

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” and “Business” in this Document.

For the purpose of this section, unless the context otherwise requires, references to the year of 2024 and 2025 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

Incorporated in 2018, we operate in the gas-based cardiopulmonary device market, with a focus on the development and commercialization of inhaled nitric oxide (iNO) therapy. As of the Latest Practicable Date, we had five approved products and five product candidates under development, spanning three major product lines addressing cardiopulmonary care across critical care, inpatient, outpatient and home-based disease management — (i) iNO therapy, (ii) cardiopulmonary circulatory support, and (iii) respiratory diagnostics. All our products are independently developed in-house. Our Core Product, iNOWill, was approved by the NMPA in 2022 and received EU CE certification in 2025. It delivers iNO as a selective pulmonary vasodilator, which is not curative but provides support primarily in acute and critical care settings for patients with severe cardiopulmonary disease such as pulmonary hypertension, requiring ICU and bedside hospital care. While our Core Product currently targets a specific patient subgroup with a relatively limited addressable market, we are pursuing indication expansion for iNOWill to broaden its potential clinical applications and addressable patient population, subject to successful clinical development and regulatory approval.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared based on the accounting policies which conform with IFRS Accounting standards (“**IFRSs**”) issued by International Accountings Standards Board (“**IASB**”). For details of the basis of preparation, see Note 2 to the Accountants’ Report included in Appendix I to this document.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and are expected to continue to be, materially affected by the following company-specific factors:

Growth of Gas-based Cardiopulmonary Therapeutic and Diagnostic Device Market

Our financial performance and future growth are dependent on the overall growth of gas-based cardiopulmonary therapeutic and diagnostic device market, especially the iNO market. According to Frost & Sullivan, the global iNO market reached US\$1,054.1 million in 2025 and is expected to grow at a CAGR of 8.4% to reach US\$1,580.4 million in 2030. While China’s iNO therapy market is currently small, it has experienced rapid growth and shown strong potential. The market size expanded from US\$3.5 million in 2020 to US\$12.5 million in 2025, representing a CAGR of 30.3%, and is expected to increase to US\$66.9 million in 2030 at a CAGR of 39.6%, according to the same source. The growth in both global and Chinese market are primarily driven by large patient pool, broader dissemination of guidelines and expert consensus that improves appropriate patient identification, rapid expansion of critical-care infrastructure, and the technology shift from traditional heavy high-pressure NO cylinders to instant-generation systems which remove many logistical burdens for iNO therapy.

Our ability to successfully capture the rapidly growing market opportunities in iNO therapy market is critical to our business development. With the strong growth prospects of iNO therapy market, we expect our results of operations and financial performance to improve in the future.

Our Ability to Increase Sales and Market Penetration of Our Products

Our ability to successfully increase the sales volume of our approved products is critical to our business and results of operations. As of the Latest Practicable Date, we had five commercialized products. In 2024, 2025 and the six months ended June 30, 2025 and 2026, our revenue from sales of medical devices amounted to RMB41.1 million, RMB58.5 million, RMB21.5 million and RMB56.4 million, accounting for 90.2%, 92.6%, 96.1% and 97.1% of our total revenue, respectively. Revenue from our Core Product amounted to RMB27.1 million, RMB33.6 million, RMB13.3 million and RMB23.8 million, accounting for 59.6%, 53.1%, 59.4% and 40.9% of our total revenue during the same years/periods, respectively. We expect that sales of our medical devices will continue to account for a substantially portion of our total revenue. Leveraging our position in electrochemical instant-generation NO technologies, we are well positioned to expand market adoption of our iNOwill products through deepened relationships with key opinion leaders, clinical experts across multiple departments and top-tier hospitals.

Our Ability to Develop and Commercialize our Product Candidates

Our business and operating results rely on our ability to effectively develop and commercialize our product candidates. Demonstrating positive outcomes in clinical trials and procedures, and obtaining regulatory approvals timely are critical to our success. We plan to continue to advance our product pipeline, which we believe will enable us to capture more market opportunities and expand the overall addressable patient population. Our results of operations also depend on our ability to successfully commercialize our product candidates upon approval. We plan to further deepen the penetration of our products in different scenarios, For details about our plans and strategies, see “Business — Our Growth Strategies.” However, our ability to successfully develop and commercialize new cardiopulmonary therapeutic and diagnostic device products in the manner we contemplate and to achieve the sales we expect is subject to a number of risks, many of which are beyond our control. For further details of the risks relating to the development and commercialization of new products, see “Risk Factors — Risks Relating to the Development and Commercialization of Our Products and Product Candidates.”

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Our Ability to Manage Research and Development of Our Products and Product Candidates

We devote significant resources on R&D activities, including conducting concept formation, feasibility assessment, and design and development through pre-clinical testing, clinical evaluation, registration and post-market iteration. Our R&D activities are key to develop new pipeline products, bring pipeline products to market, commercialize our products upon obtaining regulatory approval and expand indication for existing products and product candidates.

In 2024, 2025 and for the six months ended June 30, 2025 and 2026, our R&D expenses amounted to RMB33.0 million, RMB34.7 million, RMB13.7 million and RMB20.3 million, respectively, accounting for 36.5%, 38.5%, 36.1% and 34.9% of the total operating expenses, respectively, and 72.4%, 54.9%, 61.3% and 34.8% of our total revenue during the same years/periods, respectively. As we expect to further expand our product pipeline, we expect that our R&D expenses to increase in the absolute amount. At the same time, our ability to balance the need to invest in R&D activities and control our operating expenses is key to our ability to reach sustainable growth and profitability.

Our Ability to Manage Costs and Improve Operating Efficiency

Our effective control of cost of sales and our ability to improve operating efficiency have significant impacts on our results of operations. In 2024, 2025 and for the six months ended June 30, 2025 and 2026, our cost of sales was RMB18.5 million, RMB27.8 million, RMB11.2 million and RMB23.4 million, respectively, accounting for 40.7%, 44.1%, 50.1% and 40.2% of our total revenue during the same years/periods, respectively. In 2024, 2025 and for the six months ended June 30, 2025 and 2026, our total operating expenses were RMB90.2 million, RMB90.0 million, RMB38.1 million and RMB58.0 million, respectively. In 2024, 2025 and for the six months ended June 30, 2025 and 2026, our selling expenses and administrative expenses amounted to RMB57.3 million, RMB55.3 million, RMB24.4 million and RMB37.8 million, respectively, accounting for 125.7%, 87.5%, 108.7% and 65.0% of our total revenue during the same years/periods, respectively. As we recruit more experienced sales and marketing staff along with our market expansion after the product candidates’ commercialization, we expect our selling and administrative expenses to increase in the future. We also plan to improve our operation efficiency to keep our operating expenses at a reasonable level relative to our achievements.

Our ability to Obtain Funding for Our Operations

During the Track Record Period and up to the Latest Practicable Date, we funded our operations primarily through capital contributions by our shareholders and bank borrowings. Going forward, we expect to further fund our operations with revenue generated from sales of our products and other financing sources. Any changes in our ability to fund our operations may affect our cash flow and liquidity position, limit our ability to carry out expansion strategies as planned, and otherwise affect our business operations, results of operations, and financial position.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions, and judgments have a significant impact on our financial position and results of operations. The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our accounting policies.

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Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Our material accounting policy information, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 4 to the Accountants’ Report included in Appendix I to this document.

SUMMARY OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss for the years/periods indicated derived from the Accountants’ Report included in Appendix I to this document:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Revenue	45,547	100.0	63,207	100.0	22,413	100.0	58,132	100.0
Cost of sales	(18,535)	(40.7)	(27,847)	(44.1)	(11,237)	(50.1)	(23,382)	(40.2)
Gross profit	27,012	59.3	35,360	55.9	11,176	49.9	34,750	59.8
Selling expenses	(31,197)	(68.5)	(30,479)	(48.2)	(12,530)	(55.9)	(23,216)	(40.0)
Administrative expenses . . .	(26,067)	(57.2)	(24,832)	(39.3)	(11,824)	(52.8)	(14,562)	(25.0)
Research and development expenses	(32,982)	(72.4)	(34,678)	(54.9)	(13,741)	(61.3)	(20,251)	(34.8)
Other income	7,748	17.0	9,194	14.5	2,302	10.3	5,020	8.6
Other gains and losses	(867)	(1.9)	159	0.3	44	0.2	(247)	(0.4)
[REDACTED] expenses . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of an associate	(93)	(0.2)	(243)	(0.4)	(33)	(0.1)	(44)	(0.1)
Impairment losses under expected credit loss model, net of reversal . . .	(129)	(0.3)	(77)	(0.1)	(17)	(0.1)	6	0.0
Finance costs	(29,671)	(65.1)	(40,284)	(63.7)	(19,155)	(85.5)	(21,698)	(37.3)
Loss before tax	(86,246)	(189.4)	(95,271)	(150.7)	(43,778)	(195.3)	(51,864)	(89.2)
Income tax expense	—	—	—	—	—	—	—	—
Loss for the year/period . .	(86,246)	(189.4)	(95,271)	(150.7)	(43,778)	(195.3)	(51,864)	(89.2)
Other comprehensive income (expense)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations . . .	13	0.0	(19)	0.0	(1)	(0.0)	(62)	(0.1)
Total comprehensive expense for the year/period attributable to the owners of the Company	(86,233)	(189.3)	(95,290)	(150.8)	(43,779)	(195.3)	(51,926)	(89.3)

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Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we use adjusted net loss (Non-IFRS measure) and adjusted net loss margin (Non-IFRS measure) as non-IFRS measures, which are not required by, or presented in accordance with, IFRS.

We define adjusted net loss (Non-IFRS measure) as loss for the years/periods adjusted by adding back share-based payment expenses, interest expense on redemption liabilities and [REDACTED] expenses. Share-based payment expenses relate to our share incentive plan and are non-cash in nature. Interest expense on redemption liabilities is a non-cash accounting charge arising from the accretion of redemption amounts over time. The redemption right of our Shareholders shall be automatically terminated and the redemption liabilities shall be re-designated from liabilities to equity immediately upon the completion of the [REDACTED] as a result of the automatic conversion of the relevant shares into ordinary shares. We define adjusted net loss margin (Non-IFRS measure) as adjusted net loss (Non-IFRS measure) divided by corresponding revenue of the year/period. We believe that Non-IFRS measures facilitate the comparisons of operating performance and provide useful information to [REDACTED] in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of Non-IFRS measures for the years/periods may not be comparable to similarly titled measures presented by other companies. The use of Non-IFRS measures has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following tables reconcile Non-IFRS measures for the years presented with the nearest measures prepared in accordance with IFRS Accounting Standards.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	(unaudited)			
	(RMB in thousands, except for percentages)			
Loss for the year/period	(86,246)	(95,271)	(43,778)	(51,864)
<i>add back:</i>				
Share-based payments expenses	1,493	1,423	730	1,443
Interest expense on redemption liabilities	28,679	39,543	18,750	21,302
[REDACTED] expenses . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss (Non-IFRS measure)	(56,074)	(44,914)	(24,298)	(17,497)
Adjusted net loss margin (Non-IFRS measure)	(123.1%)	(71.1%)	(108.4%)	(30.1%)

DESCRIPTION OF KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

In 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded revenue of RMB45.5 million, RMB63.2 million, RMB22.4 million and RMB58.1 million, respectively.

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Revenue by Segment

The following table sets forth a breakdown of our revenue by segment, in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Medical devices								
iNO therapy devices	38,070	83.6	47,328	74.9	19,109	85.3	34,375	59.1
iNOWill	27,140	59.6	33,573	53.1	13,319	59.4	23,767	40.9
Cardiopulmonary circulatory support devices	—	—	6,536	10.3	—	—	19,047	32.8
Respiratory diagnosis devices	2,992	6.6	4,660	7.4	2,430	10.8	3,026	5.2
Subtotal	41,062	90.2	58,524	92.6	21,539	96.1	56,448	97.1
Others⁽¹⁾	4,485	9.8	4,683	7.4	874	3.9	1,684	2.9
Total	45,547	100.0	63,207	100.0	22,413	100.0	58,132	100.0

Note:

- (1) Consist of (i) contract development services where we conduct product development for customers based on our R&D capabilities, (ii) others, primarily including maintenance services provided to customers after the sales of our medical devices. Our maintenance service primarily covers the following with no additional charge: (1) after-sales services, including replacement of defective components, system upgrades, periodic equipment inspections, preventive maintenance and servicing, and (2) post-sales technical training for our distributor engineers. Upon expiration of the warranty period, we may continue to provide maintenance services and components for replacement at RMB150 to RMB41,000 for replacement components, RMB10,000 to RMB120,000 for maintenance services and RMB2,000 to RMB3,000 per distributor engineers trained. From time to time, we provide contract development services to customers when their demands align with our available R&D resources and overall development plans. Therefore, the contract development services we provided and revenue derived from it may subject to periodic changes.

For details of period-to-period changes of revenue, see “— Period-to-period Comparison of Results of Operations.”

Revenue by Geographical Area

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Chinese mainland	41,649	91.4	55,163	87.3	22,025	98.3	48,323	83.1
EU	—	—	4,505	7.1	—	—	3,676	6.3
Other countries and regions ⁽¹⁾	3,898	8.6	3,539	5.6	388	1.7	6,133	10.6
	45,547	100.0	63,207	100.0	22,413	100.0	58,132	100.0

Note:

- (1) Comprise of other countries and regions, including Taiwan China, Hungary, Malaysia, Vietnam, Mongolia, etc. For a full list of other countries and regions, see Accountants’ Report set out in Appendix I to this Document.

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Revenue by Sales Channel

The following table sets forth a breakdown of our revenue by sales channel, in absolute amounts and as percentages of revenue, for the years/periods indicated.

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Distributors	41,773	91.7	60,048	95.0	21,156	94.4	57,839	99.5
Direct sales	–	–	1,272	2.0	1,257	5.6	293	0.5
Others ⁽¹⁾	3,774	8.3	1,887	3.0	–	–	–	–
Total	45,547	100.0	63,207	100.0	22,413	100.0	58,132	100.0

Note:

- (1) Consist of contract development services where we conduct product development for customers based on our R&D capabilities.

Sales Volume by Product

The following table sets forth a breakdown of our sales volume by product in units, in the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	(in units)			
iNO therapy devices				
iNOwill	146	182	66	153
eNOaire	132	160	67	149
Cardiopulmonary circulatory support devices				
NovaPulse IABP	–	33	0	91
Respiratory diagnosis devices				
Reslink	153	107	71	36
eNOglow	–	12	7	13
ETCO	–	2	0	0
Total	431	496	211	442

The following table sets forth a breakdown of our sales volume by geography in units, in the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	(in units)			
Chinese mainland	410	456	210	378
Overseas	21	40	1	64
Total	431	496	211	442

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In light of (i) the increased sales volume in Chinese mainland, (ii) the sustained growth in demand for iNO therapy in the PRC market, and (iii) our product advantages, early-mover position and established distribution capabilities, our Directors are of the view that our domestic sales volume will continue to show an upward trend in a long term.

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
iNO therapy devices								
iNOwill	27,140	66.1	33,573	57.4	13,319	61.8	23,767	42.1
eNOaire	10,930	26.6	13,755	23.5	5,790	26.9	10,608	18.8
Cardiopulmonary circulatory support devices								
NovaPulse IABP	0	0.0	6,536	11.2	0	0.0	19,047	33.7
Respiratory diagnosis devices								
Reslink	2,992	7.3	3,292	5.6	1,757	8.2	1,617	2.9
eNOglow	0	0.0	1,235	2.1	673	3.1	1,409	2.5
ETCO	0	0.0	133	0.2	0	0.0	0	0.0
Total	41,062	100.0	58,524	100.0	21,539	100.0	56,448	100.0
Chinese mainland	37,164	90.5	50,480	86.3	21,151	98.2	46,639	82.6
Overseas	3,898	9.5	8,044	13.7	388	1.8	9,809	17.4
Total	41,062	100.0	58,524	100.0	21,539	100.0	56,448	100.0

Cost of Sales

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Raw materials and consumables	14,560	78.5	21,950	78.8	8,803	78.3	20,322	86.9
Manufacturing costs	2,014	10.9	2,597	9.3	1,221	10.9	1,718	7.4
Labor costs	968	5.2	1,187	4.3	189	1.7	849	3.6
Others⁽¹⁾	993	5.4	2,113	7.6	1,024	9.1	493	2.1
Total	18,535	100.0	27,847	100.0	11,237	100.0	23,382	100.0

Note:

(1) Primarily consist of tax expenses, impairment losses of assets and delivery costs.

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Medical devices								
iNO therapy devices	13,757	74.2	16,474	59.2	6,812	60.7	13,188	56.4
Cardiopulmonary circulatory support devices	—	—	2,645	9.5	—	—	6,940	29.7
Respiratory diagnosis devices	2,735	14.8	3,099	11.1	1,678	14.9	1,926	8.2
Subtotal	16,492	89.0	22,218	79.8	8,490	75.6	22,054	94.3
Others	2,043	11.0	5,629	20.2	2,747	24.4	1,328	5.7
Total	18,535	100.0	27,847	100.0	11,237	100.0	23,382	100.0

For details of period-to-period changes of cost of sales, see “— Period-to-period Comparison of Results of Operations.”

Gross Profit and Gross Profit Margin

The table below sets forth the breakdown of our gross profit and gross profit margin by product categories for the years/periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Medical devices								
iNO therapy devices	24,313	63.9	30,854	65.2	12,297	64.4	21,187	61.6
Cardiopulmonary circulatory support devices	—	—	3,891	59.5	—	—	12,107	63.6
Respiratory diagnosis devices	257	8.6	1,561	33.5	752	30.9	1,100	36.4
Subtotal	24,570	59.8	36,306	62.0	13,049	60.6	34,394	60.9
Others	2,442	54.4	(946)	(20.2)	(1,873)	(214.3)	356	21.1
Total	27,012	59.3	35,360	55.9	11,176	49.9	34,750	59.8

For details of period-to-period changes of gross profit and gross profit margin, see “— Period-to-period Comparison of Results of Operations.”

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Selling Expenses

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Employee expenses	16,568	53.1	19,831	65.1	8,756	69.9	15,835	68.2
Marketing and other expenses	10,717	34.4	6,695	22.0	2,212	17.7	4,400	19.0
Travel expenses	2,528	8.1	2,660	8.7	978	7.8	2,226	9.6
Depreciation and amortization	728	2.3	980	3.2	427	3.4	638	2.7
Others ⁽¹⁾	656	2.1	313	1.0	157	1.2	117	0.5
Total	31,197	100.0	30,479	100.0	12,530	100.0	23,216	100.0

Note:

- (1) Mainly consist of logistic expenses in connection with trainings and meetings of sales and marketing team, and office expenses.

Administrative Expenses

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Employee expenses	13,335	51.2	14,215	57.2	6,956	58.8	8,875	60.9
Depreciation and amortization	5,406	20.7	4,038	16.3	1,882	15.9	2,082	14.3
Office expenses	2,724	10.4	2,108	8.5	707	6.0	1,048	7.2
Professional service fees . . .	1,488	5.7	1,924	7.7	1,125	9.5	1,595	11.0
Travel expenses	1,707	6.6	1,227	5.0	589	5.0	565	3.9
Others ⁽¹⁾	1,407	5.4	1,320	5.3	565	4.8	397	2.7
Total	26,067	100.0	24,832	100.0	11,824	100.0	14,562	100.0

Note:

- (1) Mainly consist of reception fees and general operation expenses.

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Research and Development Expenses

The following table sets forth a breakdown of our research and development expenses for the years/periods indicated.

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
	(RMB in thousands, except for percentages)							
Employee expenses	17,328	52.5	16,942	48.9	7,795	56.7	10,342	51.1
Material costs	6,487	19.7	5,440	15.7	2,774	20.2	3,031	15.0
Depreciation and amortization	2,068	6.3	2,207	6.3	1,109	8.1	1,178	5.8
Clinical trial fees	1,087	3.3	5,184	14.9	356	2.6	2,138	10.6
Registration and inspection fees	1,281	3.9	1,561	4.5	711	5.2	1,314	6.5
Patent fees	1,038	3.1	994	2.9	391	2.8	1,133	5.6
Travel expenses	553	1.7	527	1.5	226	1.6	317	1.6
Others ⁽¹⁾	3,140	9.5	1,823	5.3	379	2.8	798	3.8
Total	32,982	100.0	34,678	100.0	13,741	100.0	20,251	100.0

Note:

(1) Mainly consist of consultant fee in connection with our applications for IP and registered trials and office expenses.

In 2024, 2025 and for the six months ended June 30, 2025 and 2026, we recorded research and development costs attributable to our Core Product of RMB12.3 million, RMB14.5 million, RMB5.1 million and RMB8.7 million, respectively, representing 37.4%, 41.8%, 37.2% and 42.9% of our total research and development costs, and 13.9%, 16.1%, 13.4% and 14.8% of our total operating expenses in the corresponding years/periods, respectively. This was primarily because iNOWill had entered the commercialization stage in the PRC following its NMPA approval in 2022. Accordingly, while we continued to invest in the research and development of the Core Product, we also incurred significant selling and administrative expenses to support commercialization, including expanding our sales organization, market development and hospital penetration. In addition, as iNOWill represents a relatively innovative product in the PRC market, we incurred additional expenses for market education, physician engagement and clinical adoption to facilitate broader hospital acceptance following commercialization. Our research and development activities relating to the Core Product nevertheless continued throughout the Track Record Period. While research and development expenditure relating to the PH indication in the PRC moderated following the completion of its domestic registration, our research and development focus progressively shifted toward overseas regulatory registrations, indication expansion, ongoing clinical studies, product optimization and region-specific product development, reflecting the continued advancement of the Core Product. According to Frost & Sullivan, such expense profile is generally consistent with the commercialization stage of innovative medical device companies, where selling and administrative expenses typically increase more rapidly than research and development expenses as companies invest in commercialization and market adoption while continuing to advance research and development.

FINANCIAL INFORMATION

Other Income

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

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	<i>(unaudited)</i>			
	<i>(RMB in thousands)</i>			
Government grant	2,969	5,266	306	3,605
Interest income from time deposits and bank balances .	3,948	3,437	1,740	1,341
Interest income from structured deposits	644	436	200	25
Others ⁽¹⁾	187	55	56	49
Total	<u>7,748</u>	<u>9,194</u>	<u>2,302</u>	<u>5,020</u>

Note:

(1) Mainly consist of the refund in connection with individual income tax.

Other Gains and Losses

The following table sets forth a breakdown of our other gains and losses for the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	<i>(unaudited)</i>			
	<i>(RMB in thousands)</i>			
Losses on disposals of property and equipment . . .	(514)	—	—	—
Losses on disposals of intangible assets	(694)	—	—	—
Losses on termination of lease	(2)	—	—	—
Net foreign exchange gains (losses)	27	(75)	(3)	(207)
Others ⁽¹⁾	316	234	47	(40)
Total	<u>(867)</u>	<u>159</u>	<u>44</u>	<u>(247)</u>

Note:

(1) Mainly consist of VAT deductions.

Share of Results of an Associate

Share of result of an associate reflects loss resulted from our equity investment in a medical company. Our share of losses of an associate was RMB93 thousand, RMB243 thousand, RMB33 thousand and RMB44 thousand in 2024, 2025 and for the six months ended June 30, 2025 and 2026, respectively.

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Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses represent the impairment losses on trade receivables due from our customers, or reversal of impairment losses if we expect our credit loss to decrease. We incurred impairment losses of RMB129 thousand, RMB77 thousand and RMB17 thousand in 2024, 2025 and the six months ended June 30, 2025, respectively, and a net reversal of impairment loss of RMB6 thousand in the six months ended June 30, 2026.

Finance Costs

The following table sets forth the components of our finance costs for the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	<i>(unaudited)</i>			
	<i>(RMB in thousands)</i>			
Interest expense on:				
Redemption liabilities	28,679	39,543	18,750	21,302
Bank borrowings	837	508	310	321
Lease liabilities	155	233	95	75
Total	29,671	40,284	19,155	21,698

Loss for the Year/Period

As a result of the foregoing, our net loss in 2024, 2025 and the six months ended June 30, 2025 and 2026 was RMB86.2 million, RMB95.3 million, RMB43.8 million and RMB51.9 million, respectively.

TAXATION

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory tax rate of the Company and its PRC subsidiaries is 25%.

We have been accredited as a “high and new technical enterprise” (the “**HNTE**”) on November 6, 2023. We are entitled to a preferential income tax rate of 15% during the Track Record Period. Our PRC subsidiaries were subject to “small and thin-profit enterprises” and would benefit from a preferential tax rate of 20% under the EIT Law and enjoyed 75% reduction on annual taxable income during the Track Record Period.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

Novlead INC. was incorporated in the United States (“**U.S.**”) and was subject to the federal statutory income tax at the rate of 21% and subject to the corporate income tax of the State of California at the rate of 8.84% on any estimated assessable profits arising in the US during the Track Record Period. No US profits tax was provided for as we did not have any assessable profits arising in the US during the Relevant Periods.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 159.4% from RMB22.4 million for the six months ended June 30, 2025 to RMB58.1 million for the six months ended June 30, 2026.

- **Medical devices.** Our revenue derived from medical devices increased by 162.3% from RMB21.5 million for the six months ended June 30, 2025 to RMB56.4 million for the six months ended June 30, 2026, for the following reasons: (i) iNO therapy devices. Our revenue derived from iNO therapy devices increased by 80.1% from RMB19.1 million for the six months ended June 30, 2025 to RMB34.4 million for the six months ended June 30, 2026, primarily due to an increase in sales volume of our iNOwill from 66 units for the six months ended June 30, 2025 to 153 units for the six months ended June 30, 2026, and eNOaire products from 67 units for the six months ended June 30, 2025 to 149 units for the six months ended June 30, 2026. (ii) Cardiopulmonary circulatory support devices. We recorded revenue from cardiopulmonary circulatory support devices of RMB19.0 million in the six months ended June 30, 2026, which was contributed by sales of our NovaPulse in the six months ended June 30, 2026, which amounted to 91 units. (iii) Respiratory diagnosis devices. Our revenue derived from respiratory diagnosis devices increased by 25.0% from RMB2.4 million for the six months ended June 30, 2025 to RMB3.0 million for the six months ended June 30, 2026, primarily due to the increased sales of eNOglow.
- **Other products and services.** Our revenue derived from other products and services increased by 88.9% from RMB0.9 million for the six months ended June 30, 2025 to RMB1.7 million for the six months ended June 30, 2026, primarily due to the substantial growth of the sales of consumer health products.

Cost of Sales

Our cost of sales increased by 108.9% from RMB11.2 million for the six months ended June 30, 2025 to RMB23.4 million for the six months ended June 30, 2026.

- **Medical devices.** Our cost of sales for medical devices increased by 160.0% from RMB8.5 million for the six months ended June 30, 2025 to RMB22.1 million for the six months ended June 30, 2026, for the following reasons: (i) iNO therapy devices. Our cost of sales for iNO therapy devices increased by 94.1% from RMB6.8 million for the six months ended June 30, 2025 to RMB13.2 million for the six months ended June 30, 2026, in line with the growth of our revenue from medical devices. (ii) Cardiopulmonary circulatory support devices. We recorded cost of sales for cardiopulmonary circulatory support devices of RMB6.9 million for the six months ended June 30, 2026, in connection with our sales of NovaPulse IABP. (iii) Respiratory diagnosis devices. Our cost of sales for respiratory diagnosis devices increased by 11.8% from RMB1.7 million for the six months ended June 30, 2025 to RMB1.9 million for the six months ended June 30, 2026, which was in line with our revenue growth.
- **Other products and services.** Our cost of sales for other products and services decreased by 51.9% from RMB2.7 million for the six months ended June 30, 2025 to RMB1.3 million for the six months ended June 30, 2026, primarily due to higher development costs incurred for the contract development services during the six months ended June 30, 2025.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 210.7% from RMB11.2 million for the six months ended June 30, 2025 to RMB34.8 million for the six months ended June 30, 2026. Our gross profit margin increased from 49.9% to 59.8% during the same periods.

- ***Medical devices.*** Our gross profit for medical devices increased by 164.6% from RMB13.0 million for the six months ended June 30, 2025 to RMB34.4 million for the six months ended June 30, 2026 for the following reasons: (i) *iNO therapy devices.* Our gross profit for iNO therapy devices increased by 72.4% from RMB12.3 million for the six months ended June 30, 2025 to RMB21.2 million for the six months ended June 30, 2026, primarily due to an increase in revenue. Our gross profit margin of iNO therapy devices remained relatively stable, at 64.4% and 61.6% for the six months ended June 30, 2025 and 2026, respectively. (ii) *Cardiopulmonary circulatory support devices.* We recorded gross profit of RMB12.1 million from cardiopulmonary circulatory support devices in the six months ended June 30, 2026, in connection with our initial sales of NovaPulse IABP. (iii) *respiratory diagnosis devices.* Our gross profit from respiratory diagnosis devices increased from RMB752 thousand with a gross profit margin of 30.9% for the six months ended June 30, 2025 to RMB1.1 million with a gross profit margin of 36.4% for the six months ended June 30, 2026, mainly as we sold more eNOglow products, which carried higher gross margin.
- ***Other products and services.*** We recorded a gross loss of RMB1.9 million for the six months ended June 30, 2025 and a gross profit of RMB0.4 million for the six months ended June 30, 2026, because we have substantially finished incurring development costs for the contract development services during the six months ended June 30, 2025, and incurred significantly fewer costs for the same period in 2026, which led to a change from gross loss to gross profit.

Selling Expenses

Our selling expenses increased by 85.6% from RMB12.5 million for the six months ended June 30, 2025 to RMB23.2 million for the six months ended June 30, 2026, primarily due to (i) an increase in employee expenses from RMB8.8 million to RMB15.8 million, mainly attributable to the expansion of our sales team and increased sales commissions, (ii) an increase in marketing and promotion expenses from RMB2.2 million to RMB4.4 million, mainly attributable to the promotion of new products and our expansion into overseas markets, and (iii) an increase in travelling expenses from RMB1.0 million to RMB2.2 million, mainly attributable to the increase in sales personnel and overseas business travel.

Administrative Expenses

Our administrative expenses increased by 23.7% from RMB11.8 million for the six months ended June 30, 2025 to RMB14.6 million for the six months ended June 30, 2026, primarily due to (i) an increase in professional service fees from RMB1.1 million to RMB1.6 million, mainly attributable to legal service fees, overseas business development consulting service fees and increased costs for quality system assessments at various factories, and (ii) an increase in employee expenses from RMB7.0 million to RMB8.9 million, mainly attributable to the additional personnel recruited in connection with the [REDACTED].

Research and Development Expenses

Our research and development expenses increased by 48.2% from RMB13.7 million for the six months ended June 30, 2025 to RMB20.3 million for the six months ended June 30, 2026, primarily due to (i) an increase in employee expenses from RMB7.8 million to RMB10.3 million, mainly attributable to the increase in research and development personnel and salary adjustments, (ii) an increase in clinical trial fees from RMB0.4 million to RMB2.1 million, mainly attributable to overseas clinical trials of our Core Product, and (iii) increases in registration and inspection fees and patent fees, mainly in connection with the overseas registration of our Core Product and additional PCT patent applications for our other products.

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Other Income

Our other income increased by 117.4% from RMB2.3 million for the six months ended June 30, 2025 to RMB5.0 million for the six months ended June 30, 2026, as we received higher amount of government grants for the six months ended June 30, 2026 for, among others, technological innovation and market expansion.

Other Gains and Losses

We recorded other losses of RMB247 thousand for the six months ended June 30, 2026, as compared to other gains of RMB44 thousand for the six months ended June 30, 2025, primarily due to increases in net foreign exchange losses for the six months ended June 30, 2026.

Share of Results of an Associate

Our share of results of an associate amounted to RMB33 thousand and RMB44 thousand for the six months ended June 30, 2025 and 2026, respectively, primarily because the associate was in a phase of ongoing investment and operating at a loss.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

We recorded impairment losses of RMB17 thousand for the six months ended June 30, 2025 and a net reversal of impairment losses of RMB6 thousand for the six months ended June 30, 2026 in connection with the changes in our trade receivables.

Finance Costs

Our finance costs increased by 13.0% from RMB19.2 million for the six months ended June 30, 2025 to RMB21.7 million for the six months ended June 30, 2026. The increase was primarily attributable to an increase in interest expense on redemption liabilities in relation to our redemption obligations arising from the redemption rights granted to certain Shareholders.

Loss for the Period

For the reasons described above, our loss for the period increased by 18.5% from RMB43.8 million in the six months ended June 30, 2025 to RMB51.9 million in the six months ended June 30, 2026.

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

Revenue

Our revenue increased by 38.8% from RMB45.5 million in 2024 to RMB63.2 million in 2025.

- **Medical devices.** Our revenue derived from medical devices increased by 42.3% from RMB41.1 million in 2024 to RMB58.5 million in 2025, for the following reasons: (i) iNO therapy devices. Our revenue derived from iNO therapy devices increased by 24.3% from RMB38.1 million in 2024 to RMB47.3 million in 2025, primarily due to an increase in sales volume of our iNOWill from 146 units in 2024 to 182 units in 2025, and eNOaire products from 132 units in 2024 to 160 units in 2025. (ii) Cardiopulmonary circulatory support devices. We recorded revenue from cardiopulmonary circulatory support devices of RMB6.5 million in 2025, which was contributed by sales of our NovaPulse in 2025, which amounted to 33 units. (iii) Respiratory diagnosis devices. Our revenue derived from respiratory diagnosis devices increased by 56.7% from RMB3.0 million in 2024 to RMB4.7 million in 2025, primarily due to the increased sales of eNOglow and consumables related to Reslink.

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- **Other products and services.** Our revenue derived from other products and services increased by 4.4% from RMB4.5 million in 2024 to RMB4.7 million in 2025, primarily due to a decrease of revenue from contract development services from RMB3.8 million in 2024 to RMB1.9 million in 2025. The decrease was primarily because we substantially completed the milestone of relevant research and development services in 2024 and recognized revenue accordingly.

Cost of Sales

Our cost of sales increased by 50.3% from RMB18.5 million in 2024 to RMB27.8 million in 2025.

- **Medical devices.** Our cost of sales for medical devices increased by 34.5% from RMB16.5 million in 2024 to RMB22.2 million in 2025, for the following reasons: (i) iNO therapy devices. Our cost of sales for iNO therapy devices increased from RMB13.8 million in 2024 to RMB16.5 million in 2025, in line with the growth of our revenue from medical devices. (ii) Cardiopulmonary circulatory support devices. We recorded cost of sales for cardiopulmonary circulatory support devices of RMB2.6 million in 2025, in connection with our sales of NovaPulse. (iii) Respiratory diagnosis devices. Our cost of sales for respiratory diagnosis devices increased by 14.8% from RMB2.7 million in 2024 to RMB3.1 million in 2025, which was in line with the revenue growth.
- **Other products and services.** Our cost of sales for other products and services increased by 175.5% from RMB2.0 million in 2024 to RMB5.6 million in 2025, primarily due to an increase in costs for research and development services from RMB1.7 million to RMB4.4 million during the same years indicated.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 30.9% from RMB27.0 million in 2024 to RMB35.4 million in 2025. Our gross profit margin decreased from 59.3% to 55.9% during the same years.

- **Medical devices.** Our gross profit for medical devices increased by 47.8% from RMB24.6 million in 2024 to RMB36.3 million in 2025, for the following reasons: (i) iNO therapy devices. Our gross profit for iNO therapy devices increased by 26.9% from RMB24.3 million in 2024 to RMB30.9 million in 2025, primarily due to an increase in revenue. Our gross profit margin of iNO therapy devices increased from 63.9% in 2024 to 65.2% in 2025, mainly due to changes in product mix and our increased sales in overseas regions, which carried higher gross profit margin. (ii) Cardiopulmonary circulatory support devices. We recorded gross profit of RMB3.9 million from cardiopulmonary circulatory support devices in 2025, in connection with our initial sales of NovaPulse. (iii) respiratory diagnosis devices. Our gross profit from respiratory diagnosis devices increased from RMB257 thousand with a gross profit margin of 8.6% in 2024 to RMB1.6 million with a gross profit margin of 33.5% in 2025, mainly due to changes in product mix as we sold more eNOglow products and consumables for Reslink, which carried higher gross margin.
- **Other products and services.** We recorded a gross profit of RMB2.4 million in 2024 and a gross loss of RMB0.9 million in 2025, because we incurred higher cost than expected in performing a contract research development service, which outweighed our revenue stipulated in the contract with the customer. The gross loss position was arisen from the highly customized nature of service requirement of certain customers and does not reflect our overall business performance.

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Selling Expenses

Our selling expenses decreased by 2.3% from RMB31.2 million in 2024 to RMB30.5 million in 2025, primarily due to a decrease in marketing and other expenses as well as other expenses. Since our Core Product obtained its PRC registration certificate in 2022, we have incurred large amount of selling and administrative expenses in connection with market development, hospital access and organizational build-up in the PRC for its commercialization, especially in 2024. As we gradually opened and expanded the market, we decided to narrowed down our expenses and experienced a decrease in marketing and other expenses. The decrease in selling expenses was partially offset by an increase in employee expenses, mainly due to increased bonuses to reward selling employees for good sales performance in 2025.

Administrative Expenses

Our administrative expenses decreased by 4.7% from RMB26.1 million in 2024 to RMB24.8 million in 2025, primarily due to a decrease in depreciation and amortization expenses as we primarily made the provision of depreciation and amortization in 2024.

Research and Development Expenses

Our research and development expenses increased by 5.1% from RMB33.0 million in 2024 to RMB34.7 million in 2025, primarily due to an increase in research and development expenses in connection with Core Product from RMB12.3 million in 2024 to RMB14.5 million in 2025.

Other Income

Our other income increased by 18.7% from RMB7.7 million in 2024 to RMB9.2 million in 2025, as we received higher amount of government grants in 2025 for, among others, technological innovation and market expansion.

Other Gains and Losses

We recorded other gains of RMB159 thousand in 2025, as compared to other losses of 867 thousand in 2024, primarily due to decrease in net losses on disposals of property and equipment and net losses on disposals of intangible asset, in connection with our disposal of assets of certain subsidiaries in 2024 only.

Share of Results of an Associate

Our share of results of an associate amounted to RMB93 thousand and RMB243 thousand in 2024 and 2025, respectively, primarily due to losses of the associate in which we made the investment in the fourth quarter of 2024.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

We recorded impairment losses of RMB129 thousand in 2024 and RMB77 thousand in 2025 in connection with our trade receivables.

Finance Costs

Our finance costs increased by 35.8% from RMB29.7 million in 2024 to RMB40.3 million in 2025. The increase was primarily attributable to an increase in interest expense on redemption liabilities in relation to our redemption obligations arising from the redemption rights granted to certain Shareholders.

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Loss for the Year

For the reasons described above, our loss for the year increased by 10.5% from RMB86.2 million in 2024 to RMB95.3 million in 2025.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM 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,
	2024	2025	2026
	<i>(RMB in thousands)</i>		
Total non-current assets	103,641	95,929	75,102
Total current assets	119,432	126,745	129,670
Total assets	223,073	222,674	204,772
Total non-current liabilities	434,112	522,458	542,157
Total current liabilities	44,192	48,973	61,855
Total liabilities	478,304	571,431	604,012
Net liabilities	(255,231)	(348,757)	(399,240)

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

	As of December 31,		As of June 30,
	2024	2025	2026
	<i>(RMB in thousands)</i>		
Current assets			
Inventories	11,535	14,749	18,679
Trade and other receivables	4,910	17,618	25,087
Financial assets at FVTPL	—	—	—
Value-added tax recoverable	1,673	1,686	1,520
Time deposits-current	32,214	44,316	32,120
Cash and cash equivalents	69,100	48,376	52,264
Total current asset	119,432	126,745	129,670
Current liabilities			
Trade and other payables	16,138	28,917	16,067
Bank borrowings	23,018	10,004	34,918
Lease liabilities-current	2,475	2,243	3,593
Provisions	1,336	2,648	3,762
Contract liabilities	1,225	5,161	3,515
Total current liabilities	44,192	48,973	61,855
Net current assets	75,240	77,772	67,815

During the Track Record Period, we had a net current assets position. The increase of net current assets from RMB75.2 million as of December 31, 2024 to RMB77.8 million as of December 31, 2025 was primarily due to (i) an decrease in bank borrowings by RMB13.0 million, (ii) an increase in trade and other receivables by RMB12.7 million and (iii) an increase in time deposits by RMB12.1 million, partially offset by (i) an decrease in cash and cash equivalents by RMB20.7 million and (ii) an increase in trade and other payables by RMB12.8 million.

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The decrease of net current asset from RMB77.8 million as of December 31, 2025 to RMB67.8 million as of June 30, 2026 was primarily due to a decrease in the current portion of the time deposits by RMB12.2 million and an increase in bank borrowings by RMB24.9 million, partially offset by a decrease in trade and other payables by RMB12.9 million.

Assets

Property and Equipment

Our property and equipment primarily consists of (i) leasehold improvements, (ii) machinery equipment, (iii) office equipment, (iv) electronic and other equipment, and (v) construction in progress. The following table sets forth a breakdown of the net carrying amount of our property and equipment as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Leasehold improvement	5,962	5,541	5,184
Machinery	11,742	13,493	13,204
Office furniture	1,327	802	518
Electronic and other equipment	398	311	447
Construction in progress	—	1,236	1,373
Total	19,429	21,383	20,726

Our property and equipment increased from RMB19.4 million as of December 31, 2024 to RMB21.4 million as of December 31, 2025. This increase was primarily attributable to an increase in machinery to meet the growing needs of the commercialization of NovaPulse IABP and R&D of our other pipeline programs. Our property and equipment then decreased to RMB20.7 million as of June 30, 2026, mainly as a result of depreciation during the ordinary course of business.

As of December 31, 2024, 2025 and June 30, 2026, no impairment indicators were identified notwithstanding that we recorded a loss. For discussion of the details relating to the impairment testing for non-financial assets (including property and equipment, right-of-use assets and intangible assets), see Note 16 to the Accountants’ Report in Appendix I to this Document.

Right-of-use Assets

Our right-of-use assets are primarily related to our leased properties for office premises and manufacturing facilities. Lease contracts are entered into for fixed term from 1 to 3 years. Our right-of-use assets decreased from RMB5.9 million as of December 31, 2024 to RMB5.1 million as of December 31, 2025 and RMB3.9 million as of June 30, 2026, primarily due to the amortization of our right-of-use assets over the lease terms.

Intangible Assets

Our intangible assets include computer software related to our business operations. The net carrying amount of our intangible assets remained relatively stable at RMB0.6 million as of December 31, 2024 and RMB0.5 million as of December 31, 2025. Our intangible assets increased to RMB0.9 million as of June 30, 2026, primarily due to the ongoing development of new CRM software based on our business needs.

Interests in an Associate

Our interests in an associate represent our equity interest in a medical company. The net carrying amount of our interests in an associate decreased from RMB0.5 million as of December 31, 2024 to RMB0.3 million as of December 31, 2025 and RMB0.1 million as of June 30, 2026, primarily attributable to our decreased share of equity interest in and the net loss position of the medical company.

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Other Non-current Assets

Our other non-current assets primarily consist of (i) rental deposits, and (ii) prepayments for the acquisition of property and equipment. Our other non-current assets decreased from RMB3.8 million as of December 31, 2024 to RMB1.9 million as of December 31, 2025, primarily attributable to a decrease in prepayments for the acquisition of property and equipment. Our other non-current assets then increased to RMB2.6 million as of June 30, 2026, in connection with prepayment for the acquisition of long-term assets for the development of our IABP products.

Time Deposits

Our time deposits consist of current and non-current components. Our total time deposits increased from RMB105.6 million as of December 31, 2024 to RMB111.0 million as of December 31, 2025, primarily due to an increase in the current portion of time deposits, partially offset by a decrease in the non-current portion of time deposits. Our total time deposits further decreased to RMB79.0 million as of June 30, 2026, as we ceased to continue purchasing time deposits in light of the continued decline in prevailing interest rates for time deposits. The changes in our time deposits reflects our implement of cash management measures in the ordinary course of our business.

Inventories

Our inventories primarily consist of (i) raw materials and consumables used in our product development and manufacture, (ii) work in progress and (iii) finished goods. Our inventories increased from RMB11.5 million as of December 31, 2024 to RMB14.7 million as of December 31, 2025 and RMB18.7 million as of June 30, 2026, primarily due to an increase in raw materials and consumables and work in progress which were in line with the growing demand of our products. The decrease in our finished goods was due to our continued effort to optimize our manufacturing processes and manufacture upon needs. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Raw materials and consumables	6,807	6,790	11,153
Work in progress	571	964	1,978
Finished goods	4,157	6,995	5,548
Total	11,535	14,749	18,679

The following table sets forth an aging analysis of our inventories, based on the invoice date and net of provision, as of the dates indicated.

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Less than one year	11,216	14,064	17,809
One year to two years	286	670	856
Two years to three years	33	15	14
Total	11,535	14,749	18,679

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The following table sets forth the turnover days of our inventory for the years/period indicated:

	For the Year Ended December 31,		For the Six Months Ended June 30,
	2024	2025	2026
Inventory turnover days ⁽¹⁾	204	172	129

Note:

- (1) Inventory turnover days for each year/period is calculated as the average inventory balance, derived from the beginning and ending inventory balances of the year/period, divided by the cost of sales for the same corresponding year/period, and then multiplied by the number of days in that year/period. For 2024, 2025 and the six months ended June 30, 2026, the number of days used was 366, 365 and 181, respectively.

During the Track Record Period, we had procured raw materials and consumables in relatively large quantities for lower prices as our cost optimization measures. In addition, some of our products require longer lead time for stocking and preparing. These two factors contribute to a relatively longer inventory turnover days. Our inventory turnover days were primarily affected by our sales forecasts and procurement cycle. Our inventory turnover days decreased from 204 days in 2024 to 172 days in 2025, and further to 129 days for the six months ended June 30, 2026, primarily due to (i) improved inventory management efficiency, including negotiating with suppliers to provide requested materials in batches and shorten the supply cycle and (ii) refined manufacturing processes which improve production efficiency and optimize our demands for inventory.

Our inventory management system is governed by our warehouse management policies to ensure that the raw materials and finished goods remain intact and traceable. Our planning and distribution department oversees receipt, storage, and dispatch, while the quality and regulatory department conducts rigorous inspections and final releases to ensure all materials meet safety standards. To safeguard our assets, we utilize designated, color-coded storage areas and perform daily temperature and humidity monitoring. We strictly adhere to the first-in-first-out (FIFO) principle and conduct quarterly spot checks alongside comprehensive annual physical counts.

We will continue to optimize inventory levels, improve the accuracy of procurement and production plans, strengthen supplier delivery cycle management, and, based on business development, capital needs, and financing costs, consider utilizing financing tools such as bank credit lines in a timely manner to further optimize working capital management and improve capital utilization efficiency. We have implemented the following measures to continuously optimize our inventory and cash conversion cycle, including to (i) strengthen the coordination of sales forecasting, production planning and procurement planning, and dynamically adjust inventory levels based on historical sales data, sales forecasts, production plans, and supplier delivery cycles; (ii) enhance supplier delivery cycle management and optimize safety stock levels according to actual needs, ensuring stable supply while reducing excessive inventory buildup; (iii) optimize inventory structure, improve the utilization efficiency of shareable raw materials and components across different product lines, and strengthen the management of stagnant and low-turnover inventory; (iv) make reasonable use of supplier credit periods according to contractual agreements, reducing the occupation of our own funds by inventory; and (v) maintain a sales policy based primarily on advance payments to reduce the occupation of working capital by accounts receivable.

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Trade and Other Receivables

Our trade and other receivables primarily consisted of (i) trade receivables, (ii) prepayments to suppliers, (iii) deferred issue costs, (iv) deposits, and (v) others. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Trade receivables	–	7,405	6,772
Prepayments to suppliers	4,280	7,072	9,680
Deferred issue costs	–	2,352	3,810
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments for issue costs	–	–	311
Deposits	241	401	2,049
Others	389	388	962
Total	4,910	17,618	25,087

Our trade and other receivables increased from RMB4.9 million as of December 31, 2024 to RMB17.6 million as of December 31, 2025, mainly due to an increase in trade receivables in relation to increased revenue from contract development services and increased trade receivables from certain overseas customers, and an increase in advances to suppliers by RMB2.8 million, as we increased our procurement of raw materials to support production of medical devices. Our trade and other receivables further increased to RMB25.1 million as of June 30, 2026, mainly due to an increase in deferred issue costs in relation to the [REDACTED], and an increase in prepayments to suppliers, to support production of our new IABP product line.

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

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Within 90 days	–	7,392	6,757
91-180 days	–	13	2
180-365 days	–	–	13
Total	–	7,405	6,772

The following table sets forth our trade receivables turnover days during the years/period indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,
	2024	2025	2026
Trade receivables turnover days ⁽¹⁾	3	21	22

Note:

- (1) Trade receivables turnover days for a period are calculated as the average of the opening and closing trade receivables balances divided by the revenue for the relevant year/period, and then multiplied by the number of days in that year/period. In 2024, 2025 and the six months ended June 30, 2026, the number of days used was 366, 365 and 181 days, respectively.

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During the Track Record Period, we required the substantial majority of our domestic distributors to pay for our products before delivery and only granted credit terms to certain domestic and overseas distributors. As a result, we maintain a relatively shorter trade receivable turnover days. The trade receivables turnover days increased from 3 days in 2024 to 21 days in 2025, mainly due to the increase in trade receivables in connection with overseas product sales and our provision of technical services. Our trade receivable turnover days remained relatively stable at 22 days for the six months ended June 30, 2026.

Financial Assets at FVTPL

As of December 31, 2024, 2025 and June 30, 2026, we did not have financial assets measured at FVTPL.

We have established a structured process for managing our investments in wealth management products, which may comprise structured deposits. These investments shall be made with reputable banks in the Chinese mainland, designed solely for cash preservation and efficient liquidity management, without exposure to equity or market volatility. Investment proposals are initiated by our finance personnel, reviewed and approved by the financial management personnel who are Certified Public Accountants in the PRC. For structured deposits entered into by us, according to our Internal Funds Management Policy, the Chief Financial Officer and/or the Chief Executive Officer provide final approval prior to execution. These transactions are routine in nature, involve limited risk, and fall well below the financial thresholds requiring board-level oversight.

For external investments, asset acquisitions or disposals, asset mortgages, entrusted wealth management, related-party transactions and external donations, authorized personnel shall be responsible for evaluating and reviewing these transactions. Any proposed investment exceeding RMB5.0 million shall be submitted to the Board for review and approval. Any deviation from approved limits or material market movement triggers an immediate review.

Our investment strategy related to wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefit of our Shareholders. Our investment in wealth management products with low risks and other proposed investment must not interfere with our daily operation and business prospects. After the [REDACTED], our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

Value-added Tax Recoverable

Our value-added tax recoverable remained relatively stable at RMB1.7 million as of December 31, 2024 and 2025, and at RMB1.5 million as of June 30, 2026.

Cash and Cash Equivalents

Our cash and cash equivalents decreased from RMB69.1 million as of December 31, 2024 to RMB48.4 million as of December 31, 2025 and increased to RMB52.3 million as of June 30, 2026, which was in line with our use of cash for business operations. For an analysis on cash flows during the Track Record Period, see “— Liquidity and Capital Resources.”

Liabilities

Trade and Other Payables

Our trade and other payables primarily consisted of (i) trade payables for raw materials and equipment in support of our production of medical devices, (ii) accrued staff costs and benefits, (iii) accrued [REDACTED] expenses, (iv) accrued issue costs, (v) accrued royalty fee in connection with royalties paid under our research collaboration agreements, (vi) other taxes payables, (vii)

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accrued service fee in connection with professional service fees paid to third-party service providers such as intellectual property agencies and legal advisers, (viii) deposits from customers, (ix) payables to staff and (x) other payables. Our trade and other payables increased from RMB16.1 million as of December 31, 2024 to RMB28.9 million as of December 31, 2025, primarily (i) because we incurred [REDACTED] expenses for the [REDACTED] in 2025 and (ii) as a result of an increase in trade payables in line with the expansion of our commercialization activities. Our trade and other payables subsequently decreased to RMB16.1 million as of June 30, 2026, primarily as we recognized and paid for the accrued [REDACTED] expenses during the first half of 2026 and continued to negotiate for more favorable supplier payment terms.

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Trade payables	1,092	4,692	2,034
Accrued staff costs and benefits	7,536	9,793	9,100
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Accrued issue costs	—	1,820	—
Accrued royalty fee	583	812	867
Other taxes payables	321	642	231
Accrued service fee	4,440	2,146	572
Deposits from customers	170	370	780
Payables to staff	1,733	1,100	1,446
Other payables	263	39	15
Total	16,138	28,917	16,067

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

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Within 90 days	845	4,286	1,404
91-180 days	141	73	16
181-365 days	35	241	398
1 to 2 years	69	21	129
2 to 3 years	2	71	87
Total	1,092	4,692	2,034

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

	For the Year Ended December 31,		For the Six Months Ended June 30,
	2024	2025	2026
Trade payables turnover days ⁽¹⁾	29	38	26

Note:

- (1) Trade payables turnover days for a period are calculated as the average of the opening and closing trade payables balances divided by total cost of sales for the relevant year/period, and then multiplied by the number of days in that year/period. In 2024, 2025 and the six months ended June 30, 2026, the number of days was 366, 365 and 181, respectively.

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Our trade payables turnover days increased from 29 days in 2024 to 38 days in 2025, primarily due to the increase in ending trade payables balances, as we gained credit term due to our continued negotiation with suppliers. Our trade payables turnover days decreased to 26 days for the six months ended June 30, 2026, primarily due to the decrease in ending trade payables balances, as we continued to negotiate for more favorable supplier payment terms.

Contract Liabilities

Our contract liabilities mainly arise from the advance payments made by customers for our commercialized products, while the underlying products or services are yet to be provided. Our contract liabilities increased from RMB1.2 million as of December 31, 2024 to RMB5.2 million as of December 31, 2025 and subsequently decreased to RMB3.5 million as of June 30, 2026, which was primarily due to fluctuations in advancement payments from our customers that arise in the ordinary course of business.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. Our lease liabilities, including current and non-current portions, decreased from RMB6.7 million as of December 31, 2024 to RMB5.2 million as of December 31, 2025 and RMB5.0 million as of June 30, 2026, which was in line with our lease payments.

Bank Borrowings

As of December 31, 2024, 2025 and June 30, 2026, we had bank borrowings of RMB23.0 million, RMB10.0 million and RMB34.9 million, respectively, all of which were classified as current liabilities. Our bank borrowings were unsecured and unguaranteed. As of June 30, 2026, the effective interest rates for our bank borrowings ranged from 2.1% to 2.23%. As of June 30, 2026, we had bank facilities of RMB35.1 million which remained unutilized. Such bank facilities were all committed facilities, meaning that, subject to the satisfaction of the relevant drawdown conditions and in the absence of any event of default, the lenders are required to make the relevant loan amounts available to us.

Provisions

Our provisions increased from RMB1.3 million as of December 31, 2024 to RMB2.6 million as of December 31, 2025 and to RMB3.8 million as of June 30, 2026, which mainly represent provisions for after-sales expenses.

Redemption liabilities

Our redemption liabilities are in relation to our redemption obligations arising from the redemption rights granted to certain Shareholders. We recognized these redemption liabilities initially at the present value of the redemption amount and subsequently measured them at amortized cost using the effective interest method. Our redemption liabilities increased from RMB429.9 million as of December 31, 2024 to RMB519.5 million as of December 31, 2025 and RMB540.8 million as of June 30, 2026. For details, see Note 30 of Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we relied on capital contributions by our shareholders and bank borrowings as the major sources of liquidity. We also generate cash from sales of our medical devices, provision of research and development services and provision of maintenance services. During the Track Record Period, we incurred negative cash flows from our operations. Our operating cash outflows resulted from investments in research and development of our cardiopulmonary diagnostic and therapeutic devices, selling activities for commercialization of our

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products, and administrative activities, which are essential for our business development. As we complete registration and commercialization of more pipeline products, expand our distributor network and further enhance our operating efficiency, we expect to generate more net cash from our operating activities.

Cash Flows

The following table presents our consolidated cash flow data for the periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
			<i>(unaudited)</i>	
			<i>(RMB in thousands)</i>	
Net cash used in operating activities	(52,776)	(48,002)	(30,626)	(46,289)
Net cash (used in)/from investing activities	(9,329)	(8,150)	(31,631)	29,235
Net cash from financing activities	92,077	35,447	55,691	21,004
Net increase (decrease) in cash and cash equivalents .	29,972	(20,705)	(6,566)	3,950
Cash and cash equivalents at the beginning of the year/period	39,115	69,100	69,100	48,376
Cash and cash equivalents at the end of the year/period .	69,100	48,376	62,533	52,264

Operating Activities

For the six months ended June 30, 2026, our net cash used in operating activities was RMB46.3 million, which was primarily attributable to our loss before tax of RMB51.9 million, primarily adjusted for finance costs of RMB21.7 million; partially offset by changes in working capital, including a decrease in trade and other payables of RMB11.0 million.

In 2025, our net cash used in operating activities was RMB48.0 million, which was primarily attributable to our loss before tax of RMB95.3 million, primarily adjusted for (i) finance costs of RMB40.3 million and (ii) increase in trade and other payables of RMB13.3 million, partially offset by increase in trade and other receivables of RMB12.6 million.

In 2024, our net cash used in operating activities was RMB52.8 million, which was primarily attributable to our loss before tax of RMB86.2 million, primarily adjusted for (i) interest income of RMB4.6 million, and (ii) increase in inventories of RMB2.6 million; partially offset by (i) finance costs of RMB29.7 million, (ii) depreciation of property and equipment of RMB6.2 million, and (iii) decrease in trade and other receivables of RMB4.2 million.

We plan to improve our net operating cash outflow position by (i) increasing product sales, including rapidly building our distribution network as we launch more products, selling products in more countries as we receive relevant certifications, and continuing to promote and educate the market about our Core Product; and (ii) controlling costs, including optimizing manufacturing processes to improve manufacturing efficiency and procuring lower-cost raw materials.

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Investing Activities

For the six months ended June 30, 2026, our net cash from investing activities was RMB29.2 million, primarily as a result of (i) withdrawal of time deposits of RMB41.0 million and (ii) redemption of financial assets at FVTPL of RMB18.0 million; partially offset by (i) purchase of financial assets at FVTPL of RMB18.0 million and (ii) placement of time deposits of RMB10.0 million.

In 2025, our net cash used in investing activities was RMB8.2 million, primarily as a result of (i) purchase of financial assets measured at FVTPL of RMB172.0 million, and (ii) placement of time deposits of RMB65.0 million; partially offset by (i) redemption of financial assets at FVTPL of RMB172.0 million and (ii) withdrawal of time deposits of RMB60.0 million.

In 2024, our net cash used in investing activities was RMB9.3 million, primarily as a result of (i) purchase of financial assets at FVTPL of RMB154.0 million, (ii) placement of time deposits of RMB40.0 million, and (iii) purchases of property and equipment of RMB11.2 million; partially offset by (i) redemption of financial assets at FVTPL of RMB154.0 million, and (ii) withdrawal of time deposits of RMB40.0 million.

Financing Activities

For the six months ended June 30, 2026, we had RMB21.0 million of net cash inflow from financing activities, primarily attributable to bank borrowings raised of RMB24.9 million, partially offset by issue costs paid of RMB3.6 million.

In 2025, we had RMB35.4 million of net cash inflow from financing activities, primarily attributable to our (i) proceeds from issuance of redeemable shares of RMB50.3 million, and (ii) bank borrowings raised of RMB43.0 million; partially offset by repayment of bank borrowings of RMB56.0 million.

In 2024, we had RMB92.1 million of net cash inflow from financing activities, primarily attributable to our (i) proceeds from issuance of redeemable shares of RMB98.0 million, and (ii) bank borrowings raised of RMB23.0 million; partially offset by repayment of bank borrowings of RMB28.0 million.

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this document: our future operating cash flows and cash and cash equivalents as of June 30, 2026, available equity and debt financing, and the estimated net [REDACTED] from the [REDACTED].

Our cash burn rate refers to the average monthly amount of net cash used in operating activities and capital expenditures. We had cash and cash equivalents of RMB52.3 million and time deposits of RMB79.0 million as of June 30, 2026. We estimate that we will receive net [REDACTED] of approximately RMB[REDACTED] after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], at the [REDACTED] of HK\$[REDACTED] per [REDACTED], assuming the [REDACTED] is not exercised.

Assuming an average cash burn rate going forward of [REDACTED] the level [in 2025], we estimate that our cash and cash equivalents and time deposits as of June 30, 2026 will be able to maintain our financial viability for [REDACTED] or, if we take into account the estimated net [REDACTED] from the [REDACTED], [REDACTED]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

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CASH OPERATING COSTS

The following table sets forth information on our cash operating costs for the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	(unaudited) (RMB in thousands)			
R&D expenses				
<i>R&D expenses for our Core</i>				
<i>Product</i>				
Trial and testing expenses . .	1,506	3,491	659	4,489
Staff costs ⁽¹⁾	6,135	5,554	2,892	4,464
CMC costs and others	5,171	5,450	1,547	1,847
<i>R&D expenses for our other</i>				
<i>product candidates</i>				
Trial and testing expenses . .	1,553	3,748	573	465
Staff costs ⁽¹⁾	10,279	10,638	4,903	5,877
CMC costs and others	7,327	5,797	3,167	3,108
Workforce employment				
costs ⁽²⁾	31,542	30,015	17,735	21,676
Product marketing	6,883	3,376	1,431	4,561
Direct production costs⁽³⁾	15,502	20,908	10,113	21,044
Non-income taxes, royalties				
and other governmental				
charges	2,467	3,191	595	2,810
Other significant costs⁽⁴⁾	19,919	29,500	12,759	49,268
Total	<u>108,284</u>	<u>121,669</u>	<u>56,375</u>	<u>119,610</u>

Notes:

- (1) Represent staff cost excluding share-based payment expenses.
- (2) Represent non-research and development staff costs mainly including staff cost under administrative expenses and selling expenses.
- (3) Direct production costs including raw materials and consumables used, labor costs and manufacturing costs.
- (4) Represent non-research and development costs, mainly including procurement of cost of raw materials and consumables, utility fees, and lease expenses and professional service costs related to the [REDACTED].

INDEBTEDNESS

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

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB in thousands)		
Bank borrowings	23,018	10,004	34,918
Lease liabilities	6,654	5,225	4,972
Redemption liabilities	429,933	519,476	540,778
Total	<u>459,605</u>	<u>534,705</u>	<u>580,668</u>

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges,

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finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of June 30, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since June 30, 2026, and up to the Latest Practicable Date.

Additionally, our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material and adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years/period indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,
	2024	2025	2026
	<i>(RMB in thousands)</i>		
Machinery	4,504	3,835	1,910
Office furniture	29	62	15
Electronic and other equipment	212	79	196
Construction in progress	1,376	3,742	137
Leasehold improvement	5,320	528	686
Total	<u>11,441</u>	<u>8,246</u>	<u>2,944</u>

Our capital expenditures represent addition in property and equipment during each year/period, amounted to RMB11.4 million, RMB8.2 million and RMB2.9 million in 2024, 2025 and for the six months ended June 30, 2026, respectively. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities, our available banking facilities and [REDACTED] from the [REDACTED]. We will continue to make capital expenditures to meet the expected growth of our business. See “Future Plans and Use of [REDACTED] — Use of [REDACTED].”

COMMITMENTS

As of December 31, 2024, 2025 and June 30, 2026, our material commitments are shown in the table below.

	As of December 31,		As of June 30,
	2024	2025	2026
	<i>(RMB in thousands)</i>		
Capital expenditure in respect of acquisition of property and equipment contracted for but not provided in the Accountants’ Report	<u>2,223</u>	<u>960</u>	<u>1,129</u>

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CONTINGENT LIABILITIES

As of December 31, 2024, 2025 and June 30, 2026, we did not have any significant contingent liabilities and were not involved in any legal proceedings pending or threatened against us which could have a material adverse effect on our business or operations.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had transactions with related parties in accordance with the terms agreed with the counterparties. Details of our transactions with related parties during the Track Record Period are set out in Note 36 of Appendix I to this document. Our Directors confirm that the material related party transactions during the Track Record Period were conducted on an arm’s length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

KEY FINANCIAL RATIO

The following table sets forth some of our key financial ratio for the years/periods indicated.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
			<i>(unaudited)</i>	
Gross profit margin ⁽¹⁾	59.3%	55.9%	49.9%	59.8%

Note:

(1) Gross profit margin is calculated using gross profit for the year/period divided by revenue for the year and multiplied by 100%.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk (including interest rate risk), credit risk and liquidity risk, as set out below. We manage and monitor these risks to ensure that appropriate measures can be implemented in a timely and effective manner. For further details, see Note 34 to the Accountants’ Report in Appendix I to this Document. The discussion below provides a summary of our market risks.

DIVIDEND

No dividend was paid or declared by us or any of our subsidiaries since our incorporation. After the Track Record Period and as of the date of this document, we did not declare any dividends to our Shareholders.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Shareholders’ meetings may declare dividends in the future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. After the [REDACTED], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future will

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depend on, among other things, our Group’s profitability, operations and development plans, external financing environment, costs of capital, our Group’s cash flows, and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries. As advised by the PRC Legal Advisor, we can not pay dividends in view of our accumulated loss position.

DISTRIBUTABLE RESERVES

As of June 30, 2026, our deficits were RMB399.2 million, which represent no distributable reserve as of the same date.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED] expenses, such as [REDACTED] and [REDACTED], and (ii) non-[REDACTED] expenses, comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED] expenses, we expect to pay [REDACTED] expenses of HK\$[REDACTED], professional fees for our legal advisors and reporting accountants of HK\$[REDACTED] and other fees and expenses of HK\$[REDACTED]. An estimated amount of HK\$[REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED]% of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We recognized [REDACTED] expenses of [REDACTED], RMB[REDACTED] and RMB[REDACTED] in 2024, 2025 and the six months ended June 30, 2026, respectively.

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of the document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2026, the end of the period reported on the Accountants’ Report included in Appendix I to this document; and there has been no event since June 30, 2026 which would materially affect the information presented in the Accountants’ Report 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 disclosure required under Rules 13.13 to 13.19 of the Listing Rules.