our net cash from financing activities was RMB65.1 million in 2024. This net cash inflow was primarily due to capital contribution by shareholders of RMB71.9 million. This net cash inflow was offset by the repayment of lease payments of RMB7.9 million.

Our net cash from financing activities was RMB139.6 million in 2023. This net cash inflow was primarily due to capital contribution by shareholders of RMB146.6 million. This net cash inflow was offset by the repayment of lease payments of RMB7.0 million.

Working Capital Sufficiency

Taking into account the estimated [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including cash and bank balances and considering our cash burn rate, our Directors are of the view that we have available sufficient working capital to cover at least 125% of our costs, including administrative and operating expenses (including any production costs), research and development expenses, and selling and distribution expenses, for at least the next 12 months from the date of this document.

Cash Burn

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes payments for research and development expenses, selling and distribution expenses and administrative expenses, and (ii) capital expenditures. Taking into account our cash and cash equivalents, financial assets at fair value through profit or loss as of October 31, 2025 and assuming average monthly net cash used in operating activities and capital expenditures going forward of 1.2 times the average level in the six months ended June 30, 2025, we estimate we will be able to maintain our financial viability for [**REDACTED**] from November 2025 without considering [**REDACTED**] from the [**REDACTED**]; or, if we also take into account the [**REDACTED**] from [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the indicative [**REDACTED**] range), we estimate we will be able to maintain our financial viability for [**REDACTED**] from November 2025. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

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

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness primarily comprises lease liabilities and amounts due to related parties , which included loans from a Director and a Director's family member as recorded under other payables and accruals. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of June 30, 2025	As of October 31, 2025
	2023	2024		
	(RMB'000)			
				(unaudited)
Included in current liabilities				
Lease liabilities	4,776	6,361	4,708	5,451
Amount due to related parties	–	1,249	–	–
	4,776	7,610	4,708	5,451
Included in non-current liabilities				
Lease liabilities	4,114	5,307	2,788	4,329

Lease Liabilities

Our lease liabilities mainly represent the amount to be paid by us as the lessee for the leases of office buildings and vehicles.

Our lease liabilities increased from RMB8.9 million as of December 31, 2023 to RMB11.7 million as of December 31, 2024, primarily as we entered into a new lease contract for office building. Our lease liabilities decreased from RMB11.7 million as of December 31, 2024 to RMB7.5 million as of June 30, 2025, primarily as we made lease payments. Our lease liabilities increased from RMB7.5 million as of June 30, 2025 to RMB9.8 million as of October 31, 2025, primarily due to renewal of leases.

For a maturity analysis of our lease liabilities, see note 35 to the Accountants' Report included in Appendix I to this document.

Contingent Liabilities

As of October 31, 2025, we did not have any material outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

CASH OPERATING COSTS

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

	Year ended December 31,		Six months ended June 30,
	2023	2024	2025
		(RMB'000)	
R&D Costs	38,428	43,606	23,420
R&D Costs for Core Product	18,916	9,875	9,194
Staff costs	9,030	7,800	5,152
Raw material costs	1,415	1,331	1,406
Clinical trial and testing expenses	3,198	437	461
Third-party contracting costs	4,527	177	1,933
Others	746	130	242
R&D Costs for Other Product and Product Candidates	19,512	33,731	14,226
Staff costs	12,753	19,541	10,580
Raw material costs	2,772	6,624	1,908
Third-party contracting costs	1,804	3,132	312
Clinical trial and testing expenses	1,783	3,064	774
Others	400	1,370	652
Workforce employment	31,533	33,340	16,169
Product marketing	185	5,146	1,161
Total	**70,146**	**82,092**	**40,750**

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property, plant and equipment; and (ii) intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		Six months ended June 30,
	2023	2024	2025
		(RMB'000)	
Property, plant and equipment	13,274	7,868	1,264
Intangible assets	–	123	–
Total	**13,274**	**7,991**	**1,264**

We expect to incur capital expenditure for purchase of machinery and equipment. We intend to fund our planned capital expenditures through a combination of cash and cash equivalents and the [**REDACTED**] from the [**REDACTED**]. For more details, see "Future Plans and [**REDACTED**]" in this document. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

Contractual Commitments

We did not have significant contractual commitment as of the end of each period during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not our related parties and the market price during the relevant period. Upon the completion of this [**REDACTED**], we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

Transactions with Related Parties

During the Track Record Period, our transactions with related parties mainly included guarantee provided by Ms. Cheong in respect of certain loan facility, guarantee provided by our Company in respect of repurchase obligation of Ms. Cheong pursuant to the shareholders' agreement under Series B Financing, which had been terminated and considered *void ab initio*, and compensation paid to our key management personnel. See note 32 to the Accountants' Report in Appendix I to this document for details of transactions carried out with our related parties during the Track Record Period.

It is the view of our Directors that each of the related party transactions set out in note 32 of the Accountants' Report in Appendix I to this document (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
Liquidity ratios			
Current ratio *(times)*(1)	7.0	4.6	15.6

Note:

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

Our current ratio decreased from 7.0 times as of December 31, 2023 to 4.6 times as of December 31, 2024, primarily due to the decrease of our cash and cash equivalents as we consumed cash in our operations. Our current ratio increased from 4.6 times as of December 31, 2024 to 15.6 times as of June 30, 2025, primarily due to the increase in our financial assets at fair value through profit or loss as we invested our cash from contribution by shareholders for treasury management purpose.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see note 35 in the Accountants' Report set out in Appendix I to this document.

Credit Risk

We trade only with recognized and creditworthy third parties. Pursuant to our credit policy, all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, we monitor receivable balances on an ongoing basis and our exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific approval of the head of credit control.

Our exposure to credit risk arising from cash and cash equivalents is limited and remote because our counterparties are state-owned banks or reputable commercial banks for which we consider having immaterial credit risk.

Our credit risk is primarily attributable to other receivables. Management has assessed that during the Track Record Period, other receivables had not had a significant increase in credit risk since initial recognition. Thus, we adopt a 12-month expected credit loss approach that results from possible default events within 12 months of each reporting date.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations in cash flows.

Foreign Currency Risk

We believe the exchange risk of foreign currency is not significant as the majority of business transactions occur in Chinese Mainland and all domestic transactions are denominated in Renminbi.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. We are incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our Directors have the absolute discretion to recommend any dividend subject to our constitutional documents and the relevant laws. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of June 30, 2025, our Company did not have any retained profit, which could be distributed under the current articles of association of the Company and the PRC Company Law.

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**], professional fees paid to legal advisors, the Reporting Accountants and other professional parties for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] (HK$[**REDACTED**]), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the [**REDACTED**]. Our total [**REDACTED**] expenses consist of (i) [**REDACTED**]-related expenses and fees (including [**REDACTED**], Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[**REDACTED**] (HK$[**REDACTED**]); and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), including (a) fees payable to the legal advisors and Reporting Accountants of RMB[**REDACTED**] (HK$[**REDACTED**]) and (b) other fees and expenses of RMB[**REDACTED**] (HK$[**REDACTED**]). During the Track Record Period, we did not incur any [**REDACTED**] expenses. Among the total [**REDACTED**] expenses, approximately HK$[**REDACTED**] and HK$[**REDACTED**] are expected to be charged to profit or loss for the years ending December 31, 2025 and 2026, respectively, and approximately HK$[**REDACTED**] directly attributable to the issue of the Shares is expected to be deducted from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2025.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the [**REDACTED**] on our net tangible assets as of June 30, 2025, as if the [**REDACTED**] had taken place on that date. The unaudited [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the [**REDACTED**] been completed as of June 30, 2025 or at any future date. The unaudited [**REDACTED**] statement of adjusted net tangible assets is based on the unaudited consolidated total net tangible assets of our Group attributable to the owners of the Company as of June 30, 2025 derived from the Accountants' Report in set out in Appendix I to this document, and adjusted as follows:

	Consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2025	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets	Unaudited [REDACTED] adjusted net tangible assets per Share	
	(RMB'000)[1]	*(RMB'000)*[2]	*(RMB in million)*	*(RMB)*[3]	*(HK$ equivalent)*[4]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share . . .	[272,060]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share . . .	[272,060]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2025 is arrived at after deducting intangible assets of RMB996,000 from net assets attributable to owners of the Company as of June 30, 2025 of RMB273,056,000 set out in the Accountants' Report in Appendix I to this Document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on estimated [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and do not take into account any share which may be sold and offered upon exercise of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated based on [**REDACTED**] Shares in [**REDACTED**] assuming the [**REDACTED**] had been completed on June 30, 2025.

(4) The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB[1.0990] prevailing on the Latest Practicable Date.

(5) No other adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2025.

SUBSEQUENT EVENTS

The Company was converted into a joint stock company with limited liability on October 29, 2025. See note 36 to the Accountants' Report set out in Appendix I to this document.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, (i) there had been no material adverse change in our business, the industry where we operate, or market or regulatory environment to which we are subject; (ii) there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this document; or (iii) there has been no event since June 30, 2025 that would materially affect the information shown in the Accountants' Report set forth 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 Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.