微泰医疗®
MICROTECH MEDICAL

MicroTech Medical (Hangzhou) Co., Ltd.
微泰醫療器械(杭州)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2235)

2025
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zheng Pan *(Chairman and Chief Executive Officer)*
Dr. Yu Fei
Dr. Shi Yonghui
Ms. Liu Xiu

Non-executive Directors

Mr. Mao Shuo
Ms. Gao Yun

Independent Non-executive Directors

Dr. Li Lihua
Ms. Wang Chunfeng
Mr. Ho Kin Cheong Kelvin
Dr. Cheng Hua

SUPERVISORS

Mr. Li Zhenhua
Mr. Lyu Cheng
Mr. Zhao Zhiheng

JOINT COMPANY SECRETARIES

Dr. Shi Yonghui
Ms. Chu Pik Man

AUTHORIZED REPRESENTATIVES

Dr. Zheng Pan
Ms. Chu Pik Man

AUDIT COMMITTEE

Mr. Ho Kin Cheong Kelvin *(Chairperson)*
Ms. Gao Yun
Ms. Wang Chunfeng

REMUNERATION AND ASSESSMENT COMMITTEE

Ms. Wang Chunfeng *(Chairperson)*
Mr. Ho Kin Cheong Kelvin
Dr. Shi Yonghui

NOMINATION COMMITTEE

Dr. Li Lihua *(Chairperson)*
Dr. Cheng Hua
Dr. Zheng Pan

STRATEGY COMMITTEE

Dr. Zheng Pan *(Chairperson)*
Dr. Shi Yonghui
Dr. Li Lihua

REGISTERED OFFICE

No. 108 Liuze Street
Cangqian Street
Yuhang District, Hangzhou
Zhejiang, China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hong Kong

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Zhejiang, China

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Hangzhou Haichuang Branch
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Cangqian Street
Yuhang District, Hangzhou
Zhejiang, China

Bank of China
Hangzhou Chengxi Kechuang Branch
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Wuchang Street
Yuhang District, Hangzhou
Zhejiang, China

AUDITOR

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Certified Public Accountants
Registered Public Interest Entity Auditor
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Hangzhou, China

STOCK CODE

2235

COMPANY'S WEBSITE

www.microtechmd.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2025, the biopharmaceutical and innovative medical device sectors experienced rapid growth. Despite the numerous challenges faced by the business ecosystem of the global medical device industry and intensified domestic competition, the fields of diabetes monitoring and precise treatment still retained long-term growth potential. Moreover, innovative medical devices faced historic opportunities for international expansion. In this challenging market environment, all employees of the Company united in purpose and worked diligently to surpass various business objectives, propelling the Company toward a fast track of high-quality development. Over the past year, the Company has steadily expanded its business scale, continuously optimized its cost structures and successfully achieved a turnaround from loss to profit. The sales of our core product, CGM, have seen rapid growth, further solidifying our market share, while organizational and operational optimizations have yielded significant results, raising our overall operational performance and efficiency to new heights.

In terms of product R&D, MicroTech Medical has further consolidated its technological leadership in diabetes management. The indications of Equil Patch Insulin Pump for pediatric and adolescent patients aged 3 to 17 years have been approved for marketing by the NMPA; the second-generation patch insulin pump system with a higher waterproof level and a better adaptability with larger capacity has been submitted to the NMPA for registration; the AiDEX X/LinX CGMS has received CE marking in the EU, expanding its indications to cover the patients aged 2 years and above with type 1 and type 2 diabetes; and the split CGMS AiDEX FLEX/LinX FLEX has been submitted to the NMPA and EU for registration.

In terms of marketing, MicroTech Medical has achieved synergistic growth in the domestic market by leveraging the advantages of its core product and an omni-channel layout. Our core product has obtained access to more than 3,200 hospitals, steadily increasing our share in the professional medical market. Our e-commerce channels have achieved a dual breakthrough in sales scale and brand recognition, with the core product consistently ranking among the top in key categories on mainstream platforms.

In the process of global market expansion, international business has emerged as the primary engine driving our performance growth, achieving revenue of RMB343 million in 2025, representing a year-on-year increase of 227.2%, and accounting for over half of total revenue. Our products have covered more than 120 countries and regions worldwide. The LinX CGMS, our Core Product, has successfully included in the healthcare reimbursement systems of multiple countries, becoming a benchmark for Chinese CGM technology export. In 2025, the LinX CGMS obtained registration access in more than 20 additional countries, including Brazil and India, achieving breakthrough progress in emerging markets such as the Middle East, Asia Pacific, and South America, thereby providing strong momentum for long-term international growth.

Looking ahead to 2026, as MicroTech Medical celebrates its 15th anniversary, the Company will build upon a decade and a half of expertise in diabetes diagnosis and treatment, along with the milestone breakthroughs achieved in its core pipelines, continuing to place technological innovation at the heart of its strategy while deepening its global presence. Leveraging the competitive advantages of our Core Product and technologies such as patch insulin pumps and CGM, coupled with its full-chain R&D capabilities, the Company will accelerate the iteration of Core Product, the registration and conversion of innovative pipelines, and the commercialization of the closed-loop artificial pancreas systems. Furthermore, MicroTech Medical will deepen its presence in global markets while enhancing synergies across domestic channels, making every effort to achieve dual breakthroughs in both operational scale and profitability.

Finally, on behalf of the board of directors and all employees of MicroTech Medical, I would like to express my sincerest gratitude to all customers, partners, shareholders and investors. It is your long-term trust and support that have enabled us to maintain our original aspiration and make constant breakthroughs in complex and volatile market environments. In the future, we will remain steadfast in the Company's mission of "providing a healthier and better life for diabetic patients", and uphold our core values, strive to provide the highest quality products and services for diabetic patients and health management groups around the world, while continuously improving operational performance and efficiency and creating long-term value for shareholders.

Dr. Zheng Pan
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five* financial years, as extracted from the audited financial information and financial statements, is set out below:

	For the year ended December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000 (restated)	RMB'000 (restated)	RMB'000
Revenue	**660,788**	345,615	253,228	173,607	151,404
Gross profit	**357,425**	182,849	120,665	79,747	70,883
Net profit	**40,152**	(63,118)	(125,016)	(35,043)	(48,153)
Net profit attributable to shareholders of the parent	**40,152**	(63,118)	(125,016)	(35,043)	(48,153)
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted	**RMB0.10**	RMB(0.15)	RMB(0.29)	RMB(0.08)	RMB(0.13)

	For the year ended December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,310,341**	2,146,353	2,158,782	2,294,097	2,329,139
Total liabilities	**295,967**	171,722	97,697	82,065	82,478
Net assets	**2,014,374**	1,974,630	2,061,085	2,212,032	2,246,661
Total Equity	**2,014,374**	1,974,630	2,061,085	2,212,032	2,246,661

* The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on October 19, 2021.

* Figures in financial highlights for 2020 and 2021 are prepared using Hong Kong Financial Reporting Standards.

* The share-based compensation of the Company was RMB6.48 million in 2025, RMB5.20 million in 2024 and RMB12.43 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

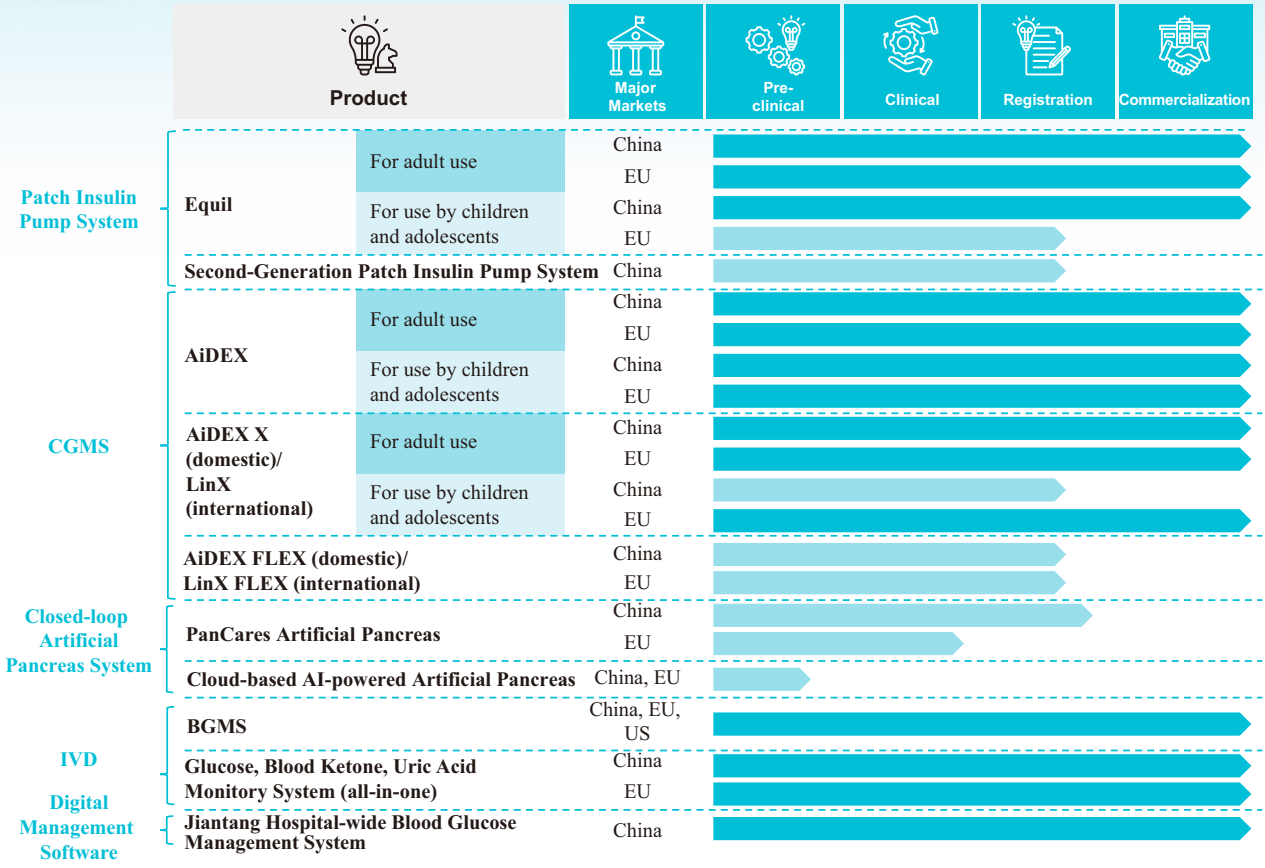
Overview

We are a high-tech enterprise dedicated to the R&D, production and sales of medical devices for the monitoring, treatment and management of diabetes. We are committed to becoming a global leader in diabetes management, helping patients with diabetes lead healthier and better lives. We have established a full system product portfolio that covers diabetes monitoring equipment (CGMS), treatment equipment (patch insulin pump system) and software platform (Jiantang Hospital-wide Blood Glucose Management System). At the core technology level, we have independently developed a patch insulin pump system equipped with the algorithm module, which can analyse patients' physiological data in real time and dynamically adjust the dosing regimen. The CGMS employed core processes and algorithms, significantly improving the accuracy of blood glucose measurement, and the core performance indicators have reached the international advanced level. At the same time, we have developed a cloud-based big data platform for diabetes management, which will continue to deliver greater clinical benefits and digital convenience to patients with diabetes worldwide, whilst reducing the economic burden on patients.

We will continue to leverage the Company's strengths in patch insulin pump system and CGMS, continuously refining our technological R&D to introduce closed-loop solutions; through user-centric and clinically-driven marketing strategies, coupled with diversified commercialisation channels, we will further expand our marketing network, enhance brand awareness for innovative products, expand our international market operations, and continually broaden our profit margins.

Products and Product Pipeline

As of December 31, 2025, the Company had 5 major categories of products and pipeline candidates that have obtained 22 medical device registration certificates in the PRC and 93 medical device registration certificates overseas. Among those products, 23 of them have obtained CE marking in the EU, and 1 of them have obtained 510(k) approval from FDA. The following chart summarizes the development progress of our products and product candidates as of the date of this report:


Product
Major Markets
Pre-clinical
Clinical
Registration
Commercialization
Patch Insulin Pump System
Equil
For adult use
China
EU
For use by children and adolescents
China
EU
Second-Generation Patch Insulin Pump System
China
CGMS
AiDEX
For adult use
China
EU
For use by children and adolescents
China
EU
AiDEX X (domestic)/ LinX (international)
For adult use
China
EU
For use by children and adolescents
China
EU
AiDEX FLEX (domestic)/ LinX FLEX (international)
China
EU
Closed-loop Artificial Pancreas System
PanCares Artificial Pancreas
China
EU
Cloud-based AI-powered Artificial Pancreas
China, EU
IVD
BGMS
China, EU, US
Glucose, Blood Ketone, Uric Acid Monitory System (all-in-one)
China
EU
Digital Management Software
Jiantang Hospital-wide Blood Glucose Management System
China

Our Core Product

Patch Insulin Pump System — Equil

Patch Insulin Pump System ("**Equil**"), our Core Product, is a semi-disposable patch insulin pump. Compared to traditional tubed insulin pumps, Equil features a tubeless and lightweight design, enabling users to manage diabetes in a more private, convenient and safer manner. Compared to other patch insulin pumps in the market, Equil has a longer reusable lifespan, rechargeable battery, and a unique pump vibration alarm design. In 2017, Equil received the launch approval for adult use from the NMPA. Equil also received CE marking in the EU in the same year. In 2018, Equil was successfully selected into the "Innovative Medical Device Product Catalog (2018)" issued by the Ministry of Science and Technology. It is the only product in the field of diabetes in the catalog, and was included in the "China Insulin Pump Treatment Guidelines".

In September 2025, Equil received approval from the NMPA to expand its indications to diabetic patients aged 3 to 17, providing a new treatment option for children and adolescents with diabetes in China. As of the date of this report, our second-generation patch insulin pump system was submitted to the NMPA for registration. The second-generation patch insulin pump system features a higher waterproof level and a better adaptability to insulin reservoirs with larger capacity as well as offers a more user-friendly operating experience.

CGMS

Compared to traditional blood glucose monitoring methods, CGMS (clinically referred to as dynamic blood glucose monitoring) can provide continuous, comprehensive and reliable blood glucose information throughout the whole day, helping users to have a better understanding of the trends and characteristics of blood glucose fluctuations while relieving the pain of frequent blood sampling.

Our AiDEX CGMS is the second commercialized calibration-free real-time CGMS in the world. The system received the launch approvals from the NMPA and the EU in 2021. As of the date of this report, we have obtained approval from the NMPA and EU for the application extension of AiDEX to children and adolescents with diabetes.

In 2024, the Company launched the new generation of CGMS — AiDEX X (international brand name: LinX). The product is smaller in size, better in performance and adopts a fully disposable design, which significantly enhances ease of use. AiDEX X/LinX received the launch approval from the NMPA in February 2024. For the international market, the product received CE marking in the EU in September 2024 and received indication expansion in the second half of 2025 for use in patients aged 2 and above with type 1 and type 2 diabetes.

With proprietary technology, the Company continued to develop new CGMS AiDEX FLEX/LinX FLEX which adopted a detachable design featuring a reusable transmitter, offering greater cost-effectiveness. As of the date of this report, we have submitted the detachable CGMS to the NMPA and the EU for registration.

The integrated CGMS and detachable CGMS form a highly complementary product matrix. Relying on the synergistic layout and combined advantages of these two products, the Company precisely meets the differentiated needs of various target populations, achieving in-depth reach and comprehensive coverage of a wider range of users.

Closed-loop Artificial Pancreas System

PanCares closed-loop artificial pancreas system combines the intelligent functions in diabetes treatment with monitoring. Its closed-loop control algorithm simulates the feedback regulation mechanism of the human pancreas, so as to realize the automation of treatment and monitoring functions, allow a dynamic management of blood glucose levels of patients and keep the patients' blood glucose fluctuation within a normal or near-normal range.

The system consists of three major components: CGMS, insulin delivery system (the patch insulin pump system) and closed-loop control algorithm. The adaptive model predictive control (MPC) algorithm is used to dynamically regulate blood glucose levels by integrating insulin pump delivery data and continuous glucose monitoring values in real time. In 2023, the product obtained approval of the Special Procedures for Examination and Approval of Innovative Medical Devices promulgated by the NMPA, and has been submitted to the NMPA for registration.

IVD Products

BGMS

Since the establishment of the Company, we developed and commercialized 15 types of blood glucose meters and 7 types of test strips in China. In addition, our BGMS products have obtained launch approvals in major overseas markets, including FDA and CE marking of the EU. We have developed and commercialized 13 types of blood glucose meters and 6 types of test strips in the overseas markets. By using the BGMS, the Company can reach a wider range of diabetic patients, expand sales channels, accumulate customer resources, and offer solid support to the promotion of the Company's innovative medical devices such as CGMS, patch insulin pump system, and closed-loop artificial pancreas system in the market.

As of the date of this report, the blood glucose meter with an expanded indication to newborns (within 30 days of birth) has obtained launch approval.

Exactive Pro — Blood Glucose, Blood Ketone, Uric Acid Monitory System

The Exactive Pro blood glucose, blood ketone and uric acid monitoring system independently developed by the Company can detect blood glucose, blood ketones and uric acid concentration simultaneously, meeting the needs of diabetes, ketoacidosis, hyperuricemia and gout patients for self-monitoring of various health indicators. The system obtained CE marking from the EU in 2022 and launch approval from the NMPA in 2023, making it the first integrated product in China to provide monitoring of the above three indicators function without requiring code adjustment.

As of the date of this report, the iteratively upgraded multi-function all-in-one tester (blood glucose/blood ketone/uric acid) equipped with "Jiantang Diabetes Management Software" passed the launch approval. The device can realize real-time upload of test data.

Diabetes Digital Management Software

The Company has also made key breakthroughs in the digital blood glucose management field. With the "Jiantang Hospital-wide Blood Glucose Management System" and the cloud-based diabetes platform, the Company has achieved real-time docking and remote data sharing of blood glucose monitoring and treatment, such as BGMS, CGMS, and patch insulin pump systems. The system enables, doctors and nurses to monitor the blood glucose data and insulin infusion status of patients of various departments on a real-time basis, intervene in high or low blood glucose events promptly, and handle low drug dosage/low battery alarms of equipment, and equipment malfunctions. Patients can independently view their blood glucose and insulin infusion status during hospitalization and home care, increasing their participation in blood glucose management while authorizing medical personnel to view and modify treatment and management programs in a timely manner through the outpatient management function.

As of December 31, 2025, the Jiantang Hospital-wide Blood Glucose Management System had been employed in more than 3,200 hospitals. Currently, more than 27,000 doctors and nurses are using the system. The Pancares Blood Glucose Management System has been deployed in dozens of countries overseas.

We cannot ensure that we will ultimately be able to successfully develop and market our Core Product and other products as above mentioned. Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

Our Platform

We have established a strong platform of R&D, manufacturing and commercialization capabilities, focusing on the field of diabetes monitoring and treatment devices.

R&D

The Company has built an interdisciplinary and composite R&D system, with the core team members consisting of scientists and engineers from top international universities and leading global medical device companies, covering cutting-edge fields such as biomedical engineering, advanced materials and intelligent algorithms, with an average of over 18 years of R&D experience. The team deeply collaborates with clinical experts and industry authorities to form a full-chain innovation mechanism of "demand insight — technology research — clinical verification".

In terms of product R&D pipeline, we insist on independent innovation and self-development.

(1) the indications of Equil Patch Insulin Pump System for pediatric and adolescent patients aged 3 to 17 years were approved for marketing by the NMPA in September 2025.

(2) the second-generation patch insulin pump system with a higher waterproof level and a better adaptability with larger capacity has been submitted to the NMPA for registration.

(3) the CGMS AiDEX X/LinX has obtained CE marking from the EU, expanding its indications to patients aged 2 years and above with type 1 and type 2 diabetes.

(4) the split CGMS AiDEX FLEX/LinX FLEX has been submitted to the NMPA and EU for registration.

In addition, leveraging our hardware and data advantages in dynamic diabetes monitoring and patch insulin pump therapy, we have conducted research on applying AI technology to enhance the effectiveness of diabetes treatment and management, and steadily promoted the application of large AI models in diabetes management scenarios, thus strengthening our core competitiveness in the field of diabetes management.

During the Reporting Period, the research and development and clinical promotion of our products achieved remarkable results, and several key advancements laid an important foundation for business expansion. Among them, the clinical study of the AiDEX X CGMS targeting pregnant women was completed, providing a solid clinical basis for further expanding the applicable population range of the product; the Equil Insulin Pump System in Europe completed post-marketing clinical trial, providing support for medical insurance admission; the domestic clinical study for indication of the Hybrid Closed Loop Insulin Delivery System for children over 2 years of age completed the clinical trials. In addition, we are actively conducting clinical trials for the registration of low-cost blood glucose meters. AiDEX FLEX/LinX FLEX was submitted to the NMPA and the EU for registration of detachable CGMS. The Company will also continue to increase its investment in research and development, further strengthening its deployment of cutting-edge technologies and a range of new products, including CGMS, patch insulin pump system and artificial intelligence.

In addition, based on the development trend of AI large models in the CGM field, we have made plans through various methods, such as forming an internal AI team and cooperating with leading domestic research institutes.

Our technological innovation strength has been recognized at the national level, and we were identified as a national level Specialized, Refined, Differential and Innovative “Little Giants” Enterprise, and designated as the Key Diabetes Research Center in Zhejiang Province, China. The Equil, our independently developed Core Product, has been selected into the “Innovative Medical Device Product Catalog” issued by the Ministry of Science and Technology. Pancares has been certified and approved by the NMPA as eligible for the “Special Procedures for Examination and Approval of Innovative Medical Devices” issued by the NMPA. We have undertaken two major national science and technology projects, and the development of artificial intelligence diabetes management platform has been selected as a project of “Leading Innovative Team” by the Department of Science and Technology of Zhejiang Province.

Manufacturing

The Company is located in Hangzhou, Zhejiang Province, China and owns a manufacturing facility with an aggregate area of approximately 15,000 sq.m., for the manufacturing of our products and product candidates. Our manufacturing facility complies with GMP regulations in the U.S., the EU and China and adheres to strict production and quality control standards to ensure high product output, quality and safety. We conduct all the key manufacturing procedures in-house, accumulating a wealth of expertise and skills. In recent years, we have accumulated significant breakthroughs in the production of diabetes monitoring medical devices, providing us with a solid foundation for rapid growth. We have gradually introduced automated production lines for CGMS, optimized manufacturing processes, integrating efficient production across material handling and product fabrication, so as to further improve production efficiency, enhance product quality and reduce production costs.

To meet the Company’s growing business demand, we are actively pushing forward the construction of an advanced production manufacturing base in Yuhang District, Hangzhou, Zhejiang Province, China. The base, with a total area of approximately 44,000 sq.m., which commenced construction in 2023, will mainly be used to expand the production capacity of its Core Product. The new manufacturing base will be equipped with advanced production equipment and technology to increase capacity and production efficiency. The base was successfully completed in 2025 and officially passed acceptance checks and put on record. We will continue to follow strict quality control standards to ensure the quality and safety of our products. This initiative will further enhance the Company’s production capabilities to meet the growing market demand and lay a firmer foundation for the Company’s future development.

Commercialization

Core Product Market Performance

In 2025, the market penetration of our AiDEX X CGMS and Equil Patch Insulin Pump System continued to increase. The Company's products have obtained access to more than 3,200 domestic hospitals and have been sold to 120 countries and regions around the world. Our Core Product, the Equil Patch Insulin Pump System, continued to maintain a leading position of domestic insulin pump system.

Diversified E-commerce Channel Layout: Empowering Brand Growth Deeply Linking with Customers

During the Reporting Period, we continued to deepen our strategic layout of e-commerce channels. Focusing on the development of a full-chain and multi-dimension operation system, we fully integrated online contact points for traffic such as e-commerce platforms, new media matrices and private-domain communities, and established an e-commerce ecosystem featuring channel synergy, scenario interconnected and integrated operation. Meanwhile, we steadily improved our channel operation capabilities, optimized traffic conversion paths, and strengthened resource interconnection and efficiency synergy across channels to achieve the scaled, refined and in-depth operation of e-commerce channels, thus, we further consolidated the core competitiveness of our online channels and enhanced the brand's online market penetration and channel coverage.

In terms of marketing, we increased investment in content marketing. We precisely reached target customer groups with a diversified manner, such as professional popularization of science, user cases, scenario-based content, effectively enhance the results of brand reach and commercial conversion. In terms of service, we continued to optimize the management of the whole after-sales process, integrated the membership system across the entire domain, and built an integrated online and offline service network. We provided users with full-life-cycle services and dedicated care covering consultation, purchase on selection and after-sales support, resulting in a significant improvement in user satisfaction and repurchase rate. In terms of branding, guided by our philosophy of "MicroTech Ideal Life" and driven by the mission to "integrate health into every aspect of life", we organized over 50 health-themed events throughout the year. These events covered diverse settings such as sports competitions, trade fairs, and cross-industry collaborations, including various activities such as the Chengdu Marathon, the UCI World Cycling Championships, the Canton Fair, a co-branded salon with Women's Health, and a sugar-control partnership with Tims Coffee. Through a "professional + lifestyle-oriented" approach, the events helped spread scientific knowledge about blood sugar management, effectively expanded the brand's audience reach, and enhanced its market influence. Relying on the synergetic development model of "marketing — service — brand", we have not only achieved significant growth in sales volume, but also gained differentiated competitive advantages in the e-commerce sector, laying a solid foundation for and adding strong impetus to the long-term development of the brand.

During the Double 11 Shopping Festival in 2025, our AiDEX series CGMS won first place in single-store sales for dynamic blood glucose meters on Tmall, first place on Tmall's bestseller list of glucose testing meters, first place in sales on Kuaishou, and first place in views for dynamic blood glucose meters on Xiaohongshu. In 2025, committed to operating on various major e-commerce platforms, based on its outstanding performance, the Company received remarkable awards in multiple industries, including the "Gold Award of Popularized New Product — Medical Devices" from JD Health, "Annual Scientific and Technological Innovation Brand" from Tmall, "Annual Creative Brand" from Douyin, and "Outstanding Brand Innovation Award" from Xiaohongshu.

Making a Breakthrough in Globalization: Further Developing Local Operation and Speeding Up Overseas Expansion

Data shows that the global CGM market size will exceed USD12 billion in 2025 and maintain an annual growth rate of over 15%. The international market presents significant market potential and growth opportunities.

Adhering to the vision of "Becoming a global leader in diabetes management", the Company takes the CGMS and patch insulin pump system as the starting point to continuously deepen its global strategic footprint. It has achieved milestone breakthroughs in the expansion into the international market and local operations, and steadily enhanced the high-quality development of its global businesses. In terms of market expansion, we have adopted the strategy of "development in major markets and diversified layout". On the one hand, we have steadily expanded into mature and high-potential markets such as Europe, Middle East, and Africa, Latin America, and Southeast Asia, consolidating our market basis. On the other hand, we have actively utilized emerging channels such as cross-border e-commerce to establish a global marketing network featuring in-depth integration of online and offline resources and well-coordinated and inter-connected within multiple regions. By establishing long-term and stable strategic cooperation relationships with local top medical enterprises, key distributors, and scientific research institutions, we deeply integrated into the local healthcare ecosystem, accurately understood regional market demand, so as to strongly support product localization, large-scale promotion, and full-cycle user services.

During the Reporting Period, our international business achieved breakthrough progress, achieving revenue of RMB343.35 million, representing a year-on-year increase of 227.2% compared to RMB104.95 million in 2024. Our product matrix has covered more than 120 countries and regions worldwide, and we witnessed continuous improvement in brand influence and customers' recognition in the industry. Among those products, the LinX CGMS, our Core Product, has successfully included in the healthcare reimbursement systems of multiple countries by virtue of its outstanding clinical performance, consistent product quality, and excellent user experience. It has also been widely recognized by local authoritative medical institutions and a large number of patients, becoming a benchmark for Chinese CGM technology export. Meanwhile, we achieved breakthrough progress in emerging markets, including the Middle East, Asia Pacific, and South America, successfully completed market access in multiple countries, laying a solid foundation for subsequent large-scale business growth. In 2025, the LinX CGMS obtained registration access in more than 20 additional countries, including key emerging markets such as Brazil (which has the world's third-largest diabetes-related expenditure) and India (which has the world's second-largest diabetic population).

To support the rapid and sustainable growth of our international business, we have established a sound global commercial operation system. Our specific layout is set out as follows:

1. Cross-border E-commerce Layout: we have effectively utilized major global cross-border e-commerce platforms and standalone websites. Continuously optimizing product display, logistics, and customer service, we have achieved rapid reach and precise delivery of products worldwide.

2. Local Service System: we have established professional local service teams in key markets, providing full-chain localized services covering marketing, sales, and after-sales support, so as to strengthen local customer stickiness for our brand.

3. International Academic Exchange and Industry Communication: we actively participate in various international and academic exhibitions, including the International Diabetes Federation (IDF), Florida International Medical Expo (FIME), and Advanced Technologies & Treatments for Diabetes (ATTD), so as to fully demonstrate the strength of China's innovative medical technology, continuously enhance worldwide brand awareness and industry influence, and build bridges for international cooperation and technology exchange.

FINANCIAL REVIEW

Overview

The following discussion is based on and should be read in conjunction with the financial information and accompanying notes included elsewhere in this report.

Operating Income

During the Reporting Period, we generated most of our operating income from sales of medical devices, including insulin pump system, BGMS and CGMS and others.

For the year ended December 31, 2025, the Group's operating income was RMB660.79 million, representing an increase of 91.2% from RMB345.62 million for the year ended December 31, 2024. The increase in operating income was mainly attributable to the rapid increase in both domestic and international sales volume of the CGMS.

The following table sets forth a breakdown of our revenue:

	For the year ended December 31,			
	2025		2024	
Item	**RMB'000**	**%**	RMB'000	%
CGMS	**451,516**	**68.3**	180,431	52.2
Insulin pump system	**88,767**	**13.4**	81,012	23.5
BGMS	**112,645**	**17.1**	78,551	22.7
Others	**7,861**	**1.2**	5,622	1.6
Total	**660,788**	**100.0**	345,615	100.0

Operating Cost

Our operating cost primarily consists of material costs, staff costs and others.

For the year ended December 31, 2025, the Group's operating cost was RMB303.36 million, representing an increase of 86.4% from RMB162.77 million for the year ended December 31, 2024. The increase in operating cost was mainly due to an increase in labor and raw material costs resulting from higher sales volumes.

Gross Profit and Gross Profit Margin

For the year ended December 31, 2025, the Group's gross profit was RMB357.42 million, representing an increase of 95.5% from RMB182.85 million for the year ended December 31, 2024. Our gross profit margin increased from 52.9% for the year ended December 31, 2024 to 54.1% for the year ended December 31, 2025, mainly due to the significant increase in the sales proportion of CGMS and the improvement in economies of scale in production.

Selling Expenses

For the year ended December 31, 2025, the Group's selling expenses were RMB223.05 million (for the year ended December 31, 2024: RMB207.14 million). The selling expenses as a percentage of overall revenue decreased from 59.9% for the year ended December 31, 2024 to 33.8% during the Reporting Period, which was mainly attributable to (i) the higher market acceptance of the CGMS AiDEX X, making its commercial rollout more efficient; (ii) the Company's implementation of comprehensive budget control which achieved remarkable results in reducing costs and increasing efficiency, as well as the improvement of operational efficiency through refined management.

Research and Development Expenses

Our research and development expenses decreased by 0.3% from RMB76.56 million for the year ended December 31, 2024 to RMB76.34 million for the year ended December 31, 2025, mainly due to the Company's implementation of refined controls in areas such as R&D material expenses.

The following table sets forth a breakdown of our research and development expenses:

	For the year ended December 31,			
	2025		2024	
	RMB'000	**%**	RMB'000	%
Staff costs	**35,515**	**46.5**	38,590	50.4
Service fees	**22,327**	**29.3**	19,875	26.0
Material costs	**10,095**	**13.2**	9,334	12.2
Depreciation and amortization expenses	**2,908**	**3.8**	2,957	3.8
Share-based payments	**3,108**	**4.1**	2,675	3.5
Others	**2,385**	**3.1**	3,127	4.1
Total	**76,338**	**100.0**	76,558	100

Income Tax Expense

Our income tax expense was RMB0.25 million for the year ended December 31, 2025.

Net Profit

As a result of the foregoing, we incurred a net profit of RMB40.15 million for the year ended December 31, 2025 (compared to RMB-63.12 million for the year ended December 31, 2024), marking a turnaround from loss to profit.

Liquidity and Financial Resources

The Group's cash is mainly used to satisfy our needs of working capital and our capital expenditure, which were principally financed through a combination of our investing activities, financing activities, cash generated from operating activities and borrowings. As at December 31, 2025, the Group's monetary funds amounted to RMB1,506 million, representing a decrease of 11.3% from RMB1,697 million as at December 31, 2024. The Group maintains a robust financial position, and its financial resources are adequate for the Company's daily operations.

Loans and Gearing Ratio

As at December 31, 2025, the Group had short-term borrowings of RMB63.95 million. The gearing ratio is calculated at the Group's debts divided by assets. As at December 31, 2025, the Group's gearing ratio was 12.8%.

Significant Investment held

The Group had no significant investment held for the year ended December 31, 2025.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint venture for the year ended December 31, 2025.

Events after the Balance Sheet Date

On September 2, 2025, Abbott Diabetes Care Inc. initiated legal proceedings against the Company with the Hague Local Division of the Unified Patent Court for patent infringement. On February 6, 2026, the Court issued a ruling on the provisional measures. As of the date of this report, the case is still pending.

Contingent Events

Save as disclosed in this report, for the year ended December 31, 2025, the Group (i) was not involved in any material legal proceeding, nor aware of any pending or potential material legal proceeds involving us; and (ii)had no contingent liabilities.

Charge of Assets

As of December 31, 2025, the Group's patent rights with an appraised value of RMB67.56 million were charged as securities for borrowings, and a large-denomination certificate of deposit valued at RMB10.00 million was pledged as securities for letter of credit.

Future Plans for Material Investments and Capital Assets

As at December 31, 2025, the Group did not have any specific plan for material investments and capital assets.

Foreign Exchange Risks

We are exposed to foreign exchange rate risks. Certain of our bank balances, trade receivables and other payables are denominated in foreign currencies and are thus exposed to foreign exchange risks.

Our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Employees and Remuneration

As at December 31, 2025, we had 664 employees (excluding non-regular employees).

To maintain the quality, knowledge and skill levels of our workforce, the Group provides continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills, and to ensure their awareness and compliance with our policies in various aspects.

We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We provide social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds and other benefits for our employees in accordance with applicable PRC laws.

FUTURE PROSPECTS AND OUTLOOK

Expanding the Market Share and Brand Reputation of Our Core Product

According to the data of IDF in 2025, China has 148 million diabetic patients, of which millions are still suitable for insulin pump therapy but have not yet learned about or received insulin-enhanced therapies. In terms of academic promotion, we will continue to facilitate the formulation and implementation of a consensus of opinion on the clinical application of closed-loop artificial pancreas system, conduct in-depth post-marketing real-world clinical studies, and further strengthen evidence-based medical evidence. Through increasing the clinical value of the closed-loop artificial pancreas system, we will promote Equil Patch Insulin Pump System and the AiDEX series CGMS to expand from pure insulin delivery and blood glucose monitoring tools to core clinical scenarios such as precise diabetes treatment and full-cycle blood glucose management inside and outside hospitals. We will build an academic promotion system oriented to clinical value to lay a solid professional foundation for the long-term commercialization of our products.

The penetration rate of CGMS in China is much lower than that in Western countries but is surging at a rate of more than 20% per year. As recognition of the clinical efficacy of insulin pumps and patient awareness of CGMS continue to grow, we expect sales of the Company's Equil Patch Insulin Pump System and AiDEX series/LinX CGMS to continue to grow rapidly. We will strengthen our training, service and marketing teams to focus on promoting our products in the hospital specialty market, retail channels, e-commerce and health management platforms, with a view to providing quality treatment and blood glucose management services to diabetes patients of all types. Meanwhile, we will continue to collaborate with diabetes professional societies and medical institutions to advocate internationally recognized standards of diabetes management (e.g. managing blood glucose levels within the target range) and to remind diabetes patients in China to pay attention to their daily blood glucose management, to control the progress of their disease and to improve their quality of life.

We have set up a 400 hotline customer service team to provide end-users with consultation and enquiry service, which has been honored with the "Outstanding Service Brand Award (Top 100)" in the 5th China Customer Service Festival. We focus on providing comprehensive after-sales service system for products such as patch insulin pump system, CGMS and BGMS. Through regular customer satisfaction surveys, we continuously optimize the content and form of our services in a data-driven manner.

Focusing on Expanding Our International Marketing and Deepening Our International Operations

Our long-term strategic goal is to become the leading brand of diabetes treatment and monitoring devices in the international market, with our strategic focus on expanding international markets such as Europe and emerging countries. With our product strengths and market expansion capabilities, we will continue to benefit from the higher levels of healthcare costs and insurance coverage in these regions, as well as the high level of recognition of intensive diabetes treatment and continuous monitoring and management therapies by local physicians and patients.

Currently, we have successfully expanded our market access and product sales in over 120 countries and regions in Europe, the Middle East, Africa, Asia and Latin America. Our patch insulin pump has been sold in Europe, the Middle East and many other countries, and has been well received by local doctors and patients. Meanwhile, our CGMS has covered many countries in Europe, Latin America, the Middle East and the Asia-Pacific. We have further expanded our international user base by building user online communities on social media, organizing new product launches, and launching various activities such as free clinics, eco-friendly, offline education classes, and lucky draws through our diversified social media platforms. Meanwhile, we closely monitor the development trend of business areas related to the new mode of cross-border e-commerce and deepen our cross-border e-commerce business, taking into account the current situation of the local market.

Continuing to Promote R&D of Advanced Diabetes Products to Strengthen Our Core Product Portfolio

As the only company in the PRC that owns both a patch insulin pump system and a real-time calibration-free CGMS product, we will continue to invest in technology innovation and product research and development and are committed to providing a closed-loop solution of "monitoring + treatment + management" for diabetes patients. In 2026, we will continue to advance the development and clinical registration of our R&D product pipeline as planned. This includes advancing the development of CGM new products for registration, the second generation of patch insulin pump systems and clinical registration of the Artificial Pancreas System. In addition, the Company has begun to tap into the technology for strategic new products for the future. Also, through collaboration with opinion leaders and research on the needs of diabetes patients, the Company will continue to research and develop new products, continuously invest in the upgrading and optimization of existing products, as well as the development and optimization of digital management platforms, with the aim to strengthen the advantages of the product portfolio, so as to ensure that healthcare professionals and diabetes patients will be provided with products and diabetes management tools that are clinically more effective, easier to use, and more cost-effective.

Smart Algorithm-Driven Upgrade of Diabetes Management Paradigm

The Company, through an innovative model of "devices + algorithms + cloud platform", is building a closed-loop diabetes management system, with a focus on advancing the following three key areas:

Enhancing Smart Hardware Technology: We are optimizing biosensor, precision infusion platforms, and network connectivity technology to elevate the application level of smart devices in diabetes monitoring and management.

Expanding the Medical Ecosystem: By introducing learning algorithms into the patch insulin pump system, we are developing an "artificial pancreas" that adapts to individual metabolic characteristics. Based on blood glucose monitoring data and medication records, we are refining smart dosage recommendation algorithms to achieve personalized treatment plans.

Building a Smart Cloud Service Platform: We are developing a cross-device data integration platform to enable seamless connectivity between insulin pumps system, CGMS, and mobile terminals, enhancing device collaboration efficiency and establishing a closed-loop management system.

Based on industry characteristics and corporate development needs, we plan to steadily advance the scenario-based implementation of AI technology around three key directions: "R&D efficiency optimization", "precise service capability development", and "full-process compliance governance". We are committed to enhancing internal and external collaboration efficiency through the application of intelligent tools, optimizing resource allocation, and creating more reliable product and service experiences for healthcare professionals and patients, thereby strengthening the Company's innovative competitiveness in the medical device sector.

Improving Quality and Efficiency and Continuing to Enhance Profitability

In 2025, by leveraging precise market positioning, efficient operational management, and full-process cost optimization initiatives, the Company achieved a significant breakthrough in its operating performance, successfully moving from loss to profit and entering a new phase of development in profitability. Going forward, the Company will focus on enhancing organizational effectiveness as a core objective, continuously refining the performance evaluation and incentive mechanisms to drive simultaneous improvements in both organizational effectiveness and unit output. At the same time, the Company will increase investment in innovation and R&D, leveraging technological innovation and digital transformation to empower the entire business chain, deepen cost reduction and efficiency enhancement initiatives, optimize supply chain management and production operations, and continue to drive a steady decline in expense ratios. The Company will continue to enhance the product's competitiveness, expand the business scale and market share, and continuously broaden the profit margin to create more value for Shareholders.

Events after the Reporting Period

Since January 1, 2026 and up to the date of this report, the Company repurchased a total of 1,156,200 H Shares with a par value of RMB1.0 per ordinary share from the open market, and such shares have been held as treasury shares of the Company at the date of this report.

Save as disclosed above, there was no other significant event that might affect the Group after the Reporting Period and up to the date of this report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board comprises ten Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

Executive Directors

Dr. Zheng Pan (鄭攀), aged 54, is the chairman of our Board, an executive Director and the Chief Executive Officer. Dr. Zheng founded our Company in January 2011 and has been the chairman of the Board since March 2016 and the Chief Executive Officer since January 2011, respectively. He was re-designated as an executive Director of our Company in April 2021. He is primarily responsible for the overall strategic planning, business direction and operational management of our Company.

Dr. Zheng has nearly 20 years of experience in the healthcare industry. Prior to founding our Company, he successively served as a research assistant and a postdoc in Florida State University from 1999 to September 2004 in the United States. From October 2004 to July 2010, Dr. Zheng successively served as a senior mechanical engineer at Centurion Wireless Technologies and a manager at Flextronics San Jose Medical Products Center (美國偉創力聖荷西醫療產品中心), a medical solution provider company.

Dr. Zheng obtained the qualification of professorate senior engineer (教授級高級工程師) from Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳) in July 2012. Dr. Zheng was selected into the first batch of "521" Talents for Global Talents Introduction (杭州市第一批全球引才"521"人才) by Municipal Party Committee Organization Department (Talent Office) (杭州市委人才工作領導小組辦公室) in August 2011, and he won the Innovation Achievement Award of Overseas Returnee Contributions Awards (中國僑界貢獻獎(創新成果)) from All-China Federation of Returned Overseas Chinese in September 2014.

Dr. Zheng received a bachelor's degree from Zhejiang Institute of Technology (浙江工學院) in the PRC with a major in Machine Design and Production Engineering in July 1993, a master's degree from Zhejiang University (浙江大學) in the PRC with a major in Mechanics in March 1996 and a Ph.D. degree with a major in Mechanical Engineering from Florida State University in the United States in August 2004.

Dr. Yu Fei (于非), aged 44, is an executive Director and the Chief Technology Officer of our Company. Dr. Yu joined our Group in July 2016 and was re-designated as our executive Director in April 2021. He is primarily responsible for the formulation of product development plans and management of R&D matters in respect of technology, project management and intellectual properties.

Prior to joining our Group, Dr. Yu served as a senior biomedical engineer in the Diabetes Division of Medtronic PLC. (美國美敦力公司), a medical technology company, from May 2013 to July 2016, where he was responsible for researching, developing, deploying and validating new electrochemical biosensor system. Dr. Yu served as the R&D director of the Company from August 2016 to December 2024. He has been serving as a Director and Chief Technology Officer of the Company since October 2020 and December 2024, respectively.

Dr. Yu received a bachelor's degree in Bioengineering from National University of Singapore in Singapore on June 30, 2007 and a Ph.D. degree in biomedical engineering from University of Southern California in the United States in May 2013. Dr. Yu was recognized as an overseas high-level talent in Zhejiang Province in April 2020.

Dr. Shi Yonghui (施永輝), aged 46, is an executive Director, the chief strategy & development officer and the senior vice president, the secretary to the Board and the joint company secretary of our Group. Dr. Shi joined our Group in May 2021 and was appointed as our executive Director in June 2021 and the secretary to the Board in August 2022. He was appointed as the joint company secretary on March 27, 2024. He is primarily responsible for and participating in strategic planning, business expansion, capital market, business internationalization, organization and talent development and other matters of the Group and is also responsible for information disclosure and organizing Board and Shareholders' meetings. Prior to joining our Group, Dr. Shi successively served as the research scientist and New Business Development Manager from July 2007 to June 2011 at Procter & Gamble Technology (Beijing) Co., Ltd. (北京寶潔技術有限公司). From July 2013 to May 2021, he successively served as the senior manager and the senior director of Medtronic (Shanghai) Management Co., Ltd. (美敦力(上海)管理有限公司), head of corporate development, venture capital and innovation incubation department of Medtronic Greater China, and member of Medtronic Greater China Management Board, during which time he also served as an investment committee member of Medtronic China Venture Capital Fund, the chairman and general manager of Suzhou Meizhong Venture Capital Management Co., Ltd. (蘇州美眾創業投資管理有限公司), the director of Suzhou Medtronic Sequoia Venture Capital Management Co., Ltd. (蘇州美敦力紅杉創業投資管理有限公司), and the general manager of Shanghai Meiji Entrepreneurship Incubator Management Co., Ltd (上海美濟創業孵化器管理有限公司). Dr. Shi has been serving as the independent director of Scivita Medical Technology Co., Ltd (新光維醫療科技(蘇州)控股有限公司) since November 2022. He has been serving as an executive Director and the chief strategy & development officer of our Company since June and May, 2021 respectively.

Dr. Shi received a bachelor's degree with a major in biochemistry and molecular biology and a Ph.D. degree from Peking University in the PRC in July 2002 and July 2007, respectively. He also obtained a master's degree in business administration from the Wharton School of the University of Pennsylvania in the United States in 2013. Dr. Shi was the co-recipient of the first prize of Natural Science (自然科學一等獎) granted by Ministry of Education, PRC in 2009, and he was also recognized as the co-recipient of the second prize of National Natural Science (國家自然科學二等獎) granted by the State Council, PRC in 2011.

Ms. Liu Xiu (劉秀), aged 46, is an executive Director and the financial controller of our Group. Ms. Liu joined our Group in August 2020 and was re-designated as our executive Director in April 2021. She is primarily responsible for the financial matters management of the Company.

Prior to joining our Group, Ms. Liu served in multiple companies and has over 17 years of experience in financial and investment areas. From July 2003 to September 2012, Ms. Liu served various positions in Pan-China Certified Public Accountants LLP (天健會計師事務所), including, among others, senior project manager and manager. She then served as the financial director in Zhejiang University Dajing Venture Capital Co., Ltd. (浙江浙大大晶創業投資有限公司), formerly known as Zhejiang University Venture Capital Co., Ltd. (浙江大學創業投資有限公司) from September 2012 to June 2017. During June 2017 to April 2020, she served successively as the risk control director of Investment Department of Wanma United Holding Group Co., Ltd. (浙江萬馬智能科技集團有限公司) and the partner of Hangzhou Silicon Valley True Stone Asset Management Co., Ltd. (杭州矽谷真石資產管理有限公司). Ms. Liu has been serving as an independent director of Ningbo Jiangfeng Electronic Materials Co., Ltd. (寧波江豐電子材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300666), since December 2020 and has been serving as an independent director of Chengdu Vincentage Pharma Co., Ltd (成都聞泰醫藥科技股份有限公司) since August 2025. She has been serving as the financial controller, the secretary to the Board and a director of our Company since August 2020 and October 2020, respectively. Since August 2022, Ms. Liu has been serving as an executive Director and the financial controller of the Company.

Ms. Liu received a bachelor's degree in economics from Central China Normal University (華中師範大學) in the PRC in June 2003 and a graduation certificate in Economics from Zhejiang University (浙江大學) in the PRC in October 2012. She was qualified as a certified public accountant in April 2003 by Ministry of Finance of the People's Republic of China, an internal auditor in November 2004 by Institute of Internal Auditors, the senior accountant in April 2015 by Zhejiang Provincial Department of Human Resources and Social Security with authorization from the Provincial Senior Accountant Qualification Review Committee.

Non-executive Directors

Mr. Mao Shuo (毛碩), aged 38, was appointed as a non-executive Director of our Company in December 2023. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operation of the Group. He worked as a strategic consultant in the healthcare industry from January 2013 to November 2015 at IQVIA (艾昆緯), a healthcare company. He joined Qiming Venture Partners, a company engaging in venture capital investments, in November 2015 and served as an investment manager, vice president of investment and executive director.

Mr. Mao received a bachelor's degree in biomedical engineering from Tsing Hua University in June 2009, and a master's degree in technology entrepreneurship and management and a master's degree in electrical engineering in December 2011 from the University of Rochester.

Ms. Gao Yun (高韻), aged 38, has been a Director of our Company since May 2020. Ms. Gao joined our Group in May 2020 and was re-designated as our non-executive Director in April 2021. She is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operation of the Group.

Between August 2011 and January 2014, Ms. Gao served successively as an analyst and then senior analyst in IMS Health. In February 2014, she joined the Medtronic PLC. (美國美敦力公司), a medical technology company, as the specialist in the Strategy and Business Development Department for a certain period of time. After that, Ms. Gao also worked at SBCVC (HK) Ltd. (軟銀中國資本有限公司) as the investment manager. She has been successively serving as the investment manager, the senior investment manager, the vice president and executive director at Lilly Asia Ventures (禮來亞洲基金), an investment fund since October 2018.

Ms. Gao received a bachelor's degree in medicine from Fudan University in the PRC in June 2011 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in December 2016.

Independent Non-executive Directors

Dr. Li Lihua (厲力華), aged 61, was appointed as an independent director of the Company in October 2020 and re-designated as an independent non-executive Director in April 2021. His main responsibility is to participate in the decision making of major events of the company and to provide advice on corporate governance, audit and remuneration and evaluation of Directors, Supervisors and senior management.

Dr. Li served as an assistant professor and associate professor at the University of South Florida School of Medicine from 1994 to 2006. Since June 2006, He has served as the director of The Institute of Biomedical Engineering and Instrument, the Dean of the School of Life Information and Instrument Engineering, and the Dean of the Institute of Intelligent Health of Hangzhou Dianzi University (杭州電子科技大學).

Dr. Li is well-known in the field of science. In December 2006, he was selected as the first level of "The New Century 151 Talent Project" (新世紀151人才工程) of Zhejiang Province. In August 2006, he was appointed as "Qianjiang Scholar" Distinguished Professor of Zhejiang Higher Education Institution (浙江省高等學校"錢江學者"特聘教授). In September 2007, he was awarded the National Science Fund for Outstanding Young Scholars by the National Natural Science Foundation of China (國家自然科學基金委員會). In 2009, he was selected as the national talent of "New Century Millions of Talents Project". Dr. Li was a member of the Science and Technology Development Advisory Committee of Zhejiang Province (浙江省科技發展諮詢委員會委員), a member of the Academic Advisory Committee of Zhijiang Laboratory (之江實驗室學術諮詢委員會), and he is currently a director of the Chinese Society of Biomedical Engineering (中國生物醫學工程學會), the chairman of the Image Information and Control Professional Committee (圖像信息與控制專業委員會), a director of the Chinese Society of Image and Graphics (中國圖象圖形學會) and the chairman of the Medical Imaging Professional Committee (醫學影像專業委員會). Dr. Li plays a leading role in several programs, such as the Key Program under the National Natural Science Foundation of China, the Key Program of Joint Fund for Regional Innovation under the National Natural Science Foundation of China, the Key International Collaboration Program under the National Natural Science Foundation of China, and the Special Program for Strategic Science and Technology Innovation cooperation under China's National Key R&D Programs.

Dr. Li received his ph. D. degree in Signal and Information Processing from Southeast University (東南大學) in China in November 1990.

Mr. Ho Kin Cheong Kelvin (何建昌), aged 58, was appointed as an independent non-executive Director on April 21, 2021. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Ho has over 20 years of experience in finance and accounting, company secretary, initial public offering and debt restructuring areas. Mr. Ho worked at Grand Orient Holdings Limited (偉東集團有限公司) (stock code: 0106.HK) from June 1999 to October 2000, serving as the company secretary and chief financial officer. From December 2000 to November 2003, he worked for Hanny Magnetics Limited, a subsidiary of Hanny Holdings Limited (錦興集團有限公司) (currently known as Master Glory Group Limited) (stock code: 0275.HK) at which his last position was financial analyst. From January 2004 to September 2005, he worked for Friedmann Pacific Greater China Investments Limited (富泰大中華投資有限公司) (stock code: 1226.HK) as the company secretary and chief financial officer. From August 2006 to August 2008, he worked for Anhui Tianda Oil Pipes Company Limited (安徽天大石油管材有限公司) (stock code: 0839. HK) as company secretary and chief financial officer. From August 2008 to January 2010, he worked for FU JI Food and Catering Services Holdings Limited (福記食品服務控股有限公司) (currently known as Fresh Express Delivery Holdings Group Co., Limited) (stock code: 1175.HK) as company secretary and chief financial officer. From April 2010 to March 2012 and from May 2012 to December 2014, he worked for Greens Holdings Limited (格菱控股有限公司) (stock code: 1318.HK) at which his last position was company secretary and chief financial officer. From January 2016 to December 2017, he worked for Sand River Golf Club Limited (沙河高爾夫球會有限公司) as the company secretary and chief financial officer. From March 2019 to May 2020, he worked for Richly Field China Development Limited (裕田中國發展有限公司) (stock code: 0313.HK) as the company secretary and chief financial officer. From August 2020 to January 2022, Mr. Ho has been the company secretary and chief financial officer of China Wood International Holding Co., Limited (中木國際控股有限公司) (stock code: 1822.HK).

Mr. Ho was an independent non-executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited) (祥泰行集團有限公司) (stock code: 0199.HK) from October 2001 to May 2003 and a non-executive director of HongDa Financial Holding Limited (弘達金融控股有限公司) (currently known as China Wood International Holding Co., Limited) (stock code: 1822.HK) from April 2016 to April 2017. From August 2018 to February 2022, Mr. Ho has been an independent non-executive director of CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) (中國節能海東青新材料集團有限公司) ("**CECEP COSTIN**") (stock code: 2228.HK). Based on published information, CECEP COSTIN received a winding up petition and a summons for the appointment of joint provisional liquidators dated October 2017. Mr. Ho's appointment was made subsequent to the winding up petition against CECEP COSTIN and he was appointed by the joint provisional liquidators to meet the relevant requirements under the Listing Rules. In February 2022, The listing status of CECEP COSTIN was cancelled by the Hong Kong Stock Exchange. From July 2020 to November 2022, Mr. Ho was an independent non-executive director of Rosan Resources Holdings Limited (融信資源控股有限公司) (stock code: 0578.HK). Since August 2020, he has been an independent non-executive director of Green Leader Holdings Group Limited (綠領控股集團有限公司) (stock code: 0061.HK). Since October 2020, he has been an independent non-executive director of Yadong Group Holdings Limited (亞東集團控股有限公司) (stock code: 1795.HK) and JW (Cayman) Therapeutics Company., Limited (藥明巨諾(開曼)有限公司) (stock code: 2126.HK). Notwithstanding the above appointments as independent non-executive director, Mr. Ho confirmed that he will devote sufficient time to act as an independent non-executive Director of our Company. In addition, Mr. Ho acting as independent non-executive director is neither a full-time member of the above-mentioned listed companies nor involved in day-to-day operations or management of the above-mentioned listed companies, and as such he has no executive or management responsibility.

Mr. Ho was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in June 1997 and a fellow member of The Association of Chartered Certified Accountants in the United Kingdom in April 2002. He has passed the Securities Broker Examination of The Stock Exchange of Hong Kong Limited in March 2000. Mr. Ho obtained a bachelor degree of business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in Hong Kong in November 1990.

Ms. Wang Chunfeng (王春鳳), aged 44, was appointed as an independent director of our Company in October 2020 and re-designated as an independent non-executive Director in April 2021. She is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Ms. Wang served successively as the supervisor, securities affairs representative and the director of the administrative management center of Enjoyor Co., Ltd. (銀江股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 300020) from September 2007 to July 2010. Since 2010, she has been working at Yinjiang Incubator Co., Ltd. (銀江孵化器股份有限公司) where she previously served as the chief executive officer and vice chairperson and she currently serves as director of Yinchuangxiang Entrepreneurship Services Co., Ltd. (銀創享創業服務股份有限公司) and president of Zhejiang Yinjiang Entrepreneurship Service Research Institute Co., Ltd (浙江銀江創業服務研究院有限公司).

Ms. Wang received a master's degree in business administration from Lanzhou University of Technology (蘭州理工大學) in the PRC in December 2015. She was granted the third prize of Hangzhou Science and Technology Progress Award (杭州市科技進步三等獎) by Hangzhou Science and Technology Bureau (杭州市科學技術局) in October 2011.

Dr. Cheng Hua (程華), aged 62, was appointed as an independent non-executive Director in December 2022. Her main responsibility is to participate in the decision making of major events of the company and to provide advice on corporate governance, audit and remuneration and evaluation of Directors, Supervisors and senior management.

Dr. Cheng acted as the deputy director of Institute of Science and Technology, Zhejiang Sci-Tech University from November 2005 to November 2016, the director of School of Economics and Management, Zhejiang Sci-Tech University from December 2016 to December 2020, and an instructor of Department of Business Management, Zhejiang Sci-Tech University from December 2020. Since December 2020, Dr. Cheng has been working as an independent director of Zhejiang Xingxing Refrigeration Co., Ltd.

Dr. Cheng was awarded a bachelor's degree in management engineering in July 1986 by Donghua University (formerly known as China Textile University), a master's degree in business management in March 1992 by Shanghai University of Finance and Economics, and a doctoral degree in agricultural economics and management in March 2004 by School of Management, Zhejiang University.

SUPERVISORY COMMITTEE

The Supervisory Committee currently consists of three Supervisors as of the Latest Practicable Date. The Supervisors include two shareholders' representative Supervisors and one employee Supervisor. The shareholder Supervisors and the employee Supervisor are elected at the Shareholders' meetings and the staff representative assembly, respectively, for a term of three years, subject to re-election upon their retirement or resignation.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Mr. Li Zhenhua (李振華), aged 38, is the chairman of our Supervisory Committee, an employee Supervisor and the deputy director of the production department. Mr. Li joined our Group in September 2012 and was appointed as the Supervisor of our Company in October 2020. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Prior to joining the Group, Mr. Li worked in Hangzhou Tingyi Food Co., Ltd. (杭州頂益食品有限公司)from July 2009 to September 2012. Mr. Li served as the senior manager of the production department of the Company from September 2012 to October 2020. Since October 30, 2020, Mr. Li has been serving as the chairman of the Supervisory Committee, an employee representative Supervisor and the deputy director of the production center of the Company.

Mr. Li graduated from Quzhou University (衢州學院) (formerly known as Zhejiang University of Technology, West Zhejiang Branch (浙江工業大學浙西分校)) in the PRC in June 2009 with a major in mechanical manufacturing and automation. He obtained his bachelor's degree in mechanical manufacturing and automation from China University of Petroleum (中國石油大學) in the PRC in January 2018.

Mr. Lyu Cheng (呂承), aged 37, is a shareholders' representative Supervisor. Mr. Lyu joined our Group in October 2020 as a Supervisor. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. Lyu has been successively serving as the investment manager and investment director of LYZZ Capital (上海醴澤管理咨詢有限公司), an investment company, since February 2017, where he was responsible for investment matters.

Mr. Lyu received a bachelor's degree in business administration from Glion Institute of Higher Education in Switzerland in May 2012 and a master's degree in tourism administration from George Washington University in the United States in May 2015.

Mr. Zhao Zhiheng (趙志恒), aged 42, is a shareholders' representative Supervisor. Mr. Zhao joined our Group in August 2013 as the manager of purchasing department. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Prior to joining our Group, he was the sole proprietor of Hangzhou Shangcheng District Xiuyushanju Handicraft Shop (杭州市上城區秀玉山居工藝品店) from January 2010 to December 2012. Mr. Zhao served as the purchasing manager of the Company from August 2013 to October 2020. Since October 2020, he has been serving as a Supervisor and the purchasing manager of the Company. Mr. Zhao has been serving as the Supervisor of Hangzhou Jienuotong Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司) (a wholly-owned subsidiary of the Company) from November 2021. Since February 2023, he has been serving as the Supervisor of Hangzhou MicroTech Medical Electronics Co., Ltd. (杭州微泰醫療電子有限公司) (a wholly-owned subsidiary of the Company).

Mr. Zhao graduated from Zhejiang University City College (浙江大學城市學院) in the PRC with a major in financial analysis in February 2007. He obtained his bachelor's degree in logistics management from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2019.

Senior Management

Dr. Zheng Pan (鄭攀), aged 54, is the chairman of our Board, an executive Director and the Chief Executive Officer. For details of his biography, see "—Executive Directors."

Dr. Shi Yonghui (施永輝), aged 46, is an executive Director, the chief strategy & development officer and the senior vice president of our Group, the secretary to the Board and a joint company secretary. For details of his biography, see "— Executive Directors."

Mr. Lan Yi (蘭毅), aged 54, is the vice president of marketing of our Company. Mr. Lan joined our Group in July 2016. He is primarily responsible for the management of domestic sales and customer service and assisting the Chief Executive Officer to manage the work of the marketing department.

Mr. Lan has more than 20 years of experience in the pharmaceutical and medical device industries. Prior to joining our Group, Mr. Lan served as the regional manager of the Diabetes Division of United States Eli Lilly (Asia) Co., Ltd. (美國禮來(亞洲)有限公司) from September 1996 to February 2004. He then joined the Medtronic (Shanghai) Management Co., Ltd. (美敦力(上海)管理有限公司), successively serving as the regional sales manager, the SFE manager, and the national sales manager of the Diabetes Division from March 2004 to June 2013. He served as the national sales manager of Luye Pharma Group Ltd. (綠葉製藥集團有限公司) from July 2013 to June 2016. From July 2016 to September 2019, Mr. Lan served as the national director of the medical devices department of the Company. He then served as the deputy general manager of marketing from September 2019 to October 2020. Since October 2020, Mr. Lan has been serving as the deputy general manager of the Company.

Mr. Lan received a bachelor's degree in science and technology English from West China University of Medical Sciences (華西醫科大學) in the PRC in July 1994 and a master's degree in business administration from Washington University (St. Louis) in the United States in December 2009.

Ms. Liu Xiu (劉秀), aged 46, is an executive Director and the financial controller of our Company. For details of her biography, see "—Executive Directors."

Ms. Xu Fangling (徐方玲), aged 41, is the vice president and the head of administration department of our Company. Ms. Xu joined our Group in December 2013 and was appointed as the vice president of our Company in June 2021. She is primarily responsible for the management of public relations, purchase and the management of administrative commerce matters.

Prior to joining our Group, Ms. Xu served as the financial supervisor of Hangzhou Shidai Zhifeng Technology Co., Ltd. (杭州時代之峰科技有限公司), from March 2007 to December 2013. From December 2013 to December 2018, Ms. Xu served as the manager of the administration department of the Company. From December 2018 to October 2020, she served as a Director and the manager of the administration department of the Company. She then served as a Director and the head of the administration department of the Company from October 2020 to May 2021. Since June 2021, Ms. Xu has been serving as the vice president and the head of the administration department of the Company. Since November 2025, she has been serving as the vice president, the head of the administration department and purchasing center of the Company.

Ms. Xu graduated from Henan Vocational College of Information and Statistics (河南信息統計職業學院) (previously known as Henan Planning and Statistics School (河南省計劃統計學校)) in the PRC in July 2003 with a major in Accounting Statistics. Ms. Xu graduated from Zhejiang University of Technology (浙江工業大學) with the specialist qualifications in the PRC in June 2015 with a major in accounting. She received a bachelor's degree in Zhejiang University of Technology in the PRC in June 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Joint Company Secretaries

Dr. Shi Yonghui (施永輝), aged 46, is an executive Director, the chief strategy & development officer and the senior vice president of our Group, the secretary to the Board and a joint company secretary. For details of his biography, see "—Executive Directors."

Ms. Chu Pik Man (朱璧敏), aged 29, was appointed as a joint company secretary on September 26, 2023. She is currently an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Chu has over 5 years of experience in the corporate secretarial field. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chu holds a bachelor's degree of Business Administration (Honours) in Corporate Governance from Hong Kong Shue Yan University.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2025.

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, enhance its transparency and accountability, and support the creation of a positive corporate governance culture. Hence, the Company has adopted the Corporate Governance Code as set out in Appendix C1 "Corporate Governance Code" to the Listing Rules as its own code of corporate governance.

The Company's corporate governance practices are based on the principles as set out in the CG Code.

In the opinion of the Directors, for the year ended December 31, 2025, the Company has complied with all the code provisions as set out in the CG Code in all material respects with the exception of code provision C.2.1.

Code provision C.2.1 of the CG Code provides that the roles of the chairman of the Board and chief executive officer should be separated and should not be performed by the same individual. During the Reporting Period, the roles of the Chairman and the CEO of the Company were held by Dr. Zheng. Details in relation to the roles of the Chairman and CEO are set out on page 30 under the section headed "Board of Directors — Chairman and CEO" of this Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. Having made specific enquiry by the Company, all Directors and Supervisors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended December 31, 2025. The Company will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by a highly effective Board which oversees the Group's businesses, strategic decisions and performance and makes decisions objectively in the best interests of the Company. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing such responsibilities.

Board Composition

The Directors, during the Reporting Period and up to the Latest Practicable Date, are:

Executive Directors

Dr. Zheng Pan *(Chairman and Chief Executive Officer)*
Dr. Yu Fei
Dr. Shi Yonghui
Ms. Liu Xiu

Non-executive Directors

Mr. Mao Shuo
Ms. Gao Yun

Independent Non-executive Directors

Dr. Li Lihua
Ms. Wang Chunfeng
Mr. Ho Kin Cheong Kelvin
Dr. Cheng Hua

The biographical information of the Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 20 to 28 of this report.

Save as disclosed in the section headed "Directors, Supervisors and Senior Management", to the best knowledge of the Company, there has been no other financial, business, family or other material/relevant relationships among members of the Board.

Chairman and CEO

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the CEO should be separated and should not be performed by the same individual. As at the Latest Practicable Date, the roles of the Chairman and the CEO are held by Dr. Zheng.

The Board believes that, in view of his experience, personal profile and his roles in our Company, Dr. Zheng is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as the CEO. The Board also believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and effectively. Under the current Articles of Association, the decisions to be made by the Board require approval by at least a majority of our Directors and that the Board comprises two non-executive Directors and four independent non-executive Directors, which the Company believes that there are sufficient checks and balances in the Board. Dr. Zheng and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they shall act for the benefit and in the best interest of the Company and will make decisions for the Group accordingly.

However, the Board will continue to review and consider splitting the roles of the Chairman and the CEO at the time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

For the year ended December 31, 2025, the Board at all times met the requirements set out in Rules 3.10 and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Accordingly, the Board is of the view that all independent non-executive Directors are independent.

Independent View to the Board

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. Further, independent non-executive Directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are presented. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement. The Board has reviewed the implementation and effectiveness of the mechanism as such on an annual basis.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract or an appointment letter with the Company. The principal particulars of these service contracts or appointment letters comprise (a) a term with effect from the date of the approval of election at the Shareholders' general meeting and until the expiry date of the term of second session of the Board; and (b) termination provisions in accordance with their respective terms. The Directors may be re-appointed subject to Shareholders' approval. The service contracts and appointment letters can be renewed pursuant to our Articles of Association and applicable rules. Directors (including non-executive Directors) are appointed for a specific term of three years, and any eligible person shall be eligible for re-election at the end of the term in accordance with the Articles of Association.

Each of the Supervisors has entered into a contract with the Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

The Company or its subsidiaries did not enter into any service contract with the Directors and Supervisors which is not determinable within one year without payment of compensation.

CORPORATE GOVERNANCE REPORT

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is also responsible for determining the mission and value of the Company, promoting the corporate culture among its operations and all the staff and incorporating them into business decisions and operations to ensure that the value and business strategies of the Company are in line with the corporate culture.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board also serves to upholding the corporate value of the Company, such that the Company shall continue to strive to fully implement the corporate development strategies under a professional and rational operational model in pursuit of continual and efficient return on values.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose any changes, the number and nature of offices held in public companies or organisations and other significant commitments held by them, including the identity of any such public companies or organisations and an indication of the time involved.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

The management of our Company is responsible for daily management, administration and operation of the Group. It oversees the production, operation and management of our Company, organising and implementing the resolutions of the Board and other duties specified in the Articles of Association. The Board shall discuss the authorization function and duty periodically. Management shall obtain approval from the Board before any significant transaction is entered into.

Continuous Professional Development of Directors

CG Code principle C.1 and code provision C.1.1 requires that all Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by regular meetings with senior management of the Company to understand the Group's businesses, governance policies and regulatory environment.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors when appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The training records of the Directors during the year ended December 31, 2025 are summarized as follows:

Directors	Participated in continuous professional development [Note]
Executive Directors	
Dr. Zheng Pan	✓
Dr. Yu Fei	✓
Dr. Shi Yonghui	✓
Ms. Liu Xiu	✓
Non-executive Directors	
Mr. Mao Shuo	✓
Ms. Gao Yun	✓
Independent Non-executive Directors	
Dr. Li Lihua	✓
Ms. Wang Chunfeng	✓
Mr. Ho Kin Cheong Kelvin	✓
Dr. Cheng Hua	✓

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

Board Activity

The Board has met 5 times during the Reporting Period. The attendance of each Director at Board and Committee meetings and general meetings of the Company, whether in person by means of electronic communications, is detailed in the table below:

	Attendance/No. of Meetings Held during the Reporting Period					
Name of Director	Board	Audit Committee	Remuneration and Assessment Committee	Nomination Committee	Strategy Committee	General Meeting of the Company
Executive Directors						
Dr. Zheng Pan	5/5	N/A	N/A	1/1	2/2	2/2
Dr. Yu Fei	5/5	N/A	N/A	N/A	N/A	2/2
Dr. Shi Yonghui	5/5	N/A	1/1	N/A	2/2	2/2
Ms. Liu Xiu	5/5	N/A	N/A	N/A	N/A	2/2
Non-executive Directors						
Mr. Mao Shuo	5/5	N/A	N/A	N/A	N/A	2/2
Ms. Gao Yun	5/5	3/3	N/A	N/A	N/A	2/2
Independent Non-executive Directors						
Dr. Li Lihua	5/5	N/A	N/A	1/1	2/2	2/2
Ms. Wang Chunfeng	5/5	3/3	1/1	N/A	N/A	2/2
Mr. Ho Kin Cheong Kelvin	5/5	3/3	1/1	N/A	N/A	2/2
Dr. Cheng Hua	5/5	N/A	N/A	1/1	N/A	2/2

At the Board meetings held during the Reporting Period, the Board discussed a wide range of matters, including the Company's financial and operational performances, approving the annual and interim results of the Company, business prospectus and other significant matters.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this report.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in code provisions A.2 and D.3 of the CG Code. The main duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, and the internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period and up to the Latest Practicable Date, the Audit Committee consists of three members, including one non-executive Director, namely Ms. Gao Yun and two independent non-executive Directors, namely Ms. Wang Chunfeng and Mr. Ho Kin Cheong Kelvin. Mr. Ho Kin Cheong Kelvin, who holds the appropriate professional qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as chairperson of the Audit Committee.

During the Reporting Period, the Audit Committee has reviewed the financial results and report for the year ended December 31, 2025 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors, engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties. The risk management and internal control systems are reviewed on an annual basis by the Audit Committee.

The attendance records of the Audit Committee during the year ended December 31, 2025 are set out under "Board Activity".

During the year ended December 31, 2025, the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Remuneration and Assessment Committee

The terms of reference of the Remuneration and Assessment Committee are of no less exacting terms than those set out in paragraph E.1 of the CG Code. The primary functions of the Remuneration and Assessment Committee include, without limitation, (i) making recommendations to the Board on the overall remuneration policies and structures for the directors and senior management of the Company and the proper and transparent procedures for the formulation of remuneration policies; (ii) reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board; (iii) making recommendations to the Board on remuneration package of individual executive Directors and senior management members; (iv) making recommendations to the Board on remuneration of individual non-executive Directors (including independent non-executive Directors); and (v) reviewing and/or approving matters relating share schemes as set out in Chapter 17 of the Listing Rules.

During the Reporting Period and as of the Latest Practicable Date, the Remuneration and Assessment Committee consists of three members, including one executive Director, namely, Dr. Shi Yonghui, and two independent non-executive Directors, namely, Ms. Wang Chunfeng and Mr. Ho Kin Cheong Kelvin. Ms. Wang Chunfeng is the chairperson of the Remuneration and Assessment Committee.

The Remuneration and Assessment Committee's major work during the Reporting Period includes reviewing the remuneration policies for the Company's Directors and senior management and approving the 2025 Share Incentive Scheme.

The attendance records of the Remuneration and Assessment Committee during the year ended December 31, 2025 are set out under "Board Activity".

The remuneration payable to the senior management of the Company (who are not the Directors) for the year ended December 31, 2025, is shown in the following table by band:

Remuneration	**Number of Individual(s)**
HKD1,000,000 and below	1
HKD1,000,001 to HKD1,500,000	1
TOTAL	2

Further details of the remuneration payable to the Directors and the five highest paid individuals for the year ended December 31, 2025 are set out in note XI (II) 3 and note XI (II) 4, respectively, to the Consolidated Financial Statements in this report.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in paragraph B.3 of the CG Code. During the Reporting Period and up to the Latest Practicable Date, the Nomination Committee consists of three members, including one executive Director, namely, Dr. Zheng, and two independent non-executive Directors, namely Dr. Li Lihua and Dr. Cheng Hua, with Dr. Li Lihua serving as the chairperson of the Nomination Committee.

The principal duties of the Nomination Committee include, without limitation, (i) reviewing the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, and length of service) of the Board at least annually according to the Company's business activities, asset size and equity structure, and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; (iii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; and (iv) assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, when necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The structure, size and composition of the Board and the independence of the independent non-executive Directors have been reviewed by the Board and the Board considered that an appropriate balance of diversity perspectives of the Board was maintained for the year ended December 31, 2025.

During the Reporting Period, the Nomination Committee held one meeting. Its major tasks during the Reporting Period included reviewing the board diversity policy and reviewing the independence of independent non-executive Directors, and considering the structure, size and composition of the Board.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance experience in addition to industry experience in healthcare and biotechnology. They obtained degrees in various majors including science, engineering and finance. We have four independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Among the ten members of the Board, six Directors are male and four are female.

The Nomination Committee and the Board are of the view that the current composition of the Board is in line with and has achieved the gender diversity. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potentials, with the goal of promoting them to the Board.

Taking into account the Company's existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the Board Diversity Policy.

The Company is also committed to adopting a similar approach to promote diversity within the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any further measurable objective.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Reputation for integrity
- Commitment in respect of available time and relevant interest
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. The Nomination Committee will recommend to the Board for the appointment of a Directors including independent non-executive Directors in accordance with the following selection criteria and nomination procedures:

(a) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, having due regard to the Board Diversity Policy, the requirements in the Company's constitution, the Listing Rules and applicable laws and regulations, and the relevant candidates' contributions to the Board in terms of qualifications, skills, experiences, independence and gender diversity;

(b) assess the independence of independent non-executive Directors to determine their eligibility with reference to the factors set out in Rule 3.13 of the Listing Rules and any other factors deemed appropriate by Nomination Committee or the Board. If a proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, to assess his/her ability to devote sufficient time to the Board matters; and

(c) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

Strategy Committee

During the Reporting Period and up to the Latest Practicable Date, the Strategy Committee consists of three numbers, including two executive Directors, namely Dr. Zheng and Dr. Shi Yonghui, and one independent non-executive Director, namely Dr. Li Lihua, with Dr. Zheng serving as the chairperson of the Strategy Committee.

The primary duties of the Strategy Committee include, but not limited to, the following:

- researching and making recommendations on the Company's long-term development strategy plan;
- researching and making recommendations on the major investment and financing plans, and major capital operation and asset management projects required by the Articles of Association to be approved by our Board or the general meeting of the Company;
- making recommendations on other major issues that shall affect the Company's development, and examining relevant matters accordingly;
- inspecting the implementation of the above matters approved by the Board or the general meeting of the Company; and
- dealing with other matters that are authorized by the Board.

The Strategy Committee's major work during the Reporting Period includes providing recommendations on plans such as the share repurchase plans of the Company.

The attendance records of the Strategy Committee during the year ended December 31, 2025 are set out under "Board Activity".

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

During the year ended December 31, 2025, the Board together with the Nomination Committee had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management

The Board recognizes that risk management is critical to the success of the Group's business. Key operational risks faced by the Group include changes in the general market conditions and the regulatory environment of the Chinese and global medical devices markets, the Group's ability to develop, manufacture and commercialize its products and product candidates, and the Group's ability to compete with other medical device companies. We also face various financial risks.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. The Audit Committee and ultimately the Board supervise the implementation of the Company's risk management policies. Risks identified by the management will be analyzed on the basis of likelihood and impact and will be properly followed up and mitigated and rectified by the Group and reported to the Board.

The following key principles outline the Group's approach to risk management and internal control:

The senior management of the Company oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving the Group's risk management policy to ensure that it is consistent with its corporate objectives; (ii) monitoring the most significant risks associated with the Group's business operations and the management's handling of such risks; and (iii) ensuring the appropriate application of the risk management framework across the Group.

The legal and internal audit personnel are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across the Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of the risk management framework.

The Board considers that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

The Board is responsible for establishing the Group's internal control system and reviewing its effectiveness. Below is a summary of the internal control policies, measures and procedures which have been implemented:

- The Group has adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. The Group provides periodic training on these measures and procedures to its employees as part of its employee training program. The Group also regularly monitors the implementation of those measures and procedures through its on-site internal audit team for each stage of the produce development process.

- The Group maintains strict anti-corruption policies among its sales personnel and distributors in its sales and marketing activities. In particular, the Group requires its distributors to provide written commitments to the Group which stipulates the Group's requirements for various aspects of distributors' operations, such as prohibiting distributors from providing any form of improper benefits and require distributors to enter into distributorship agreements with any sub-distributors they engage to have such sub-distributors abide by the Group's policies. The Group also monitors its sales and marketing personnel to ensure their compliance with applicable promotion and advertising requirements, which include restrictions on promoting the Group's products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities. In particular, each of sales and marketing personnel is required to undertake to us in writing that they will restrain themselves from any bribery and/or any other improper business practices.

- The Directors (who are responsible for monitoring the corporate governance of the Group), with help from the Company's legal advisors, also periodically review its compliance status with all relevant laws and regulations. The Audit Committee (i) makes recommendations to the Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group.

- The Group maintains a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management, separation of capital management responsibilities, liquidity management and follow-up and analysis of the implementation of capital plan.

- The Company has established internal audit function and risk management and internal control systems with relevant policies and procedures that we believe are appropriate for our business operations.

- The Group has adopted internal protocols governing both the confidentiality and privacy for patient sample and data. There is written operation procedures in place for sample/data collection, test procedures, data storage as well as data access. Such data access is on an as-needed basis for internal employees, and external access is not allowed and requires written approvals from the head of the quality control/compliance department.

Policy on the Disclosure of Inside Information

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management, and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

During the Reporting Period, the Company has regularly reviewed and enhanced its risk management, internal control systems and inside information disclosure policy. The Board considers that the Directors and members of the Company's senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The risk management and internal control systems of the Company are reviewed on an annual basis. Arrangements are in place to identify, evaluate and manage significant risks including facilitating employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Board is of the view that the risk management and internal control systems in respect of the year ended December 31, 2025 are effective and adequate. The Company has established risk management and internal control systems with relevant policies and procedures that we believe are appropriated for our business operations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2025.

The management has provided sufficient explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 118 to 123 of this report.

AUDITOR'S REMUNERATION

At the annual general meeting of the Company held on May 28, 2025, a resolution was approved to appoint Pan-China Certified Public Accountants LLP as the Company's external auditor.

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended December 31, 2025 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit services	641.51
Total	641.51

Note: During the year ended December 31, 2025, the auditors did not provide non-audit service to the Company.

Joint Company Secretaries

Dr. Shi Yonghui, who is also an executive Director, was appointed as the joint company secretary of the Company on March 27, 2024. For details of Dr. Shi Yonghui's biography, please see in the section headed "Directors, Supervisors and Senior Management" of this annual report.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also appointed, externally, Ms. Chu Pik Man as the joint company secretary of the Company to assist Dr. Shi Yonghui to discharge his duties as company secretary of the Company. Ms. Chu Pik Man currently serves as an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. She is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange. Dr. Shi Yonghui is the primary contact person at the Company.

In respect of corporate governance, the Listing Rules and other applicable laws and regulations related to the Company and other matters, Ms. Chu Pik Man contacts Dr. Shi Yonghui, and Dr. Shi Yonghui, is responsible for reporting to the Board and/or the Chairman. The relevant professional trainings that Ms. Chu Pik Man and Dr. Shi Yonghui participated in during the year ended December 31, 2025 has reached 15 hours, which is in compliance with the requirements of Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

A set of amendments to the Articles of Association were approved by the Shareholders at the annual general meeting of the Company held on May 28, 2025 to (i) reflect the changes in the Company's registered capital upon cancellation of relevant Shares repurchased by the Company. For more details, please refer to the circular of the Company dated May 7, 2025.

Save as disclosed above, there has not been any changes to the Articles of Association during the Reporting Period and up to the date of this annual report.

SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to the Shareholders;
- Publication of announcements on the annual and interim results and issue of other announcements and circulars on the websites of the Stock Exchange and the Company in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and the Shareholders.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

A shareholders' annual general meeting is required to be held once every year within six months after the end of the previous fiscal year.

Pursuant to Article 95 of the Articles of Association, Independent non-executive Directors have the right to propose to the Board to convene an extraordinary general meeting. Independent non-executive Directors shall obtain at least half of all independent non-executive Directors' consent when exercising the above-mentioned powers.

For independent non-executive Directors' proposal to convene an extraordinary general meeting, the Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of the Articles of Association, propose to agree or disagree to convene an extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board is made; if the Board does not agree, it shall explain the reasons and make an announcement.

Pursuant to Article 43 of the Articles of Association, the board of Supervisors has the right to propose in writing to the Board to convene an extraordinary general meeting. The Board shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of the Articles of Association, provide written feedback on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.

If the Board agrees to convene an extraordinary general meeting, a notice of convening the general meeting shall be issued within 5 days after the resolution of the Board is made. Any changes to the original proposal in the notice shall be approved by the Board.

If the Board does not agree, or fails to provide feedback within 10 days after receiving the proposal, it is deemed that the Board cannot perform or fails to perform its duties of convening the general meeting, and the board of Supervisors may convene and preside over it by itself.

Pursuant to Article 39 of the Articles of Association, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting have the right to request in writing the Board to convene an extraordinary general meeting, in which they should also list the topic of the meeting. The Board shall, in accordance with the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, and the provisions of the Articles of Association, convene an extraordinary general meeting within two months after receiving the written request.

If the Board does not issue a notice of convening within 30 days after receiving the original request, Shareholders who individually or collectively hold more than 10% of the voting Shares at the proposed meeting shall have the right to propose to the board of Supervisors, in writing, to convene an extraordinary general meeting within 4 months after the Board receives the written request.

Putting Forward Proposals at General Meetings

When the Company convenes a general meeting, the Board, Supervisors and Shareholders who individually or collectively hold more than 3% of the Company's Shares have the right to make proposals to the Company.

Shareholders who individually or collectively hold more than 3% of the Company's Shares may submit an interim proposal 10 days before the general meeting to the convener in writing. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal to announce the content of the temporary proposal. The content of the interim proposal should fall within the scope of the Shareholders' general meeting, and have clear topics and specific resolutions.

Except for the circumstances specified in the preceding paragraph, the convener may not modify the proposals listed in the notice of the Shareholders meeting or add new proposals after issuing the notice of the Shareholders meeting. For proposals that are not listed in the notice of the general meeting or that do not meet the requirements of Article 71 of these Articles of Association, the general meeting shall not vote and make resolutions.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 108 Liuze Street
Cangqian Street
Yuhang District, Hangzhou
Zhejiang, China

Email: ir@microtechmd.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication Policy

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.microtechmd.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public. Information uploaded by the Company to the Stock Exchange's website is also posted on the Company's website immediately thereafter.

The Company also endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings where information about the Company, including its latest strategic plan, products, profit distribution scheme etc. will be communicated. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company has set out channels of communication by Shareholders and investors. The implementation and effectiveness of these channels has been reviewed by the Board during the year ended December 31, 2025 and the Board considered that it is adequate and effective, having considered the communication channels in place provided Shareholders and investment community with information about the latest development of the Group in a timely manner, and the Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

Dividend Policy

The Company has adopted a dividend policy on payment of dividends. Under the dividend policy, we intend to provide our Shareholders with interim or annual dividends as appropriate. The Board is required to consider, among other things, the following factors when proposing dividends and determining the amount of dividends: (i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board deem relevant.

As at December 31, 2025, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

DIVERSITY

As of December 31, 2025, we had 664 full-time employees, of which 283 were male and 381 were female. The gender ratio in the workforce (including senior management) was approximately 7 males to 10 females. The Company is aiming to achieve a more balanced gender ratio in the workforce and targets to achieve a gender ratio in the workforce of not less than 3 males to 2 females. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

MicroTech Medical (Hangzhou) Co., Ltd. (the "**Company**" or "**MicroTech Medical**") and its subsidiaries (the "**Group**" or "**We**") are pleased to present our environmental, social and governance ("**ESG**") report (the "**ESG Report**"), which describes the policies, actions and performance relating to the ESG issues of the Group.

1.1 REPORTING STANDARD

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide under Appendix C2 of the Listing Rules, and it has complied with the "Comply or Explain" requirement in the Guide.

- Materiality: The Group identifies ESG issues that are material to its business and stakeholders through internal cross-departmental workshops, external stakeholder surveys and interviews, and ranks them by degree of impact and level of concern to determine the scope and priorities of disclosure in this Report.

- Quantitative: Data on environmental emissions, energy, water resources and waste are calculated with reference to the Greenhouse Gas Protocol, ISO 14064–1 developed by the International Organization for Standardization and guidelines of the Hong Kong Stock Exchange; the calculation methodologies and sources of conversion factors are disclosed transparently to ensure data are measurable and verifiable.

- Balance: The ESG Report objectively discloses performance, measures and shortcomings; it is unbiased and avoids selective statements that might influence the decisions or judgments of readers.

- Consistency: The ESG Report maintains the same statistical scope and calculation methodologies as the prior year; should any methodological improvements or changes occur in future, they will be disclosed promptly with explanations to ensure data comparability (to ensure comparability of information, the number of employees used in the category headed "social" in the ESG Report and the subsequent ESG reports will exclude non-regular employees).

Readers may refer to Appendix II of the ESG Report: Index of the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guidelines for quick inquiries.

1.2 REPORTING SCOPE

Unless otherwise specified, the ESG Report focuses on the Group's ESG performance from January 1, 2025 to December 31, 2025 (the "**Year**" or "**Year 2025**"). The disclosure scope of environmental key performance indicators (KPIs) covers the Group's headquarters office in Hangzhou, and the social key performance indicators cover the Group in a whole.

1.3 REPORTING LANGUAGES

The ESG Report is published in traditional Chinese and English versions. In case of discrepancies, the traditional Chinese version shall prevail.

1.4 APPROVAL AND CONFIRMATION

The ESG Report was considered and confirmed by the Board after being confirmed by the management of the Company.

1.5 REPORT FEEDBACK

We highly value your views and suggestions on the ESG Report. Please feel free to contact us via email (ir@microtechmd.com).

2. SUSTAINABILITY MANAGEMENT

MicroTech Medical has embedded the concept of sustainable development throughout its corporate strategy and operations, focusing on the mission and vision of diabetes management. The Group seeks a dynamic balance between economic performance, social responsibility and environmental protection, creating long-term value for all stakeholders including users, healthcare professionals and investors. Anchored by a corporate culture of "people-centred, excellence in quality, and boundless innovation", the Group builds a systematic, sustainable ESG management framework by strengthening governance, enhancing stakeholder collaboration and concentrating on key issues. Sustainability requirements are integrated across the full value chain — from product R&D and manufacturing to service delivery — ensuring the effective implementation of the sustainability strategy and supporting the high-quality development of the Company while driving sustainability in the diabetes-management sector.

2.1 STATEMENT OF THE BOARD OF DIRECTORS

The board of directors (the "Board") serves as the central decision-making and accountable body for the Group's sustainability strategy and assumes full responsibility for the Group's ESG strategic planning, target setting, execution oversight and resource allocation. The Board convenes regular dedicated meetings to review ESG strategy and annual targets, assess major risks and opportunities across environmental, social and governance areas, and ensure ESG efforts remain aligned with the Company's overall development strategy.

To strengthen sustainability governance, the Board has approved the establishment of the ESG Supervisory Committee and authorized it to oversee strategy implementation, process monitoring and performance evaluation. The Board continuously reviews progress against ESG targets and dynamically optimizes the ESG policy framework in response to industry trends, regulatory requirements and stakeholder expectations, ensuring the Group's sustainable competitiveness in product innovation, environmental protection and social responsibility.

2.2 ESG GOVERNANCE STRUCTURE

The Group has established a three-level governance structure of "Board leadership — ESG Supervisory Committee coordination — execution-level implementation". The Board is responsible for approving ESG strategy, targets and material risks. The ESG Supervisory Committee, composed of the Company's Chief Financial Officer, the Securities Commissioner, the Legal Affairs Officer and the Head of the Administration Department, coordinates ESG risk management, performance evaluation and disclosure. The management is responsible for implementing ESG policies, targets and day-to-day operational management.

(1) the ESG Supervisory Committee

As the central coordinating body for sustainability work, the inaugural ESG Supervisory Committee is composed of the Chief Financial Officer, the Securities Commissioner, the Legal Affairs Officer and the Head of the Administration Department. The Committee's principal responsibilities include:

- Identifying and assessing major risks and opportunities in ESG, and formulating risk response strategies and control measures;
- Approving the annual ESG work plan, target framework and implementation roadmap to ensure alignment with the Board's strategic requirements;
- Tracking ESG implementation, conducting regular performance evaluations, and submitting thematic reports to the Board;
- Coordinating internal resources across the Group to drive implementation of ESG policies across the full value chain, including R&D, production and sales;
- Dynamically adjusting the Committee's membership and operating mechanisms in response to the Group's development stage, industry standards and regulatory changes.

(2) Implementation-level delivery system

The Group breaks ESG targets down into specific tasks:

- R&D Department: Emphasize green R&D principles, optimise product design to reduce environmental impact, and strengthen data security and intellectual property protection;
- Production Department: Implement cleaner production, improve energy and resource efficiency, and reinforce occupational health and safety management;
- Marketing and Sales Department: Regulate marketing practices, enhance supplier ESG management, and improve customer service quality and experience;
- Human Resources Department: Promote diverse and inclusive hiring, improve employee training and development systems, and strengthen employee sense of belonging;
- Administration Department: Be responsible for advancing green office initiatives, waste segregation and disposal, and coordinating corporate social responsibility projects.

2.3 COMMUNICATION WITH STAKEHOLDERS

We deeply value the expectations and demands of our stakeholders, and have established multi-dimensional, regular communication channels to listen closely to all stakeholders' expectations and demands, which are incorporated into the our ESG strategy and daily operational decisions, with a view to pursuing collaborative consultation, joint development and shared benefits.

Major Stakeholders	Expectations and Demands	Communication Channels and Response Methods
Customers	Quality, safe products and services, compliant and transparent information disclosure, and protection of personal privacy	Customer satisfaction surveys and opinion forms Customer service center Daily operation/communication Telephone Email WeChat
Shareholders/investors	Steady performance growth, transparent information disclosure, and sustainable value creation	Annual general meeting and other general meetings Interim reports and annual reports Corporate correspondence (such as letters/circulars to shareholders and meeting notices) Regular announcements Company website Investor meeting Instant communication with some investors over the telephone or WeChat
Employees	Fair employment opportunities; comprehensive compensation and benefits, clear career development pathways, and a safe, healthy working environment	Employee opinion survey Performance interviews and appraisals Face-to-face meetings Seminars/workshops/talks WeChat group, employee sports meeting, birthday party
Suppliers and business partners	Fair and transparent collaboration mechanisms, sustainable supply chain management, and a shared sense of responsibility	Suppliers management procedures Suppliers/contractors evaluation system On-site visits Communication of quality issues

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

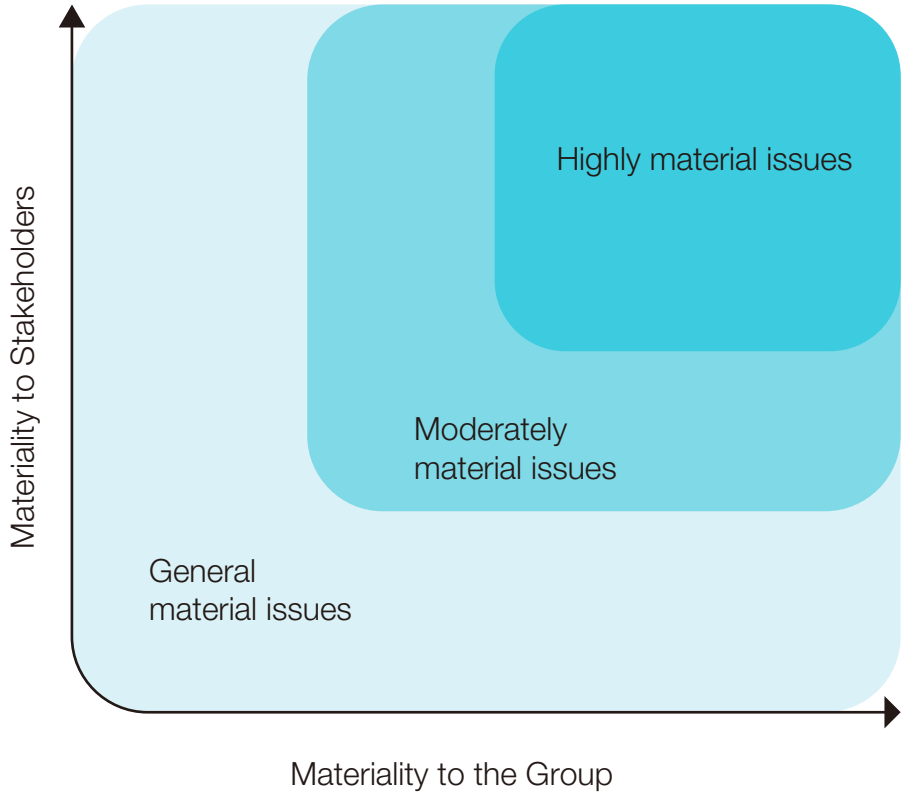
Major Stakeholders	Expectations and Demands	Communication Channels and Response Methods
Retailors	Regulated collaboration policies, effective market support, and responsible marketing practices	Retailers management procedures Retailers evaluation system On-site visits Dealer training session Industry Exhibition
Media	Accurate and truthful information disclosure; active corporate social responsibility; and contribution to industry development	Press release conferences Press releases Interviews with senior management Attend academic conferences
Communities/ non-governmental organizations	Environmental protection, participation in public welfare initiatives, and promotion of public health education	Public benefit activities Community activities Paired up to help
Peers	Fair competition, technical exchange and collaboration, and joint development of industry standards	Strategic cooperation projects Industry conferences, forums or exchange activities
Regulators	Compliance in operations, strict adherence to laws and regulations, and regulated information disclosure	Written responses to public consultation Meetings Visit and communicate the latest policy developments

2.4 MATERIAL ISSUES

To ensure ESG efforts are focused and effective, the Group conducted a systematic materiality identification and assessment:

- With reference to the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide, medical device industry standards and international practice, 23 potential topics were initially identified;
- Internal cross-departmental discussions were held to align the list with the Group's strategic planning, business characteristics and sector trends;
- Information on external stakeholders' levels of concern on each topic was collected via survey, panel discussion, and other means;
- The topics were quantitatively evaluated and ranked based on two dimensions — "Impact on Achievement of the Group's Strategies" and "Materiality to Stakeholders."

Based on this assessment, the Group established a graded materiality framework to optimize resource allocation and enhance ESG management effectiveness:



(1) Highly material issues

- Supply chain management: Ensure supply chain stability, compliance and sustainability to safeguard product quality and safety;
- Information security and data protection: Regulate management of customer and employee information to prevent data breach risks;
- Product quality and safety: Maintain high-standard quality control to provide safe, reliable medical device products;
- Customer service: Continuously optimize service systems to enhance customer experience and satisfaction;
- Intellectual property protection: Strengthen protection of in-house R&D achievements and respect third-party intellectual property rights;
- Innovative R&D: Focus on technological innovation in diabetes management to enhance products' core competitiveness.

(2) Moderately material issues

- Compliance employment: Uphold fair employment and anti-discrimination practices to protect employees' legal rights;
- Employee training and development: Enhance training systems to support career growth;
- Equality and diversity: Promote multi-dimensional diversity across gender, age and background;
- Remuneration and welfare: Offer competitive compensation and benefits to strengthen employee retention;
- Occupational safety and health: Improve the working environment and mitigate occupational health risks;
- Anti-corruption: Establish robust anti-corruption measures to regulate commercial conduct;
- Wastewater discharge management: Strengthen treatment of industrial and office wastewater to reduce environmental impact;
- Contribution to society: Actively undertake public-welfare initiatives to give back to the community.

(3) General material issues

- Sales methods and product labels: Regulate product sales practices and labelling management;
- Labour standards: Strictly comply with labour laws and regulations; prohibit child labour and forced labour;
- Greenhouse gas emissions: Control greenhouse gas emissions from operations;
- Exhaust gas emission management: Optimize exhaust gas treatment processes to ensure compliant emissions.
- Energy management: Improve energy use efficiency and promote energy conservation and emission reduction;
- Water resources management: Use water resources in a reasonable manner and carry out water-saving initiatives.
- Waste management: Standardize waste classification, disposal and recycling;
- Packaging materials management: Promote packaging material conservation and recyclability;
- Climate change response: Identify risks and opportunities from climate change and develop response strategies.

The Group conducts an annual reassessment of material issues and dynamically adjusts issue priorities in response to internal and external changes to ensure its ESG efforts always remain focused on core value creation.

2.5 ALIGNMENT WITH THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Group actively responds to the United Nations Sustainable Development Goals (SDGs). By combining the business characteristics of medical devices and diabetes management, the Group integrates sustainability into its strategic planning and daily operations, with a particular focus on the following goals:

- **SDG3 Good Health and Well-being**: Focus on innovation in diabetes monitoring and treatment technologies to improve accessibility of medical products, and safeguard public health through technology.
- **SDG8 Decent Work and Economic Growth**: Protect employees' lawful rights, provide a safe and healthy working environment and equitable development opportunities, promoting mutual growth between the Company and its employees.
- **SDG9 Industry, Innovation and Infrastructure**: Commit to R&D and innovation to drive medical-technology breakthroughs and industrial upgrading, and build efficient, intelligent and green manufacturing systems.

- **SDG12 Responsible Consumption and Production**: Promote green office practices, cleaner production and waste segregation management to improve resource efficiency and reduce environmental impact.

- **SDG13 Climate Action**: Identify climate-related risks and opportunities, disclose data on greenhouse gas emissions, set emission reduction targets, and actively pursue climate change responses.

3. INDUSTRY ECOSYSTGEM DEVELOPMENT

MicroTech Medical remains rooted in technological innovation and ecosystem co-building in the diabetes-management field. Through cutting-edge product R&D, industry-standard exploration, deepened international cooperation, and broadened access to health resources, the Group promotes the sector's transformation from single-point treatment to a full "monitoring-treatment-management" chain, injecting sustained momentum into global cause of diabetes prevention and treatment.

3.1 FILLING INDUSTRY GAPS THROUGH TECHNOLOGICAL INNOVATION

As a leading company providing end-to-end solutions covering "monitoring products + treatment products + software platforms", MicroTech Medical leverages its advanced technologies to overcome industry bottlenecks and reshape the diabetes-management paradigm.

- **Continuous upgrading of core products**: The Group launched the world's first tubeless, semi-disposable patch-style insulin pump, revolutionising traditional infusion methods and substantially improving wearer comfort and daily freedom. With a 15-day ultra-long battery life, per-minute data acquisition and calibration-free high accuracy, our LinX dynamic glucose monitor has become an industry performance benchmark and gained wide recognition in global markets for its international version.

- **Redefining the "rules" of diabetes treatment**: The Group's self-developed hybrid closed-loop artificial pancreas system achieves automated insulin delivery through seamless integration of the dynamic blood glucose meters, intelligent algorithms and the insulin pump, closely emulating the physiological insulin secretion of healthy individuals. Once officially launched, it will fill the gap in China's market for artificial pancreas products and advance diabetes care into a new era of "intelligent automatic regulation".

- **Deployment of full-scenario solutions**: The Group has built the Doctor Jiantang Hospital-wide Blood Glucose Management System, breaking down data silos between inpatient and outpatient settings and enabling coordinated management of CGM and insulin pumps. This provides technological support for an integrated "hospital-to-home" chronic-disease management model and has received broad acclaim from clinical experts.

3.2 DEEP INTEGRATION OF ACADEMIA AND INDUSTRY TO PROMOTE STANDARDIZED SECTOR DEVELOPMENT

MicroTech Medical actively participates in top domestic and international academic exchanges and industry events, adopting an open stance to build platforms for technology sharing and experience exchange, thereby supporting the refinement of industry standards and the advancement of clinical care levels.

- **Domestic academic leadership**: Participated in premier events such as the China Advanced Technologies and Therapies for Diabetes & Obesity (CATTD&O) to showcase its end-to-end innovative product matrix, engage clinical experts in in-depth discussions on personalized treatment approaches, and channel clinical needs back into product R&D, thereby creating a virtuous "practice-innovation-iteration" cycle.

- **International exchange and perspective**: Took part in leading global events including the International Diabetes Federation (IDF) World Diabetes Congress and the Florida International Medical Expo (FIME) in the U.S. to demonstrate the technological capabilities of “China-made” solutions. Products such as the LinX dynamic glucose monitor and the intelligent diabetes-management solutions have received high praise from international experts, helping align China’s diabetes-management technologies with global standards.

- **Participation in standards development**: Leveraging its core technological strengths, the Group contributes to the exploration and development of industry standards, such as interoperability protocols for chronic-disease management devices and data-security specifications, through which it provides practical references for the healthy development of the sector.

3.3 ECOSYSTEM COLLABORATION AND GLOBAL EXPANSION — EXTENDING THE BOUNDARIES OF INDUSTRY DEVELOPMENT

MicroTech Medical embraces an open-collaboration approach to break down industry barriers through cross-sector collaboration and global deployment, building a diversified, sustainable ecosystem for diabetes management.

- **Cross-sector ecosystem building**: We have entered a deep collaboration with Novo Nordisk to enable real-time data synchronisation between dynamic glucose monitoring devices and insulin pens, jointly establishing a closed-loop “monitoring-medication-follow-up” management ecosystem. By integrating with the “NovoCare” platform and supporting multiple end-user devices, this partnership advances the deep convergence of “drugs, devices and digital technologies” to bring patients personalized management solutions of greater efficiency.

- **Global market expansion**: Our products are sold in nearly 100 countries and regions. By participating in international exhibitions such as FIME and the Canton Fair, we continue to expand our footprint overseas. Notably, we have forged wide cooperation across “Belt and Road” countries to bring Chinese-developed medical innovations to patients worldwide and enhance the international influence of China’s medical-device industry.

- **Digital-trade empowerment**: At the 4th Global Digital Trade Expo, we promoted the global dissemination and deployment of our diabetes-management solutions via digital platforms, and announced regulatory approval of the patch-style insulin pump for children and adolescent use aged three and above — effectively covering nearly all age groups and advancing inclusive smart-healthcare access.

4. COMPLIANCE OPERATION

Compliance is not just the lifeline of corporate survival and development, but also a core safeguard for sustainable growth. The Group deeply integrates compliance management into strategic planning and daily operations, strictly adhering to domestic and international laws, regulations and industry standards — including the Regulations on the Supervision and Administration of Medical Devices of the People's Republic of China (《中華人民共和國醫療器械監督管理條例》), the Anti-Unfair Competition Law (《反不正當競爭法》), the Data Security Law (《資料安全法》) and the Personal Information Protection Law (《個人資訊保護法》). It has established a comprehensive, end-to-end compliance framework covering six key dimensions: namely anti-corruption and anti-money-laundering, supply-chain management, information security and privacy protection, product quality control, intellectual-property protection, and customer-rights protection. Through rule enhancement, processes optimization, technology-driven empowerment, and strengthened supervision, the Group fortifies its compliance defenses, taking concrete actions to safeguard the lawful rights and interests of its stakeholders, such as employees, customers, suppliers and investors.

4.1 SUPPLY CHAIN MANAGEMENT: BUILD A COMPLIANT AND STABLE COLLABORATIVE SYSTEM

As the supply chain is the foundation for product quality and enterprise operation, MicroTech Medical has established a "screening — review — collaboration — supervision — optimization" full life cycle supplier management system, ensuring that all links of the supply chain are compliant, controllable, and highly collaborative, and guaranteeing product quality and supply stability.

- **Strict supplier selection and assessment:**

  - ✧ **Selection and division of labour**: Supplier selection and assessment are jointly carried out by our procurement department, quality department and process technology department/R&D department. The procurement department is responsible for selecting new suppliers, collecting supplier information and annual auditing of important suppliers. The quality department is responsible for evaluating the quality of the products and services of existing suppliers, while the process technology department/R&D department is responsible for the technical confirmation of the first sample, and technical evaluation and confirmation of materials purchased for the first time after the change of new suppliers or suppliers' key processes.

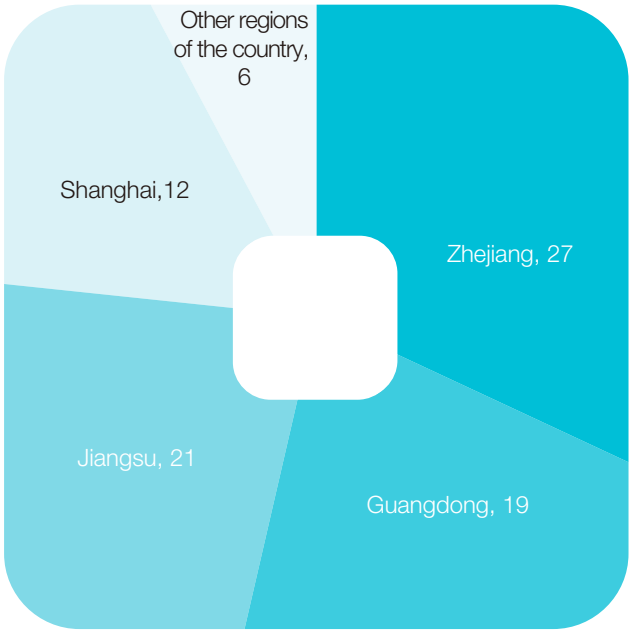
  - ✧ **Access evaluation**: When selecting new suppliers, procurement department will not only consider the supplier's business status, technology, quality, price and delivery capacity of products and services, but also whether the supplier will have a significant negative impact on the environment and provide a healthy and safe working environment for employees. Procurement department will also conduct on-site inspection on suppliers or invite candidate suppliers to conduct self-evaluation. We will also give priority to suppliers providing green products and services.

  - ✧ **Dynamic assessment**: The Group will assess each supplier from time to time, and conduct unannounced inspections over certain suppliers. We will terminate the cooperation with suppliers who fail to pass the assessment.

- **Strengthening of integrity and compliance constraints:** We require employees and suppliers responsible for procurement to strictly abide by our integrity provisions, not to engage in any form of commercial bribery, and strictly abide by the Anti Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and other relevant provisions prohibiting commercial bribery. We require any employee or department not to solicit or accept money, items and gifts of any kind from suppliers in the name of Party A or non-Party A. Suppliers are also not allowed to directly or indirectly give gifts, items, securities or take other disguised means to provide illegitimate benefits to any employee of Party A in the name of Party B or personally. If the employees of the Group require the supplier to give them any form of illegitimate benefits, the informed person must complain in time and provide relevant evidence to Party A, which will be dealt with after our verification and kept confidential for the whistleblower. If the supplier violates the integrity provisions, we have the right to deal with the incident accordingly.

- **Supply chain layout and stability:** In 2025, our group had a total of 85 major suppliers, distributed across Zhejiang (27), Jiangsu (21), Guangdong (19), Shanghai (12), and other regions within the country (6), forming a supply chain layout centered around the Yangtze River Delta and the Pearl River Delta, effectively reducing regional risks. By signing long-term cooperation agreements with core suppliers and establishing safety stocks, we enhanced the supply chain's ability to resist risks. No major supply disruptions occurred throughout the year.

Supplier geographical distribution



The Group established mechanisms for supplier admission, on-site audits, dynamic assessments and flight inspections to identify and monitor the supply chain environment and social risks; at the same time, it prioritizes the selection of green and environmentally friendly, compliant and stable suppliers to promote the sustainable development of the supply chain.

4.2 INFORMATION SECURITY AND PRIVACY PROTECTION: BUILDING A ROBUST DATA SECURITY BARRIER

The Group strictly complies with the Regulations on the Security Protection of Computer Information Systems of the People's Republic of China (《中華人民共和國計算機信息系統安全保護條例》), the Network Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Provisions on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), the Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》), the Security Protection of Computer Information Network International Networking Management Measures (《電腦資訊網絡國際聯網安全保護管理辦法》) and other relevant laws and regulations, establishing a three-in-one information security protection system consisting of "system — technology — management", to comprehensively safeguard the commercial secrets of enterprises, as well as the privacy data of customers and subjects.

- **Full-process system and process construction:** Formulate internal rules and regulations such as the Confidentiality System (《保密制度》), the IT Password Management Regulations (《IT密碼管理規定》), the Management Measures for the Use of Computer Software (《電腦軟件使用管理辦法》), the Business Continuity Plan (《業務連續性計劃》), "Management Measures for Classification and Grading of Materials" (《資料分類分級管理辦法》) and "Personal Information Processing Compliance Guidelines" (《個人資訊處理合規指引》), etc. These regulations clearly define the classification and grading standards of information and data, access authorization rules, storage and transmission requirements, de-identification processing norms, and security emergency response procedures, ensuring that information security management has clear rules to follow.

- **Hierarchical authorization and confidentiality management**: We require employees, suppliers and partners to strictly abide by our "Confidentiality System", and provide hierarchical authorization to manage computer information. No one is allowed to distribute the Company's trade secrets intentionally or unintentionally in any form without authorization. The borrowing, circulation and photocopying of confidential documents and files shall be handled in accordance with the prescribed procedures and shall be properly registered and kept by special personnel. Confidential documents and files shall not be transmitted by fax machine, and confidential documents and materials shall not be copied without permission.

- **Multi-level technical protection system:**

  ✧ **Data security protection:** Implement hierarchical authorization management for the internal information system. Access permissions are allocated based on the "minimum necessary" principle. Employees can only access the data resources necessary for their work. Office equipment is forcibly set with strong passwords and these passwords are changed regularly. Important data is stored using encryption technology, and data transmission is conducted through secret channels. Software is uniformly installed, upgraded and managed by the IT department to prevent unauthorized software use, and to guard against virus infections and malicious software attacks.

  ✧ **Physical security protection:** The computer room is managed by dedicated personnel. Non-relevant staff must register and be accompanied by an administrator before entering; Video surveillance and access control systems are installed in key office areas to ensure the physical security of the environment.

- **Special management for privacy protection:**

  - ✧ **Personal information collection:** Strictly adheres to the principles of "legality, propriety and necessity". The information of patients and subjects is only collected the necessary information through legal channels, and ensure the security of their personal information in accordance with the Group's internal rules and regulations.

  - ✧ **Use and protection of personal information:** The personal information of patients and subjects can only be accessed by relevant authorized researchers, implementers of research projects, members of the medical ethics committee and relevant personnel of the national/local drug administration. It shall not be used for purposes other than clinical trials or business cooperation. It is strictly prohibited to disclose it to any third-party partners. A confidentiality agreement should be signed with employees and partners who have access to personal information, clearly defining the confidentiality obligations and liability for breach of contract.

  - ✧ **Personal information destruction:** In accordance with legal regulations and internal policies, after the use of personal information is completed, it should be securely and reliably destroyed to ensure that the information cannot be recovered.

4.3 PRODUCT QUALITY: ADHERE TO THE CORE PRINCIPLE OF SAFETY AND EFFECTIVENESS

We pursue "Quality" as one of our core values, which encourages all employees to embody the spirit of pursuing quality in every moment and throughout the entire process of their work, while focusing on details, and striving for excellence without overlooking any quality issues. We strictly abide by relevant laws and regulations such as the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Medical Device Clinical Trial Quality Management Standard (《醫療器械臨床試驗品質管制規範》) and respect the systems and practices of R&D ethics such as the Declaration of Helsinki (such as animal experiment management).

We will formulate the Annual Internal Quality Audit Plan, hold regular internal quality audit meetings, systematically review the quality control system, learn new standards and regulations and make necessary improvements to ensure that raw materials, plant facilities, equipment, sanitation, personnel training, and quality management meet the sanitation, safety, and quality requirements of relevant national regulations.

- **Full-process quality control:** Our quality control system takes customer demand as the starting point, measures, analyzes and improves products, and forms a closed loop of whole process quality:

  - ✧ **Raw material inspection:** Carry out strict check and test for incoming raw materials. Unchecked or unqualified raw materials shall not be stored for use.

  - ✧ **Process quality control:** Set up key quality control points based on the characteristics of different products, carry out process inspection and semi-finished product inspection, and adjust and improve the production process in a timely manner according to the inspection results.

- ✧ **Finished product inspection:** Random sampling according to the sampling requirements, the appearance, performance and packaging of the products are tested according to the finished product inspection standards. The products can be released after passing the inspection and being audited. For the unqualified products found in the quality inspection, we will timely identify, isolate, analyze the reasons and take corrective measures.

- **Production environment and equipment management:** As medical devices are produced, maintaining the hygiene of the work area is crucial for product quality.

  - ✧ **Environmental cleaning and monitoring:** Ensure the cleanliness of the production workshop, technical laboratory and changing room, arrange special personnel to maintain exhaust system of the air conditioning, and regularly monitor the environment of the working area; Outside the operation area, the Group shall regularly clean up the sewage sludge, factory water, fallen leaves and other deposits, and commission the qualified Group to spray insecticide and kill insects in the green belt of the factory area, put bait and catch mice, and put insecticide and egg insecticide in the manhole and drainage ditch.

  - ✧ **Personnel training:** Conduct training and management for the workers on anti-static environment, occupational health and safety.

  - ✧ **Equipment maintenance:** clean and lubricate the production equipment, daily spot inspection, regular spot inspection and replacement of parts to ensure that the equipment is always in normal operation.

During the Year, the Group had no products returned incidents for health and safety reasons.

4.4 INTELLECTUAL PROPERTY PROTECTION: BUILDING THE CORE BARRIER OF INNOVATION AND DEVELOPMENT

The Group is committed to protecting its own intellectual property rights and not infringing on the intellectual property rights of others by strictly abiding by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Intellectual Property Law of the People's Republic of China (《中華人民共和國智慧財產權法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and other laws and regulations. We attach equal importance to independent innovation and intellectual property rights protection, strive to protect our own intellectual property rights, respect the intellectual property rights of others, and build a whole-chain intellectual property rights management system of "creation-protection-application-management".

- **Independent intellectual property right creation and protection:**

  - ✧ **Patent strategy:** A comprehensive patent protection network focusing on core products and key technologies has been established, to promptly conduct patent searches and applications for research and development achievements. During the Year, the Group added 3 issued patents. The Company currently holds 82 valid patents, forming a core technology patent moat covering the entire industrial chain of diabetes monitoring, treatment and management.

  - ✧ **Trademark protection:** For core brands and product names, applications have been made for trademark registration in multiple countries and regions both at home and abroad to build a global trademark protection system and prevent risks of trademark infringement and brand confusion.

  - ✧ **Trade secret protection:** Hierarchical management has been implemented for undisclosed business secrets such as R&D materials, technical drawings, production processes and customer information, Confidentiality Agreements have been signed with core employees and R&D personnel to clearly define confidentiality obligations and liabilities for breach of contract, and measures such as encryption and access control in office environments and information systems have been adopted to prevent leakage of business secrets.

- **Intellectual property rights constraints of the partner:** We require our partners to guarantee that the products or technical solutions they provide to us shall not infringe the intellectual property rights of any third party during the use of the Group or our customers.

  - ✧ The partners are required to provide us with the corresponding certificates of intellectual property rights of the products and related ancillary components, materials and information. Where any third-party intellectual property rights are involved, the partners must provide proof of legal authorization for use.

  - ✧ For the products customized by the Group, the partners shall keep them strictly confidential and shall not produce or sell them for third parties, or carry out imitation or reverse engineering without the written authorization of the Group.

Carry out intellectual property retrieval and analysis before product development, production and sales, assess infringement risks, and avoid disputes over intellectual property rights. We will establish a monitoring mechanism for intellectual property rights infringement, pay close attention to market dynamics, and take timely measures to protect the rights of infringements by issuing lawyer letters, administrative complaints, and judicial proceedings. During the Year, no major intellectual property infringement disputes occurred.

4.5 CUSTOMER RIGHTS: EMBRACING OUR USER-CENTRIC CORE VALUES

"Customer-centric" is our most important core value. We encourage all employees to stay close to the customers so as to gain insights into their reasonable requirements, and to proactively implement product realization from their real requirements. In quick response to customers, we strive to resolve their issues with our sincerity that earns their trust, and to achieve long-term and mutual success with customers.

- **Protection of rights and interests of subjects in clinical trials:** We strictly adhere to the World Medical Association Declaration of Helsinki (《世界醫學大會赫爾辛基宣言》) and the requirements of China's GCP to safeguard the legitimate rights and interests of subjects in clinical trials:

  ✧ **Ethical review:** For project initiation application, it is required to submit multiple documents to the ethics committee, including the clinical trial protocol, investigator's manual, informed consent form text, and procedural documents for recruiting subjects. Prior to each clinical trial, our investigators will submit the clinical trial protocol, informed consent form and other relevant documents to the medical ethics committee of the hospital where the unit responsible for the clinical trial is located, and will not commence until the trial has been approved.

  ✧ **Informed consent:** Prior to acceptance into the clinical trial, we will provide a full and complete written explanation of the purpose, procedures, source of funds, possible conflicts of interest, expected benefits, known foreseeable risks, adverse events, alternative treatments, etc. to each subject, to ensure their full understanding before signing the informed consent form. The subjects can receive free medical treatments and other related subsidies, and they have the right to withdraw from the clinical trial at any time without affecting their normal medical benefits. Their personal information is strictly confidential and can only be accessed by the ethics committee, regulatory authorities, etc. in accordance with the prescribed procedures.

- **Customer service and complaint handling mechanism:**

  In order to better meet the expectations and demands of our customers and other stakeholders, we have established the Customer Complaint Handling Procedures (《顧客投訴處理程式》) and the Customer Service Control Procedures (《顧客服務控制程式》), and established standardized service and complaint handling processes:

  ✧ **Full-cycle customer service:** We have established the Annual Service Plan (《年度服務計劃》) and provided product technical training, installation services, etc. based on customer demands. For domestic insulin pump users, we have established warranty registration card files, conducted regular follow-up visits to understand their use, provided operation guidance, and responded to on-site guidance requests within 24 hours. Every year, we analyzed the service data and compiled the Annual Service Report (《年度服務報告》) to continuously improve the service quality.

- **Complaint acceptance and record:** After receiving a complaint in the domestic market, the handling is initiated by the distributor, sales/operation, and customer service, and the customer service receives and gives the response. For overseas markets, the sales (customer service) department initiates the handling and receives and gives the response. For all such cases, the Customer Complaint Handling Form (《顧客投訴處理單》) must be filled out within the prescribed time limit, detailing the complaint information.

- **Adverse Event Handling:** If the complaint involves adverse events or suspected adverse events, the complaint handler shall immediately forward the information to the adverse event monitoring specialist. The adverse event monitoring specialist shall, in accordance with the requirements of the Adverse Event Monitoring and Re-evaluation Control Procedures (《不良事件監測和再評價控制程序》)or the Alert System Management System(《警戒系統管理制度》), promptly report the information to the regulatory authorities and organize investigation and handling.

- **Outcome Feedback and Follow-up:** The complaint response department shall record the customer's final opinion on the outcome of the complaint; if the customer does not accept the handling opinion, the feedback shall be recorded and further measures shall be taken to ensure the customer's final satisfaction.

- **Customer satisfaction management:**

  We have established the Customer Satisfaction Evaluation Procedures (《顧客滿意度評價程式》). The Customer Service Training Department is responsible for domestic customer satisfaction evaluation, while the International Sales Department is responsible for overseas customer satisfaction evaluation. Feedback from distributors and satisfaction survey records of end users are collected every year to continuously improve product and service quality.

During the Year, the Group had no products returned for health and safety reasons. All complaints about products and services during the Year were received, investigated, replied to and handled in a closed loop in accordance with standard procedures, and the complaint rate was lower than the average level in the industry. The Group has established a full-process management system for the application, maintenance, use and protection of intellectual property rights, respecting independent innovation and the intellectual property rights of third parties. The Group implements full-process quality inspection including raw material inspection, process patrol inspection and finished product inspection, and have established monitoring, reporting and follow-up procedures for product adverse events. If a product recall is required, it will be carried out promptly in accordance with the regulatory requirements. The Group has established a personal information and privacy protection system, collecting and using information in accordance with the principles of legality, propriety and necessity. We adopt measures such as permission control, encrypted storage and confidentiality agreements to ensure data security.

4.6 ANTI-MONEY LAUNDERING AND ANTI-CORRUPTION: CONSTRUCTING AN INTEGRITY AND COMPLIANCE ECOSYSTEM

MicroTech Medical resolutely resists any form of fraud, including bribery, misappropriation of public funds, extortion, fraud, money laundering and so on. It has created an integral and upright business environment with a "zero-tolerance" attitude and constructed a closed-loop management mechanism of "System constraints — training and publicity — supervision and reporting — accountability and rectification".

- **Systematized construction of systems:** We have formulated a series of specialized systems, including the Anti-fraud, Anti-money laundering and Anti-bribery Management System (《反舞弊、反洗錢、反賄賂管理制度》), the Interest Conflict and Professional Ethics Management System (《利益衝突與職業道德管理制度》), the Misconduct Reporting Mechanism and Handling Measures (《不當行為舉報機制與處理辦法》), and the Code of Conduct for Integrity Business Conduct (《廉潔從業行為規範》), clearly defining prohibitive provisions, responsibility division, penalty standards and operational procedures, covering the entire cycle of employee induction, performance of duties and resignation, and key business scenarios such as customer cooperation and supplier relations. We have established a regular job rotation and compliance review mechanism for high-risk positions to prevent the risk of interest transfer at the institutional level.

- **Customer access risk control:** We strictly implement the "Know Your Customer (KYC)" principle and conduct qualification reviews, background checks, and risk ratings for customers, focusing on verifying their business scope, sources of funds, business reputation, and compliance records. We intensify due diligence on high-risk customers to prevent money laundering and related risks from the source.

- **Compliance awareness cultivation for all employees:** We continue to carry out anti-bribery training and publicity work to enhance the anti-money laundering awareness and capability of all employees and customers. The content of anti-money laundering training should include the basic knowledge of anti-money laundering, anti-money laundering laws and regulations, the latest anti-money laundering regulatory policies and requirements, anti-money laundering internal control system and operating procedures, etc. The basic knowledge of anti-bribery and training on laws and regulations are also essential contents of induction training for new employees.

- **Diversified supervision and reporting mechanisms:** The internal audit department and legal department of the Group, as the standing body of anti-fraud work, are responsible for the implementation of anti-fraud work. The Group has established a reporting hotline, a dedicated reporting email address, offline reporting channels and an anonymous reporting platform, and has set up a full-process reporting handling mechanism of "Reception — registration — investigation — handling — feedback".

During the Year, the Group had no concluded legal cases regarding corrupt practices brought against the Group or its employees. The Group has established anti-corruption, anti-fraud and anti-money laundering systems and reporting mechanisms, opened multiple anonymous reporting channels, clarified the investigation, handling, confidentiality and accountability processes, and implemented job rotation and strengthened control for high-risk positions. The Group provided anti-corruption compliance training for all employees and directors, covering laws and regulations, system requirements, behavioral red lines and case warnings, achieving full coverage of all employees.

5. CARING FOR EMPLOYEES

We strictly comply with the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Implementation Regulations of the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of Child Labour (《禁止使用童工規定》) and other local laws and regulations governing our operations.

Employees are essential for the improvement of our competitiveness. We are committed to creating an equal, inclusive, healthy, safe and fair working environment without any form of discrimination on the grounds of age, gender, nationality, colour, physical disability, religion, etc. To this end, we have formulated the "Employee Relationship Management System" (《員工關係管理制度》), which sets out our recruitment, resignation, vacation, working hours, overtime arrangements, performance appraisals, rewards and punishments, and other implementation plans.

5.1 TALENT EMPLOYMENT: BUILDING AN EQUAL AND COMPLIANT EMPLOYMENT SYSTEM

We strictly comply with the labour laws and regulations of the place where we operate, and have established a full-process talent employment management system based on the core principles of equality and compliance to safeguard the legitimate rights and interests of employees.

- **Staffing and Promotion Management:** We have developed the Summary Sheet of the Staffing Plan for 2025 (《2025年度編製計劃匯總表》) based on the employment needs of each department to optimize our staffing. We persist in prioritizing internal promotion and all career opportunities are published through internal announcements to ensure that all employees have equal channels for career development.

- **Recruitment and Compliant Screening:** We will focus on inspecting the candidates' academic background, work experience, and the extent to which they match the post requirements during the recruitment process, strictly verifying valid identity certificates recognized by the People's Republic of China and eliminating child labour from the source. In the event that an employee is found to have provided false information, forced labour or employed child labour or otherwise violated regulations, the employment relationship will be terminated immediately in accordance with the law.

- **Signing of Contracts and Agreements:** We will sign the legally effective Employment Contract (《勞動合同書》) and the Intellectual Property Ownership and Confidentiality Agreement (《智慧財產權歸屬和保密協議》) with all regular employees on an equal and consensual basis; for retired employees, temporary workers, interns and other non-regular workers, we will sign special agreements with them to clarify the rights and obligations of both parties.

- **Working Hours and Overtime Management:** We resolutely eliminate forced labour, promote efficient work and encourage employees to complete their work during working hours. For overtime required for work purposes, we strictly implement a system of shift leave and provide overtime allowances according to regulations to ensure employees' right to rest.

- **Resignation Management:** Both the employees and the Group have the right to lawfully terminate the employment relationship. Employees who have resigned shall complete work handover procedures. Our human resources department will organize exit interviews to gain a deeper understanding of the reasons for resignation, so as to continuously optimize the employment management system.

During the Year, the Group had no incidents of forced labour or employment of child labour. As at December 31, 2025, the Group had a total of 664 regular employees, continuing to maintain a good level of compliance in employment. The Group adheres to the principles of equal employment, diversity and inclusion and anti-discrimination without discrimination against any employees on the grounds of age, gender, nationality, race, religion, physical disability or other factors in recruitment, salary, promotion, training, benefits and other aspects to provide employees with fair opportunities for development and strictly comply with relevant laws and regulations such as the Labour Contract Law.

5.2 TALENT DEVELOPMENT: BUILDING A DUAL DRIVE GROWTH SYSTEM OF "TRAINING FOR EMPOWERMENT+PERFORMANCE INCENTIVE"

We incorporate "making self-driven progress" into our core values and have established a talent development system covering the entire lifecycle of talent development and all positions which is supported by the Training Management Procedures (《培訓管理程序》) and based on business development needs and employee growth expectations. The Group is committed to enhancing employees' knowledge and skills in fulfilling their job responsibilities and has established a hierarchical and classified training system under which training activities are carried out through various methods such as internal training, external courses, skill certification and on-the-job coaching to continuously empower employees' growth.

(1) Hierarchical and classified training system for precisely empowering capability enhancement

We have established a dual-teacher faculty team consisting of "internal lecturers + external experts" to create a diversified training matrix. We have developed differentiated training programs for employees in different positions and levels and created electronic "training profile" for each employee to track his/her learning progress and effectiveness throughout the entire process:

- **Core training categories:** covering the promotion and training on corporate values, management and supervisory personnel training, new employee/fresh graduate induction training, on-board training, internal department skill training, qualification training, expatriate compliance training, etc., which realized full coverage of training;

- **Training of key personnel:**

  ✧ Management and supervisory personnel: They shall systematically master the Group's quality system documents and enhance their management and compliance control capabilities;

  ✧ New employees/fresh graduates: For fresh graduates, the Group holds exclusive training camps and offers courses such as the Goal Plan Management and Implementation (《目標計劃管理與落地》) and the Pyramid-structured Thinking and Expression (《金字塔結構性思維與表達》) to help them quickly integrate into the workplace;

- ✧ Employees in professional positions: To enhance the application capabilities of R&D, product and quality departments in quality awareness and specialized tools, we have planned and organized quality tool empowerment training around QFD, PHA and FMEA and simultaneously provided training on customer services and market operations, etc. to strengthen core job skills;

- ✧ All in-service employees: We require them to acquire professional knowledge required for their positions, understand the Group's rules, regulations and product-related information and obtain the corresponding qualification certifications through appraisal to ensure that their ability to perform their duties meets the standards.

(2) Scientific performance management mechanism to stimulate endogenous growth momentum

We have established a closed-loop management mechanism of "Target Setting — Process Coaching — Appraisal Feedback — Incentive Application" with the Remuneration and Performance Management System (《薪酬績效管理制度》) as the core, balancing fairness and stimulation:

- **Target Setting:** We require our employees to set performance targets in compliance with the SMART (Specific, Measurable, Achievable, Relevant, Time-bound) principle. The supervisors are required to provide support to their subordinates throughout the process of achieving their targets, and adjust the targets in a flexible manner according to the actual situation to ensure the rationality of the targets;

- **Appraisal Implementation:** We will take work performance (including appraisal indicators, target values, appraisal criteria, data sources, weight allocation, actual completion status and department head ratings), work ability and work attitude as the core appraisal dimensions and adhere to the principles of fairness, justness and openness. Our human resources department will strictly review the performance appraisal forms and performance improvement forms submitted by each department, and will initiate the accountability mechanism in case of non-objective scoring or inaccurate data;

- **Feedback and Stimulation:** After the appraisal is completed, the department head or direct supervisor will conduct a one-on-one performance interview with each employee, which includes feedback on the appraisal results, recognition of outstanding performance of the employee, communication of areas for improvement, and jointly setting the targets for the next stage. The results of the performance appraisal are directly linked to a performance bonus to stimulate employees' motivation and work enthusiasm through positive incentives.

5.3 TALENT BENEFITS AND EMPLOYEE ACTIVITIES: CREATING A WARM AND COHESIVE ATMOSPHERE OF CARE

We adhere to the "people-oriented" philosophy and have built a three-in-one employee care system of "statutory protection + distinctive benefits + rich activities", which not only protects the legitimate rights and interests of employees, but also enhances the sense of belonging and cohesion of the team, allowing employees to feel the warmth of the enterprise.

(1) Comprehensive welfare benefits to consolidate the foundation of rights and interests

On the basis of making payments for the five social insurances and one housing provident fund in accordance with the law and ensuring the enjoyment of statutory holidays, we provide employees with diversified welfare support, covering all work and life scenarios:

- **Holiday benefits:** We fully implement paid annual leave, marriage leave, bereavement leave, maternity leave, sick leave and personal leave and other paid leaves to fully safeguard employees' right to rest and personal living needs;
- **Salary composition:** Staff salaries are comprised of four components, namely basic wage, performance bonuses, special allowances and welfare subsidies, with a clear structure and comprehensive protection;
- **Special allowances:** Including high temperature fee in summer, overtime meal allowance and overtime commuting expenses to effectively safeguard the rights and interests of employees in special situations;
- **Humanistic benefits:** We provide employees with marriage allowance, newborn baby allowance, consolation money/gifts for illnesses, funeral condolences and care to convey the humanistic care of the enterprise; establish employee activity funds and departmental team building fees to support team building; and present festival gifts to employees during traditional festivals to create a strong festive atmosphere.

(2) Colorful employee activities to enhance team cohesion

We enrich our employees' leisure time, promote interaction and communication among employees and strengthen team cohesion through normalized and diversified employee activities:

- **Quarterly birthday parties:** We hold regular birthday parties every quarter to prepare exclusive birthday gifts, customized birthday cards, birthday cakes and fun interactive activities for the birthday staff, allowing them to feel a sense of belonging through collective blessings;
- **Themed care activities:** We held employee care activities during holidays such as the International Women's Day and the Labour Day to deliver targeted attention and greetings to employees; during the hot weather, the Labour union of MicroTech Medical carefully planned and implemented a series of summer cooling care measures in conjunction with the cooling care activity in Cangqian Street to comprehensively safeguard the health and comfort of employees;

- **Sports competition activities:** We organized the basketball tournament and a fun sports event and other sports events for the Group, with the aim of encouraging employees to step out of their workstations, exercising their body, enhancing mutual friendship through competition and collaboration and enhancing team cohesion;

- **Distinctive departmental team building:** We supported each department to carry out distinctive team building activities based on their own characteristics, further narrowing the distance between employees and creating a harmonious working atmosphere.

5.4 HEALTH AND SAFETY: BUILDING A STRONG SAFETY BARRIER FOR ALL SCENARIOS

The Group strictly adheres to the requirements of laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Regulations on Supervision and Administration of Occupational Health in the Workplace (《工作場所職業衛生監督管理規定》) and the Regulation on Work-Related Injury Insurances (《工傷保險條例》), and has built a three-in-one health and safety management system of "institutional guarantee+training for empowerment+hidden danger governance" to comprehensively safeguard the life, health, and occupational safety of employees.

(1) Systematic security system construction to clarify management standards

We have established a security management system covering all scenarios with compliance as the bottom line so as to provide solid institutional support for security management:

- For the core scenarios of the production workshops, we have formulated 28 special rules and regulations as well as comprehensive safety protection measures, such as the Safety Management System for Hazardous Operations (《危險作業安全管理制度》), the Accident Emergency Rescue System (《事故應急救援制度》), the Management System for Labour Protection Equipment (《勞動防護用品管理制度》) and the Occupational Safety and Health Education System (《職業安全健康教育制度》);

- We provided necessary protective equipment for employees and clarified the standards for equipment wearing, use and maintenance to reduce operational risks at the hardware level;

- Our production department (safety office) takes the lead in implementing the principles of safe production to ensure the deep integration of safety management and production operations.

(2) Full-coverage safety training to enhance emergency response capabilities

We have built a hierarchical and classified safety training system to strengthen employees' safety awareness and emergency response capabilities through practical drills:

- **Basic safety training:** Covering pre-post training for new employees, specialized training for special operators, training for principal responsible persons, training for safety management personnel, training for changing job types, training for resumption of work, training for occupational hygiene, safety training for all employees and training for related parties to realize training without blind spots;

- **Specialized emergency training:** We carry out targeted training on emergency response methods for work-related injuries and organize regular fire training and fire escape drills to enhance the self-rescue and mutual rescue abilities of our employees;

- **Protection of special populations:** We purchase unified team business insurance for our salesmen and employees who travel frequently, covering all occupational risks comprehensively.

(3) Closed-loop management of hidden dangers to prevent safety risks

We have established a full-process hidden danger management mechanism of "investigation — reporting — rectification — monitoring — archiving" to ensure early detection and disposal of risks:

- **Division of responsibilities:** In accordance with the principle of "who is in charge, who is responsible", each department and workshop shall carry out inspection of hidden dangers in their respective jurisdictions in accordance with the time, content and frequency stipulated in the Safety Inspection System (《安全檢查制度》), and collect and report any hidden safety hazards found in a timely manner;

- **Graded disposal:** For general hidden hazards, the responsible department shall take immediate measures to rectify them; for major hidden accident hazards, the principal person in charge of the Group shall organize the formulation of special management plans. During the management, the responsible department shall implement safety precautions, and the production department (safety office) shall conduct tracking and monitoring throughout the entire process;

- **File management:** We will classify and register all hidden accident hazards and establish complete information files of hidden accident hazards to realize traceability and auditability of the management process;

- **Incentive mechanism:** The production department (safety office) supervises, inspects and assesses the investigation and management of various hidden accident hazards, and recommends rewards for those who have merited reporting and managing major hidden accident hazards to inspire the enthusiasm of all employees to participate in safety management.

The Group has established an occupational health and safety management system that covers all employees and the entire process and formulated special systems for safe production, hazardous operations, labour protection and emergency rescue, etc., and provides employees with qualified protective equipment, conducts regular equipment maintenance and work environment monitoring, implements three-level safety training, all staff safety training and fire drills, and establishes a closed-loop mechanism for investigating, rectifying and reviewing hidden safety hazards, with regular supervision and implementation by the safety management department, to ensure that health and safety risks in the workplace are controllable.

During the Year, the Group achieved significant results in safe production, with 0 day lost due to work injury; the Group did not have any work-related fatalities in the past three years (including 2025), continuing to maintain a good level of safety management in the industry.

6. GREEN OFFICE

The Group strictly complies with the Law of the People's Republic of China on Environmental Protection (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境雜訊污染防治法》) and other relevant laws and regulations. Although the Group's operations do not have a significant negative impact on the environment, we remain committed to enhancing energy utilization efficiency, conserving water, and reducing emissions and waste reduction performance. In this regard, we have crafted the "Energy Conservation and Emission Reduction Control Plan", with specific measures clearly defined specific measures to regulate the use of water, electricity, paper, and business travel among our employees. We also encourage employees to put forward rational proposals for energy conservation, which, if accepted by the Group, will be awarded appropriate pecuniary incentives.

During the Year, the Group did not violate any laws and regulations relating to environmental protection or receive any notice of penalties and litigation.

6.1 GREEN FACTORY: CREATING A BENCHMARK FOR ENVIRONMENTALLY FRIENDLY PRODUCTION

As a national High-tech Enterprise and a Specialized, Refined, Differential and Innovative "Little Giants" Enterprise, the Group takes green development as the core orientation, and builds a full-process green production system in strict accordance with the Evaluation Requirements for Green Factories (《綠色工廠評價要求》), and through infrastructure optimization, management system improvement, and efficient utilization of energy and resources, it realizes intensified land use, harmless raw materials, clean production, waste resource utilization, and low-carbon energy, meeting the standards for creating green factories.

(1) Green Infrastructure Construction

- **Energy-saving lighting system:** Natural lighting is given priority in factory buildings and office areas, and high-efficiency energy-saving LED lamps are mainly used for lighting. In areas such as workshops and corridors, light control and longitude and latitude sensing control systems are adopted to automatically adjust the on/off state of lighting and reduce energy consumption.

- **Pollution control in place:** Specialized pollutant treatment equipment is provided. Ventilation is strengthened for welding exhaust gas through workshop exhaust fans, while exhaust gas from screen printing and drying is collected by induced draft fans and then discharged at a high altitude. The production wastewater is pre-treated and the domestic sewage is treated in septic tanks before meeting the standards and being connected to the pipeline. Solid waste is classified and stored. The temporary storage area for hazardous waste meets the requirements of rainproof, seepage prevention and leakage prevention, and qualified units are entrusted for disposal, and the safety treatment rate is 100%.

(2) Full-process Green Management System

- **Closed loop for system and assessment:** Special documents such as the Carbon Emission Management System (《碳排放管理制度》), Energy Measurement Management System (《能源計量管理制度》), and Green Factory Assessment and Incentive System (《綠色工廠考核激勵制度》) have been formulated, a leading group and management team for green factory work has been establish, the green development responsibilities of each department have been defined, energy conservation and carbon reduction indicators are incorporated into performance evaluations, and a reward mechanism for rational proposals has been established.

- **Information-based intelligent control and management:** An intelligent energy management platform and an energy-carbon management cockpit have been built to achieve automatic collection, real-time monitoring, and statistical analysis of electricity and water consumption data.

(3) Efficient Utilization of Energy and Resources

- **Resource recycling and utilization:** When purchasing raw materials for production, priority is given to environmentally friendly and low-carbon materials, and the principle of nearby procurement is implemented to reduce energy consumption in transportation. All general solid wastes such as packaging materials and plastic scraps are recycled and sold externally to achieve resource recycling. The efficiency of water resource utilization has been continuously improved. By optimizing production processes and strengthening equipment inspections, water waste has been reduced, and the water use efficiency has reached the advanced level in the industry.

- **Ecological design of products:** For core products, the green concept is adhered to throughout the entire life cycle. Insulin pumps, BGMS products, etc. are made of recyclable engineering plastics and environmentally friendly medical materials, reducing the use of chemical additives. The product structure is designed for easy disassembly. After scrapping, electronic components, plastic casings and other parts can be classified and recycled. By optimizing circuit design and intelligent power management, the power consumption in product operation is reduced, and the generation of electronic waste is reduced.

- **Renewable energy utilization:** In 2025, the Company commissioned a distributed photovoltaic power generation and integrated energy storage facility. Adopting the "self-generation for self-use, with surplus energy sold to the grid" model, the Company has increased its proportion of clean energy usage. The supporting energy storage system enables peak load shaving and valley filling, optimising the energy mix, reducing reliance on purchased electricity, and helping to control the growth of Scope 2 GHG emissions.

6.2 ENERGY SAVING AND EMISSION REDUCTION: BUILDING A LOW-CARBON OPERATION SYSTEM

The Group's emissions are mainly generated from tail gas emissions from the vehicles (including Scope 1 greenhouse gas ("**GHG**")) and Scope 2 from electricity consumption. To promote energy conservation and emission reduction, we have established the Energy Saving and Emission Reduction Control Plan (《節約能源減少排放控制計劃》), specific measures include:

- Offices and production workshops are required to switch off electrical equipment in a timely manner, and to innovate work methods and improve work processes to increase the utilization efficiency of machinery and equipment;
- Reduce the number of lights in areas where brightness exceeds the required level, and use energy-efficient lights where possible;
- Encourage employees to reduce the frequency of using corporate vehicles and prioritize public transportation. At the same time, carry out necessary maintenance on the fleet on a regular basis;
- An incentive mechanism for energy-saving suggestions shall be established. Once reasonable suggestions for energy saving made by employees are adopted, appropriate financial rewards will be given;
- Promote distributed photovoltaic installation across plants to expand self-generation of green electricity;
- Deploy electrochemical energy-storage facilities to increase renewable-energy absorption and grid stability.

During the Year, we conducted a GHG inventory in the scope of our Hangzhou headquarters office and MicroTech E-commerce with reference to the Greenhouse Gas Protocol issued by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064–1 developed by the International Organization for Standardization, the performance of which is set out as follows:

GHG emissions	**Unit**	**Quantitative Value in 2025**	Quantitative Value in 2024
Direct GHG emissions (Scope 1)	tonne CO_2 equivalent (tCO_2e)	**9.35**	8.93
— Carbon dioxide (CO_2)	tonne	**8.91**	8.55
— Methane (CH_4, CO_2e)	tCO_2e	**0.01**	0.01
— Nitrous oxide (N_2O, CO_2e)	tCO_2e	**1.03**	0.97
GHG emissions reduced by tree planting (Scope 1)	tCO_2e	**0.60**	0.60
Indirect GHG emissions (Scope 2)	tCO_2e	**2,030.50**	1,726.65
Total GHG emissions (Scope 1 & 2)	tCO_2e	**2,039.85**	1,734.98
GHG emissions per capita (Scope 1 & 2)	tCO_2e/employee	**3.07**	3.20
GHG emissions per square meter (Scope 1 & 2)	tCO_2e/m^2	**0.12**	0.10

During the Year, the electricity consumption covered under the environmental category in this ESG Report was 5,480,070 kWh, with the per capita consumption of 8,253.12 kWh.

The Group has set the relevant objectives for emissions, resource utilization, environment and natural resources, and plans to take the relevant measures:

- **Emissions:** The Group has set emission control and waste reduction objectives. It continuously controls the discharge of waste gas and wastewater to meet standards, and ensures that 100% of hazardous waste is safely disposed of by qualified units. The intensity of greenhouse gas emissions is gradually reduced and the recycling and utilization rate of harmless waste is promoted and improved. To achieve the objectives, the Group continuously optimizes its production processes and pollution treatment facilities, strengthens classified management and compliance monitoring, establishes a full-process ledger for wastes, and regularly conducts environmental compliance inspections and employee training.

- **Resource utilization:** The Group takes efficiency improvement of resource utilization as its core objective. It continuously reduces energy and water consumption per unit area and per capita, and promotes energy-saving equipment and intelligent management and control. It establishes a water-saving mechanism, optimizes the recycling of water and utilization of rainwater, and ensures stable water intake and efficient water use. During the Year, measures such as LED based energy-saving renovations, smart lighting control, reclaimed water reuse, and popularization of water-saving appliances have been implemented, and an incentive mechanism for energy-saving proposals has also been established to encourage participation by all employees.

  The packaging materials for the finished products of the Group are mainly cartons, paper and plastic. We have promoted lightweight, recyclable and reusable designs, given priority to using environmentally friendly materials, reduced excessive packaging, and continuously optimized packaging use.

- **Environment and natural resources:** The Group is mainly engaged in the R&D, office work and light production of medical devices. Our businesses do not have a significant negative impact on environment and natural resources. The Group has taken management actions such as green office, clean production, energy conservation and consumption reduction, and waste resource utilization to reduce resource consumption and environmental footprint, and promote the harmonious coexistence of operation and ecological environment.

6.3 WATER CONSERVATION: ESTABLISHING AN EFFICIENT WATER MANAGEMENT MODEL

The water of the Group comes from municipal water supply, and there is no water intake problem. To enhance water efficiency and reduce wastewater discharge, we have adopted the following water conservation measures:

- In daily operations, we use the reclaimed water treated in the production workshop as much as possible for toilet flushing and production;
- Water conservation stickers are posted in each washroom, and employees are required to promptly report any water leaks for timely repair;
- A rainwater harvesting system has been installed for irrigating plants in the park.

During the Year, the water consumption covered under the environmental category in this ESG Report was 23,346.00 m^3, with the per capita consumption of 35.16 m^3.

6.4 WASTE REDUCTION: PROMOTING CIRCULAR ECONOMY PRACTICES

We have formulated the Office Waste Management Measures (《辦公室廢棄物管理辦法》) and established an office waste disposal inspection team to supervise and inspect the classification, disposal and recycling of waste by all departments, and organize monthly supervision and inspection of the hygiene environment in the office area.

(1) Waste Classification and Disposal

- **Hazardous waste:** For hazardous wastes such as medical wastes, discarded toner cartridges, broken and waste cartridge toner, and discarded electronic products, the administration department entrusts qualified recycling units designated by the local government and environmental administration authorities to sign a recycling agreement in accordance with the relevant national laws and regulations. Such units will collect and dispose of the wastes and conduct operational monitoring. Employees of all departments shall consciously place hazardous wastes in the special hazardous waste bins in the office area;
- **General waste and recyclable waste:** Collected and treated uniformly by the designated recycling unit.

(2) Waste Reduction Initiatives

- Require employees to use recyclable office supplies wherever possible, minimize paper usage and implement a paperless office;
- Organize paper reduction competitions, plastic bottle-free days and environmental design competitions to enhance employees' awareness of resource conservation.

During the Year, non-hazardous waste covered under the environmental category in this ESG Report was 5,870 kg, with 8.84 kg per capita, of which 564 kg was recycled. Hazardous waste generated was 3,580 kg, with 5.39 kg per capita, of which 3,580 kg was recycled.

The Group's hazardous-waste generation and energy consumption increased in 2025 compared with 2024, principally due to:

1. Continued business growth: Higher sales of core products and increased designated R&D projects and testing/verification activities led to a corresponding rise in hazardous waste from production and R&D operations.

2. Expanded operational scale: Greater intensity of use across offices and R&D facilities, and longer operating hours for personnel and equipment, drove higher overall electricity and energy consumption.

The Group will optimize resource-use efficiency, strengthen end-to-end compliant management of hazardous waste, advance process optimization, implement energy-saving retrofits and provide EHS training for employees. The Group will continue to control hazardous-waste generation and energy consumption, maintain a 100% compliant disposal rate for hazardous waste, and drive continuous improvement in environmental management to align business growth with environmental sustainability.

6.5 CLIMATE CHANGE: PROACTIVE IDENTIFICATION AND MANAGEMENT OF RISKS

The Group continuously pays attention to the impact of climate change on its business. During the Year, the Group identified climate change-related risks based on the nature of the business, geographical location, industry development trends and relevant national laws and regulations, with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Moderate risks include acute risks under physical risks (e.g. super typhoons, storms, extreme rainfall, etc.), as well as market risks and policy and regulatory risks under transition risks. Low risks include chronic risks under physical risks (e.g. sea level rise, etc.). To address climate change risks, the Group will continue to track the latest national laws and regulations and integrate them into its operational strategies. In the future, the Group will consider developing contingency plans for extreme weather and explore pathways for the transition to sustainable products.

(1) Governance

The Board assumes the ultimate supervisory responsibility for climate-related risks and opportunities, and regularly listens to reports on climate management, carbon emission data and progress in emission reduction. The ESG Supervisory Committee coordinates climate risk management, data accounting and objective advancement, and gives reports to the Board. The management has incorporated climate issues into the daily EHS management, and implemented energy conservation, carbon reduction, compliance operation and risk screening measures.

(2) Strategy

The Group defines short term as 1 to 2 years, medium term as 3 to 5 years, and long term as more than 5 years, which are consistent with the strategic planning cycles. Climate risks and opportunities have certain impacts on R&D, office work, supply chain, and production operations. The Group will address these issues through energy-saving renovations, green electricity procurement, digital energy and carbon management, and supply chain collaboration.

(3) Risk Management

The Group has established a process for identifying, assessing, responding to and monitoring climate risks, and incorporating energy consumption, carbon emissions and environmental compliance into daily management. It regularly conducts risk screening and rectification, to maintain consistency with the Group's overall risk management system.

(4) Indicators and Objectives

The Group has completed the accounting and disclosure of Scope 1 and Scope 2 emissions in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) and the ISO14064–1. Emission source identification and margin determination are currently being conducted for Scope 3. It is planned to establish a data system by 2026 and gradually carry out statistical disclosure by 2027. The Group has not adopted internal carbon pricing. Climate-related factors have not yet been included in the salary policy. It will be gradually improved in accordance with regulatory requirements and management needs in the future. During the Year, climate-related capital expenditures for energy-saving renovations, environmentally friendly facilities, green operations, etc. have been incorporated into the daily fixed asset investment and operation management.

Climate objectives for 2026–2030:

- Reduce carbon emission intensity per unit of revenue;
- Continuously increase the proportion of green electricity use and optimize the energy consumption structure;
- Complete Scope 3 emission margin identification and data collection system in 2026.

Statement of Scope 3 GHG emissions:

The Group did not carry out quantization of Scope 3 GHG emissions for 2025. The main reason is that the Group mainly focused on the R&D, office work and light production of medical devices, the proportion of Scope 3 emissions was relatively low, and the data acquisition, accounting margins and statistical system for upstream and downstream suppliers were still under construction. The Group plans to complete the identification and margin determination of Scope 3 emission sources by 2026 and gradually complete the statistics and disclosure of Scope 3 data by 2027.

7. CONTRIBUTION TO SOCIETY

The Group is committed to giving back to society through medical technologies. We focus on five key areas: diabetes health science popularization, sports health protection, community health services, care for the elderly, and integration of traditional medicines and modern technologies. We deeply combine our professional advantages with social needs and promote the popularization of blood glucose management knowledge and popularization of health services through various forms such as public welfare actions, health support and community interactions, and practice corporate social responsibilities.

7.1 NATIONAL HEALTH SCIENCE POPULARIZATION FOR IMPROVING AWARENESS OF BLOOD GLUCOSE MANAGEMENT

Centering on the needs of public health, the Group has widely carried out the popularization of blood glucose health knowledge, broken down the barriers of professional medical information, and helped the public establish the concept of scientific blood glucose control.

- We went to communities and business areas to offer blood glucose consultations, equipment experiences, and expert lectures, spreading knowledge about diabetes prevention, monitoring, and intervention in plain language to improve public awareness of high blood glucose and prediabetes.

- In collaboration with authoritative health media and professional physicians, we launched both online and offline health science popularization activities, targeting people in different age groups such as teenagers, professionals, and the elderly, to spread personalized blood glucose management schemes and strengthen awareness of early intervention.

- Through scenarios such as popular markets and carnivals around the public, black technologies for dynamic blood glucose monitoring are exhibited, allowing the public to experience painless, continuous and real-time blood glucose monitoring methods up close and reducing their fear of blood glucose monitoring.

7.2 SAFEGUARDING SPORTS HEALTH, AND EMPOWERING MASS SPORTS EVENTS WITH TECHNOLOGIES

The Group comprehensively participated in many major domestic sports events, providing health guarantees for sports enthusiasts with professional blood glucose monitoring technologies and promoting the integration of scientific exercises and health management.

- As an official partner, we supported multiple events such as the Zhejiang Greater Bay Area Cycling Open (浙江大灣區自行車公開賽), the UCI Gran Fondo World Championship (UCI格蘭芬多世界自行車賽), and the Chengdu Marathon (成都馬拉松), providing free dynamic blood glucose meter try-on and blood glucose monitoring guidance for the participants.

- In response to problems of low blood glucose and energy fluctuations that are prone to occur during prolonged and high-intensity exercises, we provided real-time blood glucose data and early warning services to help athletes scientifically adjust their supplement strategies, prevent sports risks and improve competitive performance.

- We used dynamic blood glucose monitoring technologies in public sports scenarios, promoted the "exercise + blood glucose management" health model, and facilitated scientific bodybuilding for all.

7.3 INTEGRATING TRADITIONAL MEDICINES AND EXPANDING HEALTH SERVICE SCENARIOS

In collaboration with the century-old traditional Chinese medicine brand Fang Hui Chun Tang, we promoted the integration of modern medical technologies and traditional Chinese health preservation concepts, providing the public with more comprehensive health management options.

- The dynamic blood glucose meter products have been equipped in many stores of Fang Hui Chun Tang, and under the guidance of medical professionals, the consumers were provided with one-stop services such as blood glucose monitoring and health consultation.

- We jointly carried out health experience activities by public welfare, combined the concept of traditional Chinese medicine based conditioning with modern blood glucose monitoring technologies, widened the management methods for chronic diseases, and improved the coverage and professionalism of community health services.

7.4 CARING FOR SILVER AGE POPULATION AND USING TECHNOLOGIES TO SAFEGUARD THEIR HEALTH IN OLD AGE

In response to the pain points of blood glucose monitoring among the elderly, we provided innovative medical products and services to improve convenience and comfort for elderly diabetes management.

- The dynamic blood glucose meter has been successfully included in the national Promotion Catalogue of Smart Health and Elderly Care Products and Services (2024 Edition) (《智慧健康養老產品及服務推廣目錄(2024年版)》), and with advantages such as painless wearing, long-term monitoring, and remote data sharing, it helps the elderly avoid the pain from repeated finger pricking and improves monitoring compliance.

- We participated in public welfare activities such as the Elderly Health Promotion Conference, spreading blood glucose knowledge to the elderly on the spot and demonstrating equipment operation, to make technologies suitable for the elderly and give warmth, and help the elderly enjoy a high-quality and healthy life.

In the future, the Group will continue to focus on the diabetes management field, based on technologies and oriented by public welfare. We will constantly expand the margins of health services, and continue to penetrate deeply into areas such as health science popularization, sports protection, care for silver age population, and community services. We will give back to society in professional and warm ways, and make contributions to the health of all citizens and the sustainable development of communities.

APPENDIX I: SUSTAINABILITY DATA SUMMARY

The Group has not yet established standardized accounting methods and statistical criteria for carbon emission intensity, electricity consumption intensity, water consumption intensity, and non-hazardous waste recycling rates, therefore, the relevant data is not currently applicable. The main reasons are as follows:

1. The Group mainly focuses on the research and development of medical devices, office operations and light production, and there is no uniform, applicable unit of output that can serve as a benchmark for intensity calculations;

2. Given the Group's diverse business lines and wide range of product types, it is difficult to adopt a uniform production or operational unit for standardized intensity accounting;

3. The relevant statistical criteria and data systems are still under improvement.

The Group will further refine its environmental intensity indicator accounting system and provide full disclosure in accordance with requirements in the next year.

The following is a summary of the environmental-category sustainability data for the Year:

Environmental Category[1]	**Indicator**	**Unit**	**Quantitative Value in 2025**	Quantitative Value in 2024
Air emissions[2, 3]	Nitrogen oxides (NO_x)	kg	**194.03**	194.89
	Sulphur oxides (SO_x)	kg	**0.04**	0.05
	Particulate matter (PM)	kg	**19.21**	19.25
GHG emissions	Direct GHG emissions (Scope 1)	tCO_2e	**9.35**	8.93
	— Carbon dioxide (CO_2)	tonne	**8.91**	8.55
	— Methane (CH_4, CO_2e)	tCO_2e	**0.01**	0.01
	— Nitrous oxide (N_2O, CO_2e)	tCO_2e	**1.03**	0.97
	GHG emissions reduced by tree planting (Scope 1)	tCO_2e	**0.60**	0.60
	Indirect GHG emissions (Scope 2)	tCO_2e	**2,030.50**	1,726.65
	Total GHG emissions (Scope 1 & 2)	tCO_2e	**2,039.85**	1,734.98
	GHG emissions per capita (Scope 1 & 2)	tCO_2e/employee	**3.07**	3.20
	GHG emissions per square meter (Scope 1 & 2)	tCO_2e/m^2	**0.12**	0.10
	Identification status of Scope 3 GHG emissions	—	**Scope 3 GHG emissions have not been quantified, please refer to section 6.5 of the ESG Report for relevant explanations and plans**	—

Environmental Category[1]	Indicator	Unit	Quantitative Value in 2025	Quantitative Value in 2024
Energy consumption	Total electricity consumption	kWh	**5,480,070**	4,666,620
	Electricity consumption per capita	kWh/employee	**8,253.12**	8,610
	Electricity consumption per square meter	kWh/m^2	**320.00**	276.71
	Vehicle gasoline consumption	L	**1,079.57**	1,036
	Vehicle diesel consumption	L	**2,439.74**	2,341
Water resources consumption	Total water consumption	m^3	**23,346**	19,729
	Water consumption intensity per capita	m^3/employee	**35.16**	36.40
Waste	Hazardous waste	kg	**3,580**	1,930
	Hazardous waste generation per capita	kg/employee	**5.39**	3.56
	Total non-hazardous waste	kg	**5,870**	5,850
	Non-hazardous waste per capita	kg/employee	**8.84**	10.79
Paper consumption	Paper consumption	kg	**4,397.08**	5,932.50
	Paper consumption per capita	kg/employee	**6.62**	10.95
Packaging materials	Cardboard box	piece	**766,530**	215,300
	Plastics	kg	**315,000**	89,200
	Paper	kg	**219,300**	73,200

Notes:

1. The disclosure scope of environmental key performance indicators (KPIs) is the Hangzhou headquarters office.
2. Vehicle exhaust emissions of the Company.
3. We calculated the Group's air pollutant emissions with reference to "How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is a summary of the Group's social-category sustainability data for the Year:

Social Category[4]	Indicator	Unit	**Quantitative Value in 2025**	Quantitative Value in 2024
Number of employees[5]	Total number of employees	Person	**664**	678
By gender	Female	Person	**381**	396
	Male	Person	**283**	282
By employment category	Short-term contract/part-time employees	Person	**6**	6
	Full-time junior employees	Person	**606**	614
	Full-time middle management	Person	**47**	53
	Full-time senior management	Person	**5**	5
By age group	Below 30	Person	**255**	249
	30 to 50	Person	**398**	418
	Above 50	Person	**11**	11
By geographical region	Regions outside Hangzhou (China)	Person	**98**	124
	Hangzhou region	Person	**563**	552
	Other regions (including Hong Kong, Macau and Taiwan)	Person	**3**	2
Employee turnover rate[6, 7]	Total Employee turnover rate (production)	%	**4.46**	13.85
	Total Employee turnover rate (non-production)	%	**23.85**	24.58
By gender	Female	%	**14.54**	20.52
	Male	%	**15.95**	18.61
By age	Below 30	%	**14.87**	18.80
	30 to 50	%	**13.54**	19.67
	Above 50	%	**2.78**	1.02
By geographical region	Regions outside Hangzhou	%	**20.97**	8.13
	Hangzhou region	%	**0**	28.48
	Other regions	%	**0.00**	0.00
Occupational health and safety	Number of work-related fatalities	Person	**0**	0
	Lost days due to work injury	day	**0**	0
Development and training[9/10]	Percentage of employees trained by gender — Female	%	**57.38**	58.41
	Percentage of employees trained by gender — Male	%	**42.62**	41.59
Percentage of employees trained by employee category	Short-term contract/part-time employees	%	**0.90**	0.88
	Full-time junior employees	%	**91.27**	90.56
	Full-time middle management	%	**7.08**	7.82
	Full-time senior management	%	**0.75**	0.74

Social Category[4]	Indicator	Unit	Quantitative Value in 2025	Quantitative Value in 2024
Average training hours of employees trained by gender	Female	hour	**16.25**	6.83
	Male	hour	**7.91**	4.75
Average training hours of employees trained by employment category	Average training hours per short-term contract/part-time employee	hour	**5.37**	4.00
	Average training hours per full-time junior employee	hour	**12.64**	6.24
	Average training hours per full-time middle level employee	hour	**19.48**	7.52
	Average training hours per full-time senior employee	hour	**4.78**	4.67

Notes:

4. The disclosure scope of social key performance indicators (KPIs) is the entire Group.

5. This is the number of employees as of December 31 for the Year.

6. Employee turnover rate = number of employees lost ÷ (number of employees lost + number of employees at the end of the year) × 100%

7. Excluding outsourced workers and interns

8. The Hangzhou region recorded a net increase in the number of employees at the end of 2025 compared to that at the end of 2024. Based on the Group's methodology for calculating employee turnover rate (number of employees lost = number of employees at the end of 2024 — number of employees at the end of 2025), the net loss of employees for this region in 2025 was 0; therefore, the employee turnover rate was calculated as 0.00% in accordance with regulations.

9. Percentage of employees trained in the relevant category = number of employees trained in such category ÷ employees trained × 100%

10. Average training hours of employees in the relevant category = total training hours of employees in such category ÷ total number of employees in such category

The Group has complied with all environment, labour, product responsibility, anti-corruption, and community-related laws and regulations that have a material impact on business. In 2025, there were no material violations, administrative penalties, or related litigation cases. The ESG Report is prepared in accordance with the four reporting principles of materiality, quantitative, balance and consistency, and the disclosures are truthful, objective, and complete.

REPORT OF DIRECTORS

PRINCIPAL ACTIVITIES

Founded in 2011, the Group has been focused on diabetes management, providing both diabetes treatment and diabetes monitoring medical devices to improve the diabetes management in China and globally. The Group operates in a large and fast-growing diabetes monitoring, treatment and management market in China and globally with significant unmet clinical needs.

The H shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on October 19, 2021.

There were no significant changes in the nature of the Group's principal activities during the Reporting Period. Please refer to note VII to the Consolidated Financial Statements on page 222 of this report for details of the principal activities of the principal subsidiaries of the Group.

RESULTS

The results of the Group for the year ended December 31, 2025 are set out in the Consolidated Financial Statements of the Group on pages 118 to 250 of this report.

FINAL DIVIDEND

No dividend has been declared and paid by the Company for the year ended December 31, 2025 (2024: Nil).

SHARE CAPITAL

Details of the issued shares of the Company for the year ended December 31, 2025 are set out in note V (I) 30 to the Consolidated Financial Statements.

CAPITAL RESERVE

Details of the movements in the capital reserve of the Company for the year ended December 31, 2025 are set out in the note V (I) 31 on page 203 of this report.

RETAINED EARNINGS

Details of the Company's retained earnings as at December 31, 2025 are set out in note V (I) 34 to the Consolidated Financial Statements.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2025, the Group had short-term borrowings of RMB63.95 million.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the previous financial years since the year ended December 31, 2021, as extracted from the published audited financial information and financial statements, is set out on page 5 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group for the year ended December 31, 2025 are set out in note V (I) 9 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on June 10, 2026. The notice of the forthcoming AGM will be published and dispatched in due course in the manner as required by the Listing Rules upon Shareholders' request.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from June 4, 2026 to June 10, 2026, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM meeting, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on June 3, 2026.

BUSINESS REVIEW

Overview and Performance of the Year

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the year ended December 31, 2025 is set out in the paragraph headed "Events After the End of the Reporting Period" in this report.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, medical experts, patients, customers, suppliers and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the "Environmental, Social and Governance Report" of the Company on pages 48 to 85 of this report.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Code contained in Appendix C2 of the Listing Rules, the "Environmental, Social and Governance Report" of the Company is set out on pages 48 to 85 and forms a part of this annual report.

Compliance with Relevant Laws and Regulations

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Reporting Period and up to the Latest Practicable Date, the Group has complied with the laws, regulations and regulatory requirements of the places where the Group operates and those that have a significant impact on the Group in all material respects, including the requirements under the Hong Kong Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the Latest Practicable Date, neither the Group nor any of the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations. Save as disclosed in this report, the Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2025.

Key Risks and Uncertainties

There are certain risks involved in our operations, many of which are beyond our control. Some of the major risks we face include:

- The diabetic market is well established with a variety of treatment options. Failure to achieve broad market acceptance or maintain good reputation necessary for our products and any future products would have a material adverse impact on the Group's results of operations and profitability. The degree of market acceptance of our products and product candidates, if approved for commercial sale, will depend on a number of factors. If any products that we commercialize fail to achieve market acceptance among physicians, patients, hospitals, or others in the industry or if we fail to maintain good relationships with them, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete. The successful promotion of our brand will depend largely on our ability to continue to offer high-quality products and our R&D efforts. However, there is no assurance that our brand promotion activities and R&D efforts may be successful or contribute to our growth. In addition, even if these activities increase revenue, the revenue may not be enough to offset the increased expenses we incur.

- The Group operates in a very competitive industry and if it fails to compete successfully against its existing or potential competitors, many of whom, such as Medtronic and Dexcom, have greater resources than the Group has, which may result in others discovering, developing or commercializing competing products before or more successfully than the Group does, and the sales and operating results of the Group may be negatively affected. Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer severe adverse events, are more convenient or are less expensive than any products that we commercialize or may develop. Many of the companies against which we are competing have significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Our business and results of operations will suffer if we fail to compete effectively. In addition, certain development efforts throughout the diabetes industry, including that of the governmental authorities and other supporters of diabetes research are continually seeking ways to prevent, cure or improve treatment and management of diabetes. Therefore, our products and product candidates may be rendered obsolete by technological breakthroughs in diabetes monitoring, treatment, prevention and cure.

- The Company may incur net losses for the foreseeable future, and shareholders may lose substantially all their investments in the Company given the high risks involved in the medical device business. Investment in medical device development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. In addition, we incurred costs associated with being a public company in Hong Kong after the global offering. If any of our product candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

- The revenue growth of the Group was mainly driven by the sales growth of CGMS and Equil. Failure to achieve the anticipated sales growth of CGMS and Equil may have a material adverse impact on the Group's business and results of operations. We cannot assure you that demand for CGMS and Equil will continue to grow as anticipated. There is also no assurance that we will be able to maintain our sales and profit margin for CGMS and Equil, which may be adversely affected by many factors outside of our control. If we are unable to maintain the sales growth of CGMS and Equil, our business, financial condition and results of operations may be materially and adversely affected. Moreover, there is no guarantee that we may be able to develop or acquire new products that would diversify our product portfolio and reduce our dependence on CGMS and Equil, or to do so in a timely or competitive manner.

- The Group's future growth depends substantially on the success of its product candidates. If the Group is unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed and we may not be able to generate sufficient revenues and cash flows to continue our operations.

- If the Group encounters difficulties enrolling patients in our clinical trials, the Group's clinical development activities could be delayed or otherwise adversely affected. Our clinical trials will likely compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

- Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

- All material aspects of the research, development and commercialization of our products are heavily regulated. If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

- Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

- We have relatively limited experience in marketing and sales of our products and the commercialization of new products may require additional resources.

- If we fail to manage our distributors effectively, or fail to maintain, expand and optimize an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. Although our management has proven track record of medical device manufacturing and commercialization, we have limited experience in manufacturing medical device products, which is a highly exacting and complex process. Our business could be materially and adversely affected if we encounter problems in the manufacturing process of our future medical devices. The Group has introduced risk management and internal control systems to manage and mitigate the risks underlying our business. For more details about our risk management and internal control systems, please refer to the section headed "RISK MANAGEMENT AND INTERNAL CONTROLS".

PROSPECTS

A description of the future development in the Company's future business is provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this report.

USE OF PROCEEDS FROM THE LISTING OF SHARES OF THE COMPANY

The shares of the Company were listed on the Main Board of the Stock Exchange on October 19, 2021 and the over-allotment options were partially exercised on November 10, 2021. The Company obtained net proceeds of HK$1,875.53 million (equivalent to RMB1,533.49 million) in total after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and the partial exercise of the over-allotment option.

As disclosed in the announcement of the Company dated November 17, 2025 (the "**Announcement**"), the Company intended to use the net proceeds from the Global Offering for the following purposes:

(i) Approximately RMB309.57 million are intended to be used to fund our Core Product;

(ii) Approximately RMB602.05 million are intended to be used to fund our CGMS products;

(iii) Approximately RMB168.68 million are intended to be used for the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our second-generation patch insulin pump system;

(iv) Approximately RMB159.30 million are intended to be used for the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our other products and product candidates;

(v) Approximately RMB76.67 million are intended to be used to fund the establishment of our cloud-based diabetes management platform; and

(vi) Approximately RMB217.22 million are intended for working capital and other general corporate purposes.

For further details on the purposes of use of proceeds from the Global Offering, please refer to the Announcement.

The Group had utilized an aggregate of approximately RMB847.71 million of the net proceeds as at December 31, 2025 according to the intentions set out in the Prospectus and the Announcement.

The unutilized net proceeds in the amount of RMB685.78 million are expected to be utilized as set out on the Announcement. The following table sets out the planned applications of the net proceeds as well as the expected timeline for utilization:

Use of Proceeds	Revised Allocation of the Net Proceeds from the Global Offering[1] *RMB million*	Utilized during the year ended December 31, 2025 *RMB million*	Utilized as at December 31, 2025 *RMB million*	Unutilized amount as at December 31, 2025 *RMB million*	Updated timeline for utilization[1][2]
To fund our Core Product	309.57	62.61	232.76	76.81	Expected to be fully utilized by December 31, 2027
– To fund ongoing and planned clinical trials of our Core Product for its further development, including but not limited to clinical trials for our Core Product's indication expansion, to prepare for and carry out registration of our Core Product in major markets worldwide	26.25	0.80	21.63	4.62	Expected to be fully utilized by December 31, 2027
– To enhance our commercialization capabilities for our Core Product through expanding our global footprint by recruiting high-caliber sales staff with extensive local experience and establishing long-term cooperation with leading distribution partners, and organizing and participating in academic conferences and activities, among other efforts	168.68	29.01	122.61	46.07	Expected to be fully utilized by December 31, 2027
– To fund the expansion of our manufacturing capacity of our Core Product, by upgrading our existing production lines, recruiting personnel and purchasing new machinery	114.64	32.80	88.52	26.12	Expected to be fully utilized by December 31, 2027
For our CGMS	602.05	65.92	317.06	284.99	Expected to be fully utilized by December 31, 2027
– To fund the pre-clinical studies, including but not limited to develop the second generation of our CGMS product, AiDEX X	89.40	5.17	64.23	25.17	Expected to be fully utilized by December 31, 2027

Use of Proceeds	Revised Allocation of the Net Proceeds from the Global Offering[1] *RMB million*	Utilized during the year ended December 31, 2025 *RMB million*	Utilized as at December 31, 2025 *RMB million*	Unutilized amount as at December 31, 2025 *RMB million*	Updated timeline for utilization[1][2]
– to fund clinical trials of our AiDEX G7	18.93	0.11	18.93	–	/
– to fund the expansion of our manufacturing capacity of our CGMS	236.38	50.24	116.16	120.22	Expected to be fully utilized by December 31, 2027
– to enhance our commercialization capabilities for our CGMS	257.34	10.40	117.74	139.60	Expected to be fully utilized by December 31, 2027
For the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our second-generation patch insulin pump system	168.68	5.68	69.43	99.25	Expected to be fully utilized by December 31, 2027
For the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our other products and product candidates	159.30	9.37	23.01	136.29	Expected to be fully utilized by December 31, 2027
To fund the establishment of our cloud-based diabetes management platform	76.67	3.13	53.42	23.25	Expected to be fully utilized by December 31, 2027
For working capital and other general corporate purposes	217.22	1.12	152.03	65.19	Expected to be fully utilized by December 31, 2027
Total	1,533.49	147.83	847.71	685.78	

Notes:

(1) The update on the allocation of the net proceeds from the Global Offering and the expected timeline for the use of proceeds as per announcement dated November 17, 2025.

(2) The updated expected timeline for utilizing the remaining net proceeds is made based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business development and need, and is therefore subject to change.

REPORT OF DIRECTORS

EVENTS AFTER THE END OF THE REPORTING PERIOD

For details of the events after the end of the Reporting Period, please refer to the section headed "Management Discussion and Analysis — Events After the Reporting Period" of this report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors

Dr. Zheng Pan *(Chairman and Chief Executive Officer)*
Dr. Yu Fei
Dr. Shi Yonghui
Ms. Liu Xiu

Non-executive Directors

Mr. Mao Shuo
Ms. Gao Yun

Independent Non-executive Directors

Dr. Li Lihua
Ms. Wang Chunfeng
Mr. Ho Kin Cheong Kelvin
Dr. Cheng Hua

Supervisors

Mr. Li Zhenhua
Mr. Lyu Cheng
Mr. Zhao Zhiheng

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and the senior management of the Group as at the date of this report are set out on pages 20 to 28 in the section headed "Directors, Supervisors and Senior Management" of this report.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Save as disclosed in this report, there are no other changes to the Directors', Supervisors' and chief executives' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS OR APPOINTMENT LETTERS

For details in relation to Directors' and Supervisors' service contracts or appointment letters, please refer to the paragraph headed "Appointment and Re-election of Directors" under the Corporate Governance Report as set out on page 31 of this report.

The Company has not entered, and do not propose to enter, into any service contracts or appointment letters with any of the Directors or Supervisors in their respective capacities as Directors or Supervisors which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Dr. Li Lihua, Ms. Wang Chunfeng, Mr. Ho Kin Cheong Kelvin and Dr. Cheng Hua, the confirmation of their respective independence. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointments to December 31, 2025 and remain so as of the Latest Practicable Date.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2025, interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the SFO, or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Supervisor	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Dr. Zheng Pan	Beneficial owner	H Shares	30,115,356(L)[2]	17.80%	7.15%
	Interests in controlled corporation	H Shares	8,585,363(L)[2]	5.07%	2.04%
	Beneficial owner	Domestic Shares	58,855,338(L)[2]	27.74%	13.98%
	Interests in controlled corporation	Domestic Shares	12,623,442(L)[2]	5.95%	3.00%
Dr. Shi Yonghui	Beneficial owner	H Shares	789,400(L)[2]	0.47%	0.19%
	Beneficial owner	Domestic Shares	2,123,320(L)[2]	1.00%	0.50%
Ms. Liu Xiu	Beneficial owner	H Shares	186,000(L)[2]	0.11%	0.04%
	Beneficial owner	Domestic Shares	642,885(L)[2]	0.30%	0.15%
Dr. Yu Fei	Beneficial owner	H Shares	211,000(L)[2]	0.12%	0.05%
	Beneficial owner	Domestic Shares	2,269,008(L)[2]	1.07%	0.54%
Mr. Li Zhenhua	Beneficial owner	H Shares	80,500(L)[2]	0.05%	0.02%
	Beneficial owner	Domestic Shares	256,259(L)[2]	0.12%	0.06%
Mr. Zhao Zhiheng	Beneficial owner	H Shares	46,500(L)[2]	0.03%	0.01%
	Beneficial owner	Domestic Shares	131,267(L)[2]	0.06%	0.03%

Notes:

(1) As at December 31, 2025, the Company had 421,078,000 issued shares in total, comprising 169,175,842 H Shares, 212,162,222 Domestic Shares and 39,739,936 Unlisted Foreign Shares.

(2) "L" means holding a long position in Shares.

Save as disclosed above, so far as the Directors are aware, as at December 31, 2025, none of the Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Company and the Directors, the following are the persons, other than the Directors, Supervisors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at December 31, 2025.

Name of substantial shareholder	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Chen Fei [3]	Interests in controlled corporation	Domestic Shares	24,776,804(L)[2]	11.68%	5.88%
Shanghai Liyao Investment Management Co., Ltd (上海禮曜投資管理有限公司) ("**Shanghai Liyao**") [3]	Interests in controlled corporation	Domestic Shares	24,776,804(L)[2]	11.68%	5.88%
Hu Xubo [4]	Interests in controlled corporation	Domestic Shares	11,011,913(L)[2]	5.19%	2.62%
Yu Jia [4]	Interests in controlled corporation	Domestic Shares	11,011,913(L)[2]	5.19%	2.62%
Shanghai Qichang Investment Consulting Co., Ltd. (上海啟昌投資諮詢有限公司) ("**Shanghai Qichang**") [4]	Interests in controlled corporation	Domestic Shares	11,011,913(L)[2]	5.19%	2.62%
Suzhou Qicheng Investment Management Partnership (Limited Partnership) (蘇州啟承投資管理合夥企業(有限合夥)) ("**Suzhou Qicheng**") [4]	Interests in controlled corporation	Domestic Shares	11,011,913(L)[2]	5.19%	2.62%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Suzhou Qiming Ronghe Venture Capital Partnership (Limited Partnership) (蘇州啟明融合創業投資合夥企業(有限合夥)) ("**Suzhou Qiming**") [4]	Beneficial owner	Domestic Shares	11,011,913(L)[2]	5.19%	2.62%
Zhu Yong [5]	Interests in controlled corporation	Domestic Shares	15,678,051(L)[2]	7.39%	3.72%
Jiangsu Lize Investment Management Co., Ltd. (江蘇醴澤投資管理有限公司) ("**Jiangsu Lize**") [5]	Interests in controlled corporation	Domestic Shares	15,678,051(L)[2]	7.39%	3.72%
Jiangsu Jiequan Lize Health Industry Venture Capital Fund (Limited Partnership) (江蘇聿泉醴澤健康產業創業投資基金(有限合夥)) ("**Jiangsu Jiequan**") [5]	Beneficial owner	Domestic Shares	15,678,051(L)[2]	7.39%	3.72%
Zhejiang Jiuren Capital Management Co., Ltd. (浙江九仁資本管理有限公司) ("**Zhejiang Jiuren**") [6]	Interests in controlled corporation	Domestic Shares	14,700,067(L)[2]	6.93%	3.49%
Shanghai Li Yi Investment Management Partnership (Limited Partnership) (上海禮頤投資管理合夥企業(有限合夥)) ("**Shanghai Li Yi**") [3]	Interests in controlled corporation	Domestic Shares	11,983,877(L)[2]	5.65%	2.85%
Shanghai Li'an Venture Capital Investment Center (Limited Partnership) (上海禮安創業投資中心(有限合夥)) ("**Shanghai Li'an**") [3]	Beneficial owner	Domestic Shares	11,983,877(L)[2]	5.65%	2.85%
LAV Asset Management (Hong Kong) Limited [7]	Investment manager	H Shares	12,464,540(L)[2]	7.37%	2.96%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Shi Yi [7][14]	Interests in controlled corporation	H Shares	12,464,540(L)[2]	7.37%	2.96%
	Interests in controlled corporation	Unlisted Foreign Shares	20,091,680(L)[2]	50.56%	4.77%
Qiming Corporate GP V, Ltd. [8]	Interests in controlled corporation	H Shares	11,925,181(L)[2]	7.05%	2.83%
	Interests in controlled corporation	Unlisted Foreign Shares	15,190,018(L)[2]	38.22%	3.61%
Qiming GP V, L.P. [8]	Interests in controlled corporation	H Shares	11,925,181(L)[2]	7.05%	2.83%
	Interests in controlled corporation	Unlisted Foreign Shares	15,190,018(L)[2]	38.22%	3.61%
Qiming Venture Partners V, L.P. [8]	Interests in controlled corporation	H Shares	11,925,181(L)[2]	7.05%	2.83%
	Interests in controlled corporation	Unlisted Foreign Shares	15,190,018(L)[2]	38.22%	3.61%
QM32 Limited [8]	Beneficial owner	H Shares	11,925,181(L)[2]	7.05%	2.83%
	Beneficial owner	Unlisted Foreign Shares	15,190,018(L)[2]	38.22%	3.61%
LAV Corporate GP, Ltd. [7]	Interests in controlled corporation	Unlisted Foreign Shares	17,091,680(L)[2]	43.01%	4.06%
LAV Evergreen (Hong Kong) Co., Limited [7]	Beneficial owner	Unlisted Foreign Shares	17,091,680(L)[2]	43.01%	4.06%
Lilly Asia Ventures Fund GP, L.P. [7]	Interests in controlled corporation	Unlisted Foreign Shares	17,091,680(L)[2]	43.01%	4.06%
Lilly Asia Ventures Fund II, L.P. [7]	Interests in controlled corporation	Unlisted Foreign Shares	17,091,680(L)[2]	43.01%	4.06%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Qiming GP VII, LLC [9]	Interests in controlled corporation	Unlisted Foreign Shares	4,458,238(L)[2]	11.22%	1.06%
Qiming Venture Partners VII, L.P. [9]	Interests in controlled corporation	Unlisted Foreign Shares	4,458,238(L)[2]	11.22%	1.06%
QM153 Limited [9]	Beneficial owner	Unlisted Foreign Shares	4,458,238(L)[2]	11.22%	1.06%
CDBI Partners Fund I, L.P. [10]	Interests in controlled corporation	Unlisted Foreign Shares	6,958,131(L)[2]	17.51%	1.65%
CDBI Partners GP, Ltd [10]	Interests in controlled corporation	Unlisted Foreign Shares	6,958,131(L)[2]	17.51%	1.65%
Master Summer Limited [10]	Interests in controlled corporation	Unlisted Foreign Shares	6,958,131(L)[2]	17.51%	1.65%
Power SUM Limited [10]	Beneficial owner	Unlisted Foreign Shares	6,958,131(L)[2]	17.51%	1.65%
OrbiMed Asia Partners V, L.P. [11]	Beneficial owner	H Shares	24,260,100 (L)[2]	14.34%	5.76%
OrbiMed Asia GP V, L.P. [11]	Interests in controlled corporation	H Shares	24,260,100 (L)[2]	14.34%	5.76%
OrbiMed Advisors V Limited [11]	Interests in controlled corporation	H Shares	24,260,100 (L)[2]	14.34%	5.76%
LAV Evergreen (Hong Kong) Co., Limited [12]	Beneficial owner	H Shares	8,545,840(L)[2]	5.05%	2.03%
Lilly Asia Ventures Fund II, L.P. [12]	Interests in controlled corporation	H Shares	8,545,840(L)[2]	5.05%	2.03%
Lilly Asia Ventures Fund GP, L.P. [12]	Interests in controlled corporation	H Shares	8,545,840(L)[2]	5.05%	2.03%
LAV Corporate GP, Ltd. [12]	Interests in controlled corporation	H Shares	8,545,840(L)[2]	5.05%	2.03%
LAV Corporate VI GP Opportunities, Ltd. [13]	Interests in controlled corporation	Unlisted Foreign Shares	3,000,000(L)[2]	7.55%	0.71%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
LAV GP VI Opportunities, L.P. [13]	Interests in controlled corporation	Unlisted Foreign Shares	3,000,000(L)[2]	7.55%	0.71%
LAV Fund VI Opportunities, L.P. [13]	Interests in controlled corporation	Unlisted Foreign Shares	3,000,000(L)[2]	7.55%	0.71%
LAV Kecheng Hong Kong Limited [13]	Beneficial owner	Unlisted Foreign Shares	3,000,000(L)[2]	7.55%	0.71%

Notes:

(1) As at December 31, 2025, the Company had 421,078,000 issued shares in total, comprising 169,175,842 H Shares, 212,162,222 Domestic Shares and 39,739,936 Unlisted Foreign Shares.

(2) "L" means holding a long position in Shares.

(3) Shanghai Li'an and Suzhou Likang Equity Investment Center (Limited Partnership) (蘇州禮康股權投資中心(有限合夥)) ("**Suzhou Likang**") are managed by Shanghai Li Yi and Shanghai Liyi Investment Management Co., Ltd (上海禮貽投資管理合夥企業(有限合夥)) ("**Shanghai Liyi**"), respectively. Suzhou Lirun Equity Investment Center (Limited Partnership) (蘇州禮潤股權投資中心(有限合夥)) ("**Suzhou Lirun**") is managed by Shanghai Likun Enterprise Management Partnership (Limited Partnership) (上海禮堃企業管理合夥企業(有限合夥)) ("**Shanghai Likun**"). Shanghai Li Yi, Shanghai Liyi and Shanghai Likun are in turn managed by Shanghai Liyao, which is wholly-owned by Mr. Chen Fei. Therefore, Mr. Chen Fei and Shanghai Liyao are deemed to be interested in the Domestic Shares held by Shanghai Li'an, Suzhou Likang and Suzhou Lirun under the SFO.

(4) Suzhou Qiming is managed by Suzhou Qicheng, which is in turn managed by Shanghai Qichang, a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Therefore, Suzhou Qicheng, Shanghai Qichang, Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in the Domestic Shares held by Suzhou Qiming under the SFO.

(5) Jiangsu Jiequan is managed by Jiangsu Lize, a company wholly-owned by Mr. Zhu Yong. Therefore, Jiangsu Lize and Mr. Zhu Yong are deemed to be interested in the Domestic Shares held by Jiangsu Jiequan under the SFO.

(6) Hangzhou Jiuyao Equity Investment Partnership (Limited Partnership) (杭州九珧股權投資合夥企業(有限合夥)) ("**Hangzhou Jiuyao**"), Hangzhou Jiufu Equity Investment Partnership (Limited Partnership) (杭州九賦股權投資合夥企業(有限合夥)) ("**Hangzhou Jiufu**"), Hangzhou Yunbo Investment Partnership (Limited Partnership) (杭州雲帛投資合夥企業(有限合夥)) ("**Hangzhou Yunbo**") and Hangzhou Jiuge Equity Investment Partnership (Limited Partnership) (杭州九歌股權投資合夥企業(有限合夥)) ("**Hangzhou Jiuge**") are all managed by Zhejiang Jiuren. Therefore, Zhejiang Jiuren is deemed to be interested in the Domestic Shares held by Hangzhou Jiuyao, Hangzhou Jiufu, Hangzhou Yunbo and Hangzhou Jiuge under the SFO.

(7) LAV Evergreen (Hong Kong) Co., Limited is wholly-owned by Lilly Asia Ventures Fund II, L.P., which is managed by Lilly Asia Ventures Fund GP, L.P., which in turn is managed by LAV Corporate GP, Ltd., a company wholly-owned by Mr. Shi Yi. Therefore, under the SFO, Mr. Shi Yi is deemed to be interested in the H Shares held by LAV Evergreen (Hong Kong) Co., Limited. LAV Star Limited, being a cornerstone investor of the Company, is wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited, being a cornerstone investor of the Company, is wholly-owned by LAV Fund VI Opportunities, L.P. (together with LAV Fund VI, L.P., collectively, the "**LAV Fund VI**"), each is ultimately controlled by Mr. Shi Yi. Therefore, (i) Lilly Asia Ventures Fund II, L.P., Lilly Asia Ventures Fund GP, L.P., LAV Corporate GP, Ltd. and Mr. Shi Yi are deemed to be interested in the Unlisted Foreign Shares held by LAV Evergreen (Hong Kong) Co., Limited under the SFO; (ii) Mr. Shi Yi is deemed to be interested in the H Shares held by LAV Star Limited, LAV Star Opportunities Limited and LAV Evergreen (Hong Kong) Co., Limited under the SFO. LAV Asset Management (Hong Kong) Limited is the investment manager of those fund mentioned-above.

(8) QM32 Limited is held as to 96.99% by Qiming Venture Partners V, L.P., which is managed by Qiming GP V, L.P., which is in turn managed by Qiming Corporate GP V, Ltd. Therefore, Qiming Venture Partners V, L.P., Qiming GP V, L.P. and Qiming Corporate GP V, Ltd. are deemed to be interested in the H Shares and Unlisted Foreign Shares held by QM32 Limited under the SFO.

(9) QM153 Limited is held as to 99.09% by Qiming Venture Partners VII, L.P., whose sole general partner is Qiming GP VII, LLC. Therefore, Qiming Venture Partners VII, L.P. and Qiming GP VII, LLC are deemed to be interested in the Unlisted Foreign Shares held by QM153 Limited under the SFO.

(10) Power SUM Limited is wholly-owned by Master Summer Limited, which is in turn owned as to 90.52% by CDBI Partners Fund I, L.P., an entity controlled by CDBI Partners GP, Ltd. Therefore, Master Summer Limited, CDBI Partners Fund I, L.P. and CDBI Partners GP, Ltd are deemed to be interested in the Unlisted Foreign Shares held by Power SUM Limited under the SFO.

(11) OrbiMed Asia Partners V, L.P. is wholly owned by OrbiMed Asia GP V, L.P., which in turn is wholly owned by OrbiMed Advisors V Limited. Therefore, OrbiMed Asia GP V, L.P. and OrbiMed Advisors V Limited are deemed to be interested in the H Shares held by OrbiMed Asia Partners V, L.P. under the SFO.

(12) LAV Evergreen (Hong Kong) Co., Limited is wholly owned by Lilly Asia Ventures Fund II, L.P., which is wholly owned by Lilly Asia Ventures Fund GP, L.P., which is in turn wholly owned by LAV Corporate GP, Ltd. Therefore, Lilly Asia Ventures Fund II, L.P., Lilly Asia Ventures Fund GP, L.P., and LAV Corporate GP, Ltd are deemed to be interested in the H Shares held by LAV Evergreen (Hong Kong) Co., Limited under the SFO.

(13) LAV Kecheng Hong Kong Limited is wholly-owned by LAV Fund VI Opportunities, L.P., which is wholly-owned by LAV GP VI Opportunities, L.P., which is in turn wholly-owned by LAV Corporate VI GP Opportunities, Ltd., a company wholly-owned by Mr. Shi Yi. Therefore, LAV Fund VI Opportunities, L.P., LAV GP VI Opportunities, L.P., LAV Corporate VI GP Opportunities, Ltd. and Mr. Shi Yi are deemed to be interested in the Unlisted Foreign Shares held by LAV Kecheng Hong Kong Limited under the SFO.

Save as disclosed above, as at December 31, 2025, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "SHARE INCENTIVE SCHEMES", during the Reporting Period, the Company has not entered into any equity-linked agreement, and no such agreement subsisted at the end of the Reporting Period.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS', SUPERVISORS' AND SINGLE LARGEST GROUP OF SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period and as at the date of this report, none of the Directors, Supervisors and the Single Largest Group of Shareholders or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director, Supervisor or a member of the Single Latest Group of Shareholders of the Company and/or its subsidiaries.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note XI to the Consolidated Financial Statements contained herein. For the year ended December 31, 2025, none of the related party transactions as disclosed in note XI to the Consolidated Financial Statements constitute any connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. For the year ended December 31, 2025, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

DIRECTORS', SUPERVISORS' AND SINGLE LARGEST GROUP OF SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director/Supervisor/the Single Largest Group of Shareholders or an entity connected therewith was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period or as at December 31, 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to Latest Practicable Date between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

PERMITTED INDEMNITY PROVISION

The Company did not have any arrangement with a term providing for indemnity against liability incurred by the Directors or the Supervisors of the Group during their tenure. The Company has maintained appropriate liability insurance policies for its Directors, Supervisors and senior management against legal actions arising from corporate activities during the Reporting Period and up to the Latest Practicable Date.

INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

Individual Investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), the dividends and bonuses received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid on behalf of the shareholders by the withholding and payment agents. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration management, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonuses, generally withhold and pay individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding and payment agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon review and approval by the tax authorities, the excess tax amounts withheld and paid will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding and payment agents will withhold and pay the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding and payment agents will withhold and pay the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》(國税函[2006]884號)) signed on 21 August 2006, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable, if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

Enterprises

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得税法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the enterprise income tax at the rate of 10% of its income from the Chinese territory. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

According to the Notice on the Withholding and Payment of Enterprise Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H Share non-resident enterprise shareholders, they shall withhold and pay on behalf of the shareholders the enterprise income tax. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

Pursuant to the provisions in the Notice on Tax Policies Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses obtained by mainland individual investors from investing in H Shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall withhold individual income tax at the tax rate of 20%. For the dividends and bonuses obtained by mainland securities investment funds from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends and bonuses obtained by mainland enterprise investors from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H Share companies shall not withhold any income taxes on the dividends and bonuses, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be paid for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax reduction and exemption pursuant to the above provisions. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

EMOLUMENT POLICY AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at December 31, 2025, we had 664 employees. Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in the PRC. For the year ended December 31, 2025, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees. To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We require all of our employees, especially those who involved in sales and marketing and business development activities, to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks. We closely monitor our employee's compliance with anti-bribery and anti-corruption policies.

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. The Group has a comprehensive performance assessment policy in determining the amount of bonuses for each Director or Supervisor. The bonuses were calculated with reference to the relevant Director's or Supervisor's performance during the year, including but not limited to their achievement, values and etc. Therefore, the bonuses received by the Directors and Supervisors were neither discretionary nor based on the Company's, the Group's nor any member of the Group's performance which would necessitate a separate disclosure of bonuses paid to or received by Directors and Supervisors under Paragraph 24 of Appendix D2 to the Listing Rules. We determine the compensation of our Directors and Supervisors based on each the responsibilities, qualification, position and seniority of each Director and Supervisor. Details of the remuneration of Directors and Supervisors during the Reporting Period are set out in note XI (II) 3 to the Consolidated Financial Statements.

For the Reporting Period, no emoluments were paid by the Group to any Director, Supervisor or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived or agreed to waive any emoluments for the year ended December 31, 2025. Save as disclosed in this annual report, no loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities subsisted at the end of or at any time during the Reporting Period. No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Reporting Period. No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Save as disclosed above, during the year ended December 31, 2025, the Group had no payments or payables with the Directors.

Retirement Benefits Scheme

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

SHARE INCENTIVE SCHEMES

The 2022 H Share Award and Trust Scheme

As approved by the Shareholders at the annual general meeting of the Company on June 22, 2022, the Company adopted the 2022 H Share Award and Trust Scheme (the "**H Share Scheme**"). As of the Latest Practicable Date, 938,500 award has been granted under the H Share Scheme. Hence, the total number of Awarded Shares available for grant under the 2022 H Share Scheme is 7,571,500 and 7,571,500 H Shares as at January 1, 2025 and December 31, 2025, respectively, representing approximately 1.80% and approximately 1.80% of the issued share capital of the Company as at the date of this report. As at the date of this report, the total number of Awarded Shares available for grant under the 2022 H Share Scheme is 7,571,500 H Shares, representing approximately 1.80% of the issued share capital of the Company (excluding treasury shares) on the even date. Major terms of the H Share Scheme are set out below:

(a) Purpose and Objectives of the H Share Scheme

The H Share Scheme is a share award of H Shares and trust scheme established by the Company to award selected employees and the objectives of the H Share Scheme are:

(i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;

(ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and

(iii) to (a) recognize the contributions of the leadership of the Company including the Directors; (b) attract, encourage, motivate and retain the key personnel of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for long standing employee by aligning the interests of such personnel of the Company to those of the Shareholders and the Group as a whole.

(b) Eligible participant of the H Share Scheme

Eligible participant who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director, supervisor, senior management, key operating team member, employee, or, a consultant of the Group.

(c) H Share Scheme Limit

Subject to the rules of the H Share Scheme, the H Share Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee from time to time, and in any case being not more than 8,510,000 H Shares. The Company shall not make any further grant of Awards which will result in the aggregate number of H Shares underlying all grants made pursuant to the H Share Scheme (excluding Awarded Shares that have been forfeited in accordance with the H Share Scheme) to exceed the H Share Scheme Limit without approval of the general meeting of the Shareholders.

As all Awarded Shares awarded under the 2022 H Share Award and Trust Scheme are existing Shares, no new Shares will be issued for satisfying the such grants.

Save as required above, the maximum number of non-vested awarded Shares granted to a selected employee under the H Share Scheme shall not exceed one per cent of the issued share capital of the Company from time to time in any 12-month period.

(d) Grant of Award Shares

The Board and its delegates may, from time to time, at its absolute discretion select any employee for participation in the H Share Scheme as a selected employee, and grant such number of award Shares to any selected employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

No consideration is payable on application or acceptance of the award Shares granted, and no purchased price is required.

(e) Vesting of the Awarded Shares

Subject to the terms and condition of the H Share Scheme and the fulfillment of all vesting conditions to the vesting of the award Shares on such selected employee as specified in the H Share Scheme and the grant notice, the respective award Shares held by the trustee on behalf of the selected employee pursuant to the provision hereof shall vest in such selected employee in accordance with the vesting schedule (if any) as set out in the grant notice.

(f) Duration of the H Share Scheme

Unless terminated earlier by the Board pursuant to the H Share Scheme Rules, the H Share Scheme shall be valid for ten years commencing from the June 22, 2022. As of December 31, 2025, the remaining life of the H Share Scheme is approximately six years and six months.

As the share scheme was adopted before new chapter 17 of the Listing Rules taking into effect, there is no clawback mechanism established or performance target set under the H Share Scheme, nor the maximum entitlement of each participant.

On December 27, 2024, the Company granted an aggregate of 938,500 Awarded Shares to three Directors, two Supervisors and other 48 employees under the H Share Scheme, including (i) 135,000 Awarded Shares to three Directors and two Supervisors; and (ii) 803,500 Awarded Shares to 48 core management personnel and backbones. For more details, please refer to the Company's announcement dated December 27, 2024. All such Awarded Shares were vested on June 30, 2025.

Grantees	Date of grant	Vesting period	Grant price and purchase price per Shares (HK$)	Unvested as at January 1, 2025	Granted prior to the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at December 31, 2025	Closing price of the Shares immediately before the grant date (HK$)	Average closing price of the Shares immediately before the vesting date (HK$)	Fair value of awarded Shares at the grant date (HK$)[1]
Yu Fei (executive Director)	December 27, 2024	on or before June 30, 2025	Nil	36,000	36,000	Nil	36,000	Nil	Nil	Nil	6.00	6.01	215,640
Shi Yonghui (executive Director)	December 27, 2024	on or before June 30, 2025	Nil	36,000	36,000	Nil	36,000	Nil	Nil	Nil	6.00	6.01	215,640
Liu Xiu (executive Director)	December 27, 2024	on or before June 30, 2025	Nil	36,000	36,000	Nil	36,000	Nil	Nil	Nil	6.00	6.01	215,640
Li Zhenhua (Supervisor)	December 27, 2024	on or before June 30, 2025	Nil	18,000	18,000	Nil	18,000	Nil	Nil	Nil	6.00	6.01	107,820
Zhao Zhiheng (Supervisor)	December 27, 2024	on or before June 30, 2025	Nil	9,000	9,000	Nil	9,000	Nil	Nil	Nil	6.00	6.01	53,910
48 employees	December 27, 2024	on or before June 30, 2025	Nil	803,500	803,500	Nil	803,500	Nil	Nil	Nil	6.00	6.01	4,812,965

Note:

(1) The fair value of the Awarded Shares at the grant date was calculated based on the share price of the H Shares (being HK$5.99) at the grant date.

2025 Share Incentive Scheme

The Company has adopted a share incentive scheme (the "**2025 Share Incentive Scheme**") in accordance with Chapter 17 of the Listing Rules (i) to ensure the realization of the Company's long-term business objectives and development strategy; (ii) to establish and improve the incentive and appraisal mechanisms for senior management, mid-level management and other key employees of the Company, retain and attract outstanding talents, with a view to enhancing the Company's market competitiveness and sustainable development capabilities; and (iii) to further enhance the corporate governance structure of the Company. For more details, please refer to the circular of the Company dated December 5, 2025.

(a) Eligible Participants

The Eligible Participants for the 2025 Share Incentive Scheme only include Employee Participants, who shall be directors and employees of the Company or any of its subsidiaries (including persons who are granted Awards as an inducement to enter into employment contracts with relevant companies). The basis of eligibility of any Eligible Participant to the grant of any Award shall be determined by the Board or the Administrative Committee at its sole discretion from time to time on the basis of the Eligible Participant's contribution to the development and growth of the Company.

(b) Scheme Limit

In view of the Company's other currently effective equity incentive schemes, which utilize existing Shares for equity incentives without involving the issuance of new Shares or the transfer of Treasury Shares, the total number of H Shares (including transfer of Treasury Shares) which may be issued in respect of the Awards granted under the 2025 Share Incentive Scheme shall not in aggregate exceed 41,793,660 H Shares, representing approximately 10% of the total number of Shares (excluding Treasury Shares) in issue as at the Adoption Date (the "**Scheme Mandate Limit**"), which is also approximately 10% of the total issued Shares (excluding Treasury Shares) of the Company as at the date of this report. As at December 31, 2025, the total number of Awarded Shares available for grant under the 2025 Share Incentive Scheme is 38,493,660 H Shares. During the Reporting Period, the Company has granted 3,300,000 Awarded Shares under the 2025 Share Incentive Scheme, and the Shares which may be issued in respect of such grants represented 0.79% of the total issued Shares (excluding Treasury Shares) of the Company as at December 31, 2025.

(c) Maximum entitlement of Selected Participant

Where any grant of Awards to a Selected Participant would result in the new H Shares issued or to be issued in respect of all options and awards granted to such person (excluding any Awards lapsed in accordance with the terms of the Share Incentive Scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of relevant class of shares in issue (excluding treasury shares), such grant must be separately approved by Shareholders at general meeting with such Selected Participant and his/her close associates (or associates if the Selected Participant is a connected person) abstaining from voting.

Any grant of Awards to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of Awards).

Where any grant of RSUs under the 2025 Share Incentive Scheme to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the H Shares issued and to be issued in respect of all awards granted (excluding any Awards lapsed in accordance with the terms of the Share Incentive Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of the Shares in issue (excluding treasury shares), such grant of RSUs must be approved by Shareholders in general meeting (with such Selected Participant, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting).

Where any grant of Awards to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the H Shares issued and to be issued and the Treasury Shares transferred or to be transferred in respect of all awards and options granted (excluding any Awards lapsed in accordance with the terms of the Share Incentive Scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of the Shares in issue, such further grant of Awards must be approved by the Shareholders in general meeting (with such Selected Participant, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting).

(d) Grant of Awards

Grant of Options

On and subject to the terms of the Share Incentive Scheme, the Board and/or the Administrative Committee (as the case may be) shall be entitled from time to time during the term of the 2025 Share Incentive Scheme to grant Options to any Selected Participant. An Option may be granted on such terms and conditions (such as by linking the vesting of the Option to the attainment or performance of milestones or targets by any member of the Group or the Selected Participant) as the Board and/or Administrative Committee may determine. The Exercise Price shall be the price determined and notified to any Selected Participant by the Board or the Administrative Committee (subject to any adjustments under the 2025 Share Incentive Scheme), and in no event shall it be lower than prescribed under the Listing Rules of the Stock Exchange.

No consideration is payable by a Selected Participant to the Company for acceptance of the Option under the 2025 Share Incentive Scheme.

Grant of RSUs

On and subject to the terms of the 2025 Share Incentive Scheme, the Board and/or the Administrative Committee (as the case may be) shall be entitled at any time during the term of the 2025 Share Incentive Scheme to grant RSUs to any Selected Participant. An RSU may be granted on such terms and conditions (such as by linking the vesting of the Award to the attainment or performance of milestones or targets by any member of the Group or the Selected Participant) as the Board and/or the Administrative Committee may determine. The purchase price of the H Shares underlying the RSUs shall be determined at the sole and absolute discretion of the Board and/or Administrative Committee with reference to the current closing price of H Shares, the purpose of the 2025 Share Incentive Scheme, and the characteristics of the relevant Selected Participants.

No consideration is payable by a Selected Participant to the Company for acceptance of the RSUs under the 2025 Share Incentive Scheme.

(e) Vesting of Awards

The vesting period shall be determined by the Board, provided that the vesting period in respect of any Award normally shall not be less than 12 months from the date of grant. However, the Board may, in its sole and absolute discretion, determine the vesting period to be less than 12 months for the Awards to be granted to the Employee Participants under the following specific circumstances: (i) grants of compensatory Awards to a Selected Participant newly joined the Group to replace the share awards lost when such Selected Participant leave his/her previous employer; (ii) grants of Awards to a Selected Participant whose employment with the Group is terminated due to death or disability or event of force majeure; (iii) grants of Awards which are subject to the fulfilment of performance targets under the 2025 Share Incentive Scheme; (iv) grants of Awards made in batches during a year due to administrative and compliance reasons; (v) grants of Awards with a mixed or accelerated vesting schedule; or (vi) grants of Awards with a total vesting and holding period that exceeds 12 months in aggregate.

(f) Exercise of Options

The Exercise Price shall be a price determined by the Board or Administrative Committee and notified to any Selected Participants (subject to any adjustments made under the Share Incentive Scheme), and shall be at least the higher of: (i) the closing price of the H Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day; and (ii) an amount equivalent to the average closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the Grant Date, provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent.

The Board and/or Administrative Committee may specify the exercise period of the Options in the grant letter, and in all circumstances all Options shall automatically lapse and expire not later than the last day of the 10-year period after the date of grant. Unless the Options have been cancelled or been forfeited in whole or in part, and subject to the terms of the 2025 Share Incentive Scheme, the Grantee may exercise his/her rights under the Share Incentive Scheme according to the vesting schedule set out in the relevant grant letter.

(g) Performance Targets

Performance targets as determined by the Board and/or Administrative Committee may include (without limitation) (i) the financial results of the Company and/or the Group; (ii) the achievement of key milestones in the Company and/or the Group's business or product development; and (iii) performance appraisal of the Selected Participants.

(h) Lapse of Awards

Unvested Awards will lapse in the event of certain circumstances according to the terms and conditions of the Share Incentive Scheme.

Unvested Awards shall automatically lapse upon the earliest of: (i) a resolution is passed for the voluntary winding-up of the Company or an order for the winding-up of the Company is made; (ii) the date on which the Selected Participant ceases to be an Eligible Participant in accordance with the terms of the Share Incentive Scheme; (iii) the date on which the Selected Participant transfers the Awarded Shares in breach of the terms of the Share Incentive Scheme; or (iv) the date on which the Board has decided that the unvested Awards shall not be vested for the Selected Participants in accordance with the rules of the Share Incentive Scheme and the terms and conditions as set out in the notice of grant.

(i) Cancellation of Awards

Save for the circumstances of lapse as set out in the 2025 Share Incentive Scheme, the Board may at any time at its sole and absolute discretion cancel any Award granted but not vested or lapse. In the event that the Board elects to cancel any Award and grant new one to the same Selected Participant, the grant of such new Awards may only be made within the available Share Incentive Scheme Limit. The Awards cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

(j) Clawback Mechanism

Without prejudice to the terms of the 2025 Share Incentive Scheme, in the case that a Selected Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements, (i) the unvested Awards of such Selected Participant shall lapse entirely or partially or subject to further vesting conditions, and (ii) the H Shares underlying any vested Awards shall be disposed to the person(s) designated by the Company at a consideration equal to the purchase price paid by such Selected Participant, as determined by the Board at its sole and absolute discretion. The disposal under the clawback mechanism to a Director and other connected persons of the Company will be subject to compliance with Chapter 14A of the Listing Rules, including the applicable reporting, announcement, the independent non-executive Directors' approval and/or independent Shareholders' approval requirements under Chapter 14A. The Board and/or Administrative Committee may, at its sole and absolute discretion, determine whether a Selected Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements.

(k) Duration of the Scheme

The 2025 Share Incentive Scheme shall take effect on the Adoption Date, which is December 24, 2025. Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Incentive Scheme, the Share Incentive Scheme shall be valid and effective for a period of ten (10) years commencing from the Adoption Date. As at the date of this report, the remaining life of the 2025 Share Incentive Scheme is approximately 9 years and 7 months.

On December 30, 2025, the Company granted an aggregate of 3,300,000 H Shares as Awarded Shares under the terms of the 2025 Share Incentive Scheme to 51 eligible participants (comprising three Directors, two Supervisors and 46 core technical, marketing and management personnel and backbones of the Company). For more details, please refer to the Company's announcement dated December 30, 2025.

Grantees	Date of grant	Vesting period	Grant price per Share (HK$)	Purchase price per Share (HK$)	Unvested as at January 1, 2025	Granted prior to the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at December 31, 2025	Closing price of the Shares immediately before the grant date (HK$)	Average closing price of the Shares immediately before the vesting date (HK$)	Fair value of awarded Shares at the grant date (HK$)[1]
Yu Fei (executive Director)	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	175,000	Nil	Nil	Nil	175,000	7.72	/	1,387,750

Grantees	Date of grant	Vesting period	Grant price per Share (HK$)	Purchase price per Share (HK$)	Unvested as at January 1, 2025	Granted prior to the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at December 31, 2025	Closing price of the Shares immediately before the grant date (HK$)	Average closing price of the Shares immediately before the vesting date (HK$)	Fair value of awarded Shares at the grant date (HK$)[1]
Shi Yonghui (executive Director)	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	162,500	Nil	Nil	Nil	162,500	7.72	/	1,288,625
Liu Xiu (executive Director)	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	150,000	Nil	Nil	Nil	150,000	7.72	/	1,189,500
Li Zhenhua (Supervisor)	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	62,500	Nil	Nil	Nil	62,500	7.72	/	495,625
Zhao Zhiheng (Supervisor)	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	37,500	Nil	Nil	Nil	37,500	7.72	/	297,375
46 core technical, marketing and management personnel and backbones	December 30, 2025	40% to vest on December 30, 2026, and 60% on December 30, 2027	Nil	2.5	/	/	2,712,500	Nil	Nil	Nil	2,712,500	7.72	/	21,510,125

Note:

(1) The fair value of the Awarded Shares at the grant date was calculated based on the share price of the H Shares (being HK$7.93) at the grant date.

Pre-IPO Employee Incentive Schemes

The following is a summary of the principal terms of the employee incentive schemes dated January 2, 2018 (as amended on September 21, 2020) and December 25, 2019 (as amended on September 21, 2020) respectively (collectively, the "**Pre-IPO Employee Incentive Schemes**"). Given the underlying Shares under the Pre-IPO Employee Incentive Schemes had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the Shares thereunder. No further award will be or was granted after Listing.

The Company had established two employee incentive platforms ("**Employee Incentive Platforms**"), namely Hangzhou Yantai and Hangzhou Hengtai. As at the Latest Practicable Date, the two Employee Incentive Platforms, in aggregate, held 11,575,363 H Shares and 23,154,199 Domestic Shares.

(a) Objectives

The purpose of the Pre-IPO Employee Incentive Schemes is to build an incentive mechanism for the management members and core employees of our Company, attracting talents in the labour market to raise the core competitiveness of the Company. The Pre-IPO Employee Incentive Schemes also serve the purpose of achieving efficient and high-quality management of the Company.

(b) Eligibility

Pursuant to the scheme documents, participants of the Pre-IPO Employee Incentive Schemes include the Company's senior management members and core employees. The scheme documents further provided that the following employees may not be selected as participants to the Schemes (as applicable):

- Employees who have received public censure from any stock exchange or have been declared as disqualified persons for the preceding three years;
- Employees who have received administrative penalties from CSRC due to material violation laws and regulations for the preceding three years;
- Employees who are forbidden to hold the position of director or senior management pursuant to the PRC Company Law; or
- Employees who are otherwise not eligible due to serious violations of laws, regulations and the policies of the Company as determined by the Board.

(c) Grant of Award

The sole general partner of Hangzhou Yantai and Hangzhou Hengtai is Dr. Zheng and in effect, all management powers and voting rights of the Employee Incentive Platforms reside with the sole general partner, Dr. Zheng.

All selected participants do not have any voting rights in the Company. The selected participants will be granted awards in the form of economic interest in the Employee Incentive Platforms as a limited partner of the relevant Employee Incentive Platform. Upon becoming the limited partner of the Employee Incentive Platforms, the selected participants indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

(d) Administration of the Schemes

The Board retain full discretion over the following matters of the Pre-IPO Employee Incentive Schemes:

- the selection of participants in the Pre-IPO Employee Incentive Schemes, which currently include Directors, core employees and senior management members of our Group; and
- the implementation, amendment and termination of the Pre-IPO Employee Incentive Schemes.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's revenue attributed to its five largest customers in aggregate accounted for approximately 33.8% of the Group's revenue for the year ended December 31, 2025. The Group's revenue attributed to its largest customer accounted for approximately 10.6% of the Group's revenue for the year ended December 31, 2025.

For the year ended December 31, 2025, the Group's purchases attributed to its five largest suppliers in aggregate were less than 30% of the Group's total purchases.

None of the Directors, their respective close associates, or any Shareholder (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares (excluding treasury shares) of the Company) had any interest in the major customers or suppliers of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2025, the Company repurchased 1,075,700 H shares of the Company on the Stock Exchange at an aggregate consideration of HK$6,544,692. Details of the repurchases during the year ended December 31, 2025 are summarized as follows:

	Price per Share				
Date of repurchase	**Highest HKD**	**Lowest HKD**	**Number of treasury shares**	**Shares intended to cancelled after repurchase**	**Total consideration** HK$
2 January 2025	5.96	5.81	36,100	–	212,822
6 January 2025	5.96	5.69	11,400	–	65,828
7 January 2025	5.69	5.58	12,900	–	73,171
9 January 2025	5.55	5.34	17,400	–	95,022
10 January 2025	5.55	5.20	60,100	–	327,484
16 January 2025	5.5	5.32	25,500	–	137,078
20 January 2025	5.36	5.14	37,200	–	194,823
21 January 2025	5.33	5.23	18,300	–	96,763
22 January 2025	5.19	5.05	36,500	–	188,166
23 January 2025	5.08	4.85	34,400	–	173,191
24 January 2025	5.35	4.88	15,100	–	77,108
27 January 2025	5.02	4.20	75,900	–	371,547
3 February 2025	5.42	5.00	18,500	–	97,142
4 February 2025	5.19	4.87	27,700	–	140,602
13 February 2025	4.96	4.68	29,000	–	140,068
19 November 2025	6.5	6.00	101,400	–	634,768
21 November 2025	6.9	6.70	52,000	–	354,081
24 November 2025	6.88	6.52	38,600	–	261,870
25 November 2025	6.88	6.57	52,400	–	346,985
26 November 2025	6.75	6.52	38,700	–	257,587
27 November 2025	6.66	6.50	35,100	–	231,696
28 November 2025	6.8	6.64	31,100	–	209,487
1 December 2025	6.53	6.30	111,700	–	720,815

Date of repurchase	Price per Share		Number of treasury shares	Shares intended to cancelled after repurchase	Total consideration
	Highest HKD	Lowest HKD			HK$
2 December 2025	6.7	6.58	31,700	–	210,111
3 December 2025	6.75	6.63	26,300	–	174,905
4 December 2025	6.96	6.80	30,000	–	205,730
19 December 2025	7.8	7.68	28,000	–	217,086
22 December 2025	7.79	7.65	12,200	–	94,076
29 December 2025	7.88	7.49	30,500	–	234,680
Total			1,075,700	–	6,544,692

During the Reporting Period, a total of 60,000 Shares repurchased from March 28 to April 9, 2024 were cancelled on September 26, 2025. The repurchases were effected by the Board with a view to benefit the Shareholders as a whole by enhancing the earnings per Share of the Company.

As at December 31, 2025, the Company was holding 3,171,900 treasury shares. The Company intends to use those treasury shares for cancellation and to provide incentives to employees and the Company intends to resell or use such treasury shares for such purposes subject to, for example, market conditions and its capital management needs and in compliance with the Listing Rules.

Save as disclosed, the Group did not purchase, sell or redeem any listed securities of the Company (including sale and/or transfer of treasury shares) during the year ended December 31, 2025.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made no external donations. We actively organized our employees to participate in public welfare activities and devoted ourselves to promote academic development of China's diabetes management while helping more patients to improve their quality of life. Through such public welfare activities, we have set up a good example for the Group in social welfare and charity, and contributed to the construction of a harmonious society. For details of the public welfare activities, please refer to the "Environmental, Social and Governance Report" on pages 48 to 85 of this report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the CG Code. During the Reporting Period, the Company has complied with all the applicable code provisions in the CG Code, save for the deviation from code provision C.2.1.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 47 of this report.

CHANGE OF AUDITOR

The 2022 annual general meeting of the Company held on May 18, 2023 resolved to appoint Pan-China Certified Public Accountants LLP as the Company's auditor to provide the Company with audit services and internal control services after the term of Ernst & Young expired on the date of the 2022 annual general meeting of the Company. Please refer to the circular of the Company dated April 26, 2023 and the poll results announcement of the Company dated May 18, 2023 for further details.

Save as disclosed above, the Company did not change its auditors in the previous three years.

By order of the Board of Directors
MicroTech Medical (Hangzhou) Co., Ltd.
Dr. Zheng Pan
Chairman and Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

Tianjian Shen No. [2026] 3379（天健審[2026] 3379號）

To all the shareholders of MicroTech Medical (Hangzhou) Co., Ltd.:

I. AUDITOR'S OPINIONS

We audited the financial statements of MicroTech Medical (Hangzhou) Co., Ltd. (hereinafter referred to as MicroTech Medical Company), including the consolidated and the company balance sheets as at December 31, 2025, the consolidated and the company income statements of 2025, the consolidated and the company statements of cash flow and the consolidated and the company statements of changes in owners' equity for 2023 and notes to relevant financial statements.

We believe that the attached financial statements are prepared in accordance with the Accounting Standard for Business Enterprises in all material respects and fairly reflect the consolidated and the company financial positions of MicroTech Medical Company as at December 31, 2025 as well as the consolidated and the company operating performance and cash flows for 2025.

II. BASIS FOR AUDITOR'S OPINIONS

We conducted our audit in accordance with the Auditing Standards of PRC Certified Public Accountants（中國註冊會計師審計準則）. Our responsibilities under these standards are further described in the section named "Responsibilities of Certified Public Accountants for Auditing Financial Statements" in the auditor's report. In accordance with the China's CPA Independence Standard No. 1 — Requirements for Independence of Financial Statement Audit and Review Business and the Code of Professional Ethics for PRC Certified Public Accountants（中國註冊會計師職業道德守則）, we are independent of MicroTech Medical Company and have fulfilled our other responsibilities in terms of professional ethics. We have complied with the independence requirements for auditing public interest entities during the audit process. We believe that the audit evidence that we obtained is sufficient and appropriate and provides a basis for the auditor's opinions.

III. KEY AUDIT MATTERS

Key audit matters are matters that we, based on our professional judgment, consider to be most important in our audit on the financial statements for the current period. Our response to these matters is based on the audit on the financial statements as a whole and the auditor's opinions thereon. We do not express opinions on these matters separately.

(I) Revenue Recognition

1. Description

For details of the disclosure, please refer to Notes III (XXIII) and V (II) 1 of the financial statements.

Operating income of MicroTech Medical Company was mainly derived from the sales of BGMS, CGMS and insulin pump systems. For 2025, operating income of MicroTech Medical Company was RMB660,788,390.77.

Since operating income was one of the key performance indicators of MicroTech Medical Company, and there might be an inherent risk that the management of MicroTech Medical Company (hereinafter referred to as the Management) would achieve specific goals or expectations through inappropriate revenue recognition, we determined revenue recognition as a key audit matter.

III. KEY AUDIT MATTERS (Continued)

(I) Revenue Recognition (Continued)

2. Auditor's Response

For revenue recognition, the audit procedures that we implemented mainly include:

(1) Understanding the key internal controls related to revenue recognition, evaluating the design of these controls to determine whether they are implemented and testing the operating effectiveness of related internal controls;

(2) Checking the sales contract to understand the main contract terms or conditions and evaluating whether the revenue recognition method was appropriate;

(3) Implementing analysis procedures on operating income and gross profit margin by means of month, product, customer and so forth, to identify whether there were major or abnormal fluctuations and investigate the causes of fluctuations;

(4) For domestic sales revenue, selecting the supporting documents relative to project inspection, including sales contracts, sales invoices, outbound orders and logistics records; for export revenue, obtaining electronic port information and checking it with book records, and selecting the supporting documents relative to project inspection, including sales contracts, export declarations, waybills and sales invoices; and for online income, selecting delivery record recognized via online platforms for project inspection, obtaining data from the platforms, bills and other documents and checking them with book records;

(5) Consolidating the accounts receivable confirmations to select the sales amount of the project confirmations;

(6) Conducting cutoff tests to check whether revenue was recognized during an appropriate period;

(7) Obtaining sales return records after the balance sheet date and checking whether there were any occasions where any revenue recognition conditions were not met on the balance sheet date; and

(8) Checking whether information related to operating income was appropriately presented in the financial statements.

III. KEY AUDIT MATTERS (Continued)

(II) Impairment of Accounts Receivable

1. Description

For details of the disclosure, please refer to Notes III (XI) and V (I) 3 of the financial statements.

As of December 31, 2025, the book balance of accounts receivable of MicroTech Medical Company was RMB152,743,261.38, the bad debt provision was RMB8,141,581.99, and the book value was RMB144,601,679.39.

With reference to the credit risk characteristics of each item under accounts receivable, the Management measured the loss provisions based on individual item or a portfolio in accordance with an amount equivalent to the expected credit losses throughout the lifetime. As the amount of accounts receivable was substantial and the impairment test of accounts receivable involved significant management judgment, we determined the impairment of accounts receivable as a key audit matter.

2. Auditor's Response

For the impairment of accounts receivable, the audit procedures that we implemented mainly include:

(1) Understanding the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls to determine whether they are implemented and testing the operating effectiveness of related internal controls;

(2) For the Management's estimates of bad debt provisions for previous years, reviewing their findings or their subsequent amounts re-estimated by the Management;

(3) Reviewing the Management's consideration over and the objective evidence for the credit risk assessment on the accounts receivable, and evaluating whether the Management appropriately identified the credit risk characteristics of each item under account receivable;

(4) For accounts receivable for which expected credit losses were measured based on individual items, reviewing the Management's forecast on the expected cash inflow, evaluating the appropriateness of the major assumptions used in the forecast and the appropriateness, relevance and reliability of the data, and checking them with external evidence obtained;

(5) For accounts receivable for which expected credit losses were measured based on a portfolio, evaluating the rationality on the Management's classification of portfolio conducted based on credit risk characteristics; evaluating the reasonableness of the expected credit loss rate for accounts receivable determined by the Management, including the appropriateness of the significant assumptions used and the appropriateness, relevance and reliability of the data; and testing whether the Management's calculation on bad debt provisions was accurate;

(6) Consolidating the accounts receivable confirmations and subsequent repayments to evaluate the rationality on the Management's provision for bad debts; and

(7) Checking whether information related to the impairment of accounts receivable was appropriately presented in the financial statements.

IV. OTHER INFORMATION

The Management is responsible for other information, which includes information covered in the annual report but excludes the financial statements and the auditor's report.

The auditor's opinion on the financial statements does not cover other information, nor shall we express any form of assurance conclusion on such other information.

In additional to our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or appears to be substantially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITY OF THE MANAGEMENT AND THOSE IN CHARGE OF GOVERNANCE FOR FINANCIAL STATEMENTS

The Management is responsible for preparing the financial statements in accordance with the Accounting Standard for Business Enterprises for fair reflection of truth, and is liable for designing, implementing and maintaining necessary internal controls, to the effect that the financial statements would be free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the ability of MicroTech Medical Company to operate as a going concern and disclosing matters related to going concern (if applicable) by applying the going concern assumption, unless it is planned to undergo liquidation, discontinued operation or unless no other realistic option is available.

Those in charge of corporate governance of MicroTech Medical Company (hereinafter referred to as those in charge of governance) are responsible for overseeing the financial reporting process of MicroTech Medical Company.

VI. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANT OF AUDITING FINANCIAL STATEMENTS

Our goal is to achieve reasonable assurance as to whether the financial statements as a whole are free of material misstatements due to fraud or error and also to issue an auditor's report containing the auditor's opinion. Reasonable assurance is a high-level assurance, but it could not guarantee that an audit performed in accordance with auditing standards could always discover material misstatement whenever it exists. Misstatements may be due to fraud or error and are generally considered material if the misstatements, individually or in aggregate, are reasonably expected to affect the economic decisions made by users of financial statements based on those statements.

In the process of conducting audit in accordance with the auditing standards, we adopted professional judgment and maintained professional skepticism. At the same time, we also performed the following tasks:

(I) Risks of material misstatements in financial statements due to fraud or error were identified and assessed, audit procedures were designed and implemented to cope with such risks, and sufficient and appropriate audit evidence was obtained as a basis for issuing the auditor's opinion. Since fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control, the risk of failing to discover a material misstatement resulting from fraud is higher than that for a material misstatement resulting from error.

(II) The internal controls relevant to the audit were learnt in order to design appropriate audit procedures, but not to express opinion on the effectiveness of the internal controls.

(III) The appropriateness of the Management's selection of accounting policies and the reasonableness of their accounting estimates and related disclosures were evaluated.

(IV) Conclusions were drawn on the appropriateness of the Management's use of the going concern assumption. Meanwhile, based on the audit evidence obtained, a conclusion was reached as to whether there were significant uncertainties for events or conditions that may cast significant doubts on the ability of MicroTech Medical Company to operate as a going concern. If it is concluded that a material uncertainty exists, according to the auditing standards, we are required to draw the attention of users of the financial statements to the relevant disclosures in those statements in the auditor's report. If disclosure is insufficient, we should express a qualified opinion. Our conclusions were based on the information available as of the date of the auditor's report. However, it is possible that future events or conditions may end up in the inability of MicroTech Medical Company to operate as a going concern.

(V) The overall presentation, structure and content of the financial statements were evaluated together with whether the financial statements had fairly reflected the underlying transactions and events.

(VI) Sufficient and appropriate audit evidence regarding the financial information of entities under or business activities within MicroTech Medical Company was obtained to express the auditor's opinion on the financial statements. We are responsible for directing, supervising and conducting audit for the Group and take full responsibility for the auditor's opinions.

VI. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANT OF AUDITING FINANCIAL STATEMENTS (Continued)

We communicated with those in charge of governance for, among other matters, the planned audit scope, timing and significant audit findings, including the internal control deficiencies deserving concern and identified during our audit.

We also provided those in charge of governance with a statement that we had complied with relevant requirements on professional ethics regarding independence and communicated with them all the relationships and other matters that may reasonably be thought to affect our independence and, where applicable, relevant safeguards.

Among the matters communicated with those in charge of governance, we determined which of them was the most important to the financial statement audit for the current period and therefore constituted a key audit matter. We would describe these matters in the auditor's report, unless they are prohibited by laws or regulations for public disclosure, or, in rare circumstances, we determine that such matter should not be communicated in the auditor's report in the event that negative consequences from communicating such matter in the auditor's report are reasonably expected to outweigh the benefits generated in terms of public interest.

Pan-China Certified Public Accountants LLP	PRC Certified Public Accountant: (Project Partner)
Hangzhou, China	PRC Certified Public Accountant:

March 30, 2026

CONSOLIDATED BALANCE SHEET

December 31, 2025

Unit: RMB

會合01表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd. Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Current assets:			
Cash at bank and on hand	1	**1,506,756,628.19**	1,697,264,859.72
Clearing settlement funds			
Placements to banks and other financial institutions			
Financial assets held for trading	2	**39,226,922.48**	10,224,641.54
Derivative financial assets			
Bills receivable			
Accounts receivable	3	**144,601,679.39**	116,103,604.51
Receivables financing	4	**100,000.00**	1,715,356.77
Prepayments	5	**10,657,334.77**	10,676,251.06
Premium receivable			
Reinsurance receivable			
Reinsurance contract reserves receivable			
Other receivables	6	**5,071,499.53**	3,011,353.66
Financial assets held under resale agreements			
Inventories	7	**79,066,609.57**	50,807,949.19
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	8	**22,825,550.12**	15,010,025.92
Total current assets		**1,808,306,224.05**	1,904,814,042.37

CONSOLIDATED BALANCE SHEET

December 31, 2025

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Non-current assets:			
Monetary funds			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	9	**218,848,181.17**	94,796,492.21
Construction in progress	10	**1,176,658.39**	109,615,940.27
Productive biological asset			
Oil and gas assets			
Right-of-use assets	11	**841,796.34**	199,296.56
Intangible assets	12	**30,616,837.56**	31,801,977.57
Including: Data resources			
Development expenses			
Including: Data resources			
Goodwill			
Long-term deferred expenses	13	**862,353.82**	107,626.91
Deferred tax assets	14		
Other non-current assets	15	**249,688,891.57**	5,017,469.72
Total non-current assets		**502,034,718.85**	241,538,803.24
Total assets		**2,310,340,942.90**	2,146,352,845.61

CONSOLIDATED BALANCE SHEET

December 31, 2025

Unit: RMB

Total liabilities and owners' equity (or shareholders' equity)	Notes	Closing balance	Closing balance of last year
Current liabilities:			
Short-term borrowings	17	**63,950,678.23**	
Borrowings from central bank			
Due to banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable	18	**26,542,172.40**	4,038,498.99
Accounts payable	19	**86,786,352.81**	77,045,286.72
Advance payments received	20	**672,613.48**	664,307.84
Contract liabilities	21	**42,543,586.51**	27,246,592.19
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Accounts payable to brokerage clients			
Funds payable to securities issuers			
Staff salaries payable	22	**24,568,588.19**	23,064,032.20
Taxes payable	23	**4,225,282.55**	7,613,802.09
Other payables	24	**25,209,377.83**	26,718,159.12
Fees and commissions payables			
Reinsurance accounts payables			
Liabilities held for sales			
Non-current liabilities due within one year	25	**491,254.63**	165,627.80
Other current liabilities	26	**8,190,904.18**	371,287.93
Total current liabilities		**283,180,810.81**	166,927,594.88
Non-current liabilities:			
Provision for insurance contract			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	27	**344,387.66**	
Long-term payables			
Long-term staff salaries payable			
Accrued liabilities	28	**3,306,040.00**	4,655,549.55
Deferred income	29	**9,023,154.98**	
Deferred tax liabilities	14	**112,697.84**	139,318.75
Other non-current liabilities			
Total non-current liabilities		**12,786,280.48**	4,794,868.30
Total liabilities		**295,967,091.29**	171,722,463.18

CONSOLIDATED BALANCE SHEET

December 31, 2025

Unit: RMB

Total liabilities and owners' equity (or shareholders' equity)	Notes	**Closing balance**	Closing balance of last year
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	30	**421,078,000.00**	421,138,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	31	**1,873,278,305.56**	1,871,271,557.52
Less: Inventory shares	32	**35,698,523.60**	33,577,999.92
Other comprehensive income	33	**612,753.43**	847,204.58
Special reserve			
Surplus reserve			
General risk reserve			
Unallocated profit	34	**-244,896,683.78**	-285,048,379.75
Total equity attributable to owners of the parent		**2,014,373,851.61**	1,974,630,382.43
Minority interest			
Total owners' equity		**2,014,373,851.61**	1,974,630,382.43
Total liabilities and owners' equity		**2,310,340,942.90**	2,146,352,845.61

PARENT COMPANY BALANCE SHEET

December 31, 2025

Unit: RMB

會企01表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd. Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Current assets:			
Monetary funds		**1,451,574,285.02**	1,670,071,337.95
Financial assets held for trading		**39,226,922.48**	10,224,641.54
Derivative financial assets			
Bills receivable			
Accounts receivable		**218,039,860.50**	276,656,550.98
Receivables financing		**100,000.00**	1,715,356.77
Prepayments	1	**8,208,378.60**	6,185,266.43
Other receivables		**55,638,318.85**	103,674,825.31
Inventories		**70,422,805.98**	45,244,788.13
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year	2		
Other current assets		**2,006,914.72**	101,886.79
Total current assets		**1,845,217,486.15**	2,113,874,653.90

PARENT COMPANY BALANCE SHEET

December 31, 2025

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		**97,037,225.00**	110,237,225.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		**96,996,923.31**	94,559,089.30
Construction in progress		**252,485.81**	350,156.43
Productive biological asset			
Oil and gas assets			
Right-of-use assets		**841,796.34**	199,296.56
Intangible assets		**14,632,624.59**	15,457,311.92
Including: Data resources			
Development expenses			
Including: Data resources			
Goodwill			
Long-term deferred expenses		**862,353.82**	107,626.91
Deferred income tax assets			
Other non-current assets		**209,617,768.28**	5,017,469.72
Total non-current assets		**420,241,177.15**	225,928,175.84
Total assets		**2,265,458,663.30**	2,339,802,829.74

PARENT COMPANY BALANCE SHEET

December 31, 2025

Unit: RMB

Total liabilities and owners' equity	Notes	Closing balance	Closing balance of last year
Current liabilities:			
Short-term borrowings		**63,950,678.23**	
Financial liabilities held for trading			
Derivative financial liabilities			
Bills payable		**26,542,172.40**	4,038,498.99
Accounts payable		**61,978,450.31**	30,105,723.70
Advance payments received		**672,613.48**	664,307.84
Contract liabilities		**25,510,654.70**	14,737,140.65
Staff salaries payable		**22,612,631.27**	21,634,421.61
Taxes payable		**3,803,117.92**	7,589,835.95
Other payables		**48,125,010.88**	39,366,493.06
Liabilities held for sales			
Non-current liabilities due within one year		**491,254.63**	165,627.80
Other current liabilities		**5,040,440.47**	112,868.43
Total current liabilities		**258,727,024.29**	118,414,918.03

PARENT COMPANY BALANCE SHEET

December 31, 2025

Unit: RMB

Total liabilities and owners' equity	Notes	Closing balance	Closing balance of last year
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		**344,387.66**	
Long-term payables			
Long-term staff salaries payable			
Accrued liabilities		**3,306,040.00**	3,344,518.57
Deferred income		**3,736,773.73**	
Deferred tax liabilities		**112,697.84**	139,318.75
Other non-current liabilities			
Total non-current liabilities		**7,499,899.23**	3,483,837.32
Total liabilities		**266,226,923.52**	121,898,755.35
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		**421,078,000.00**	421,138,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		**1,873,519,977.15**	1,871,513,229.11
Less: Inventory shares		**35,698,523.60**	33,577,999.92
Other comprehensive income			
Special reserve			
Surplus reserve			
Unallocated profit		**-259,667,713.77**	-41,169,154.80
Total owners' equity		**1,999,231,739.78**	2,217,904,074.39
Total liabilities and owners' equity		**2,265,458,663.30**	2,339,802,829.74

CONSOLIDATED INCOME STATEMENT

Year 2025

Unit: RMB

會合02表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd. Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
I. Total operating revenue		**660,788,390.77**	345,615,086.92
Including: Operating revenue	1	**660,788,390.77**	345,615,086.92
Interest income			
Premium earned			
Handling fee and commission income			
II. Total operating costs		**626,745,776.53**	420,720,658.24
Including: Operating costs	1	**303,363,558.09**	162,766,086.94
Interest expenses			
Handling fees and commission expenses			
Surrenders			
Net claims expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Tax and surcharges	2	**4,883,485.90**	3,676,255.06
Selling expenses	3	**223,049,898.62**	207,139,147.48
Administration expenses	4	**48,291,045.46**	42,145,461.25
Research & development expenses	5	**76,338,263.10**	76,558,396.48
Finance costs	6	**-29,180,474.64**	-71,564,688.97
Including: Interest expenses		**127,978.05**	676,448.90
Interest income		**47,778,382.91**	62,844,339.71
Add: Other gains	7	**14,488,882.01**	16,358,494.94
Investment income (Loss denoted with "-")	8	**6,118,581.70**	1,408,085.72
Including: Investment income from associated companies and joint ventures			
Gains on derecognition of financial assets measured at amortized cost			
Exchange gains (Loss denoted with "-")			
Income from net exposure to hedging (Loss denoted with "-")			
Gains on fair value changes (Loss denoted with "-")	9	**-33,995.73**	88,460.72
Credit impairment losses (Loss denoted with "-")	10	**-1,531,473.19**	-1,439,412.54
Impairment losses on assets (Loss denoted with "-")	11	**-9,119,470.41**	-3,769,077.85
Gains on disposal of assets (Loss denoted with "-")	12	**7,371.61**	

CONSOLIDATED INCOME STATEMENT

Year 2025

Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
III. Operating profits (Loss denoted with "-")		**43,972,510.23**	-62,459,020.33
Add: Non-operating income	13	**239,493.70**	163,186.42
Less: Non-operating expenses	14	**3,811,331.16**	853,366.95
IV. Total profits (Total loss denoted with "-")		**40,400,672.77**	-63,149,200.86
Less: Income tax expenses	15	**248,976.80**	-30,961.88
V. Net profits (Net loss denoted with "-")		**40,151,695.97**	-63,118,238.98
(I) Classified by sustainability			
1. Net profits from continuing operations (Net loss denoted with "-")		**40,151,695.97**	-63,118,238.98
2. Net profits from discontinued operations (Net loss denoted with "-")			
(II) Classified by ownership			
1. Net profits attributable to owners of the parent company (Net loss denoted with "-")		**40,151,695.97**	-63,118,238.98
2. Minority shareholders' profits or losses (Net loss denoted with "-")			

CONSOLIDATED INCOME STATEMENT

Year 2025

Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
VI. Other comprehensive income, net of tax	16	**-234,451.15**	113,988.36
Other comprehensive income attributable to owners of the parent, net of tax		**-234,451.15**	113,988.36
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change in defined benefit plans arising from re-measurement			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity approach			
3. Changes in fair value of other equity instrument investments			
4. Change in fair value of the Company's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss		**-234,451.15**	113,988.36
1. Other comprehensive income that can be transferred to profit or loss under the equity approach			
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Translation differences arising on translation of foreign currency financial statements		**-234,451.15**	113,988.36
7. Others			
Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		**39,917,244.82**	-63,004,250.62
Total comprehensive income attributable to owners of the parent		**39,917,244.82**	-63,004,250.62
Total comprehensive income attributable to minority interests			
VIII. Earnings per share:			
(I) Basic earnings per share		**0.10**	-0.15
(II) Diluted earnings per share		**0.10**	-0.15

PARENT COMPANY INCOME STATEMENT

Year 2025

Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
I. Operating revenue	1	**599,465,234.98**	337,079,773.67
Less: Operating costs	1	**305,079,441.92**	165,010,966.39
Tax and surcharges		**4,755,599.45**	3,595,530.66
Selling expenses		**99,348,700.69**	96,522,589.25
Administration expenses		**45,797,902.82**	41,254,685.94
Research & development expenses	2	**76,338,263.10**	76,558,396.48
Finance costs		**-29,277,757.98**	-70,912,381.03
Including: Interest expenses		**127,978.05**	676,448.90
Interest income		**47,333,545.79**	62,220,291.15
Add: Other gains		**13,115,671.37**	16,270,570.54
Investment income (Loss denoted with "-")	3	**6,117,659.69**	1,408,085.72
Including: Investment income from associated companies and joint ventures			
Gains on derecognition of financial assets measured at amortized cost			
Income from net exposure to hedging (Loss denoted with "-")			
Gains on fair value changes (Loss denoted with "-")		**-33,995.73**	88,460.72
Credit impairment losses (Loss denoted with "-")		**-262,943,076.54**	-1,454,010.76
Impairment losses on assets (Loss denoted with "-")		**-68,681,539.31**	-3,424,606.31
Gains on disposal of assets (Loss denoted with "-")		**7,371.61**	
II. Operating profits (Loss denoted with "-")		**-214,994,823.93**	37,938,485.89
Add: Non-operating income		**233,426.75**	148,608.56
Less: Non-operating expenses		**3,763,782.70**	838,974.37
III. Total profits (Total loss denoted with "-")		**-218,525,179.88**	37,248,120.08
Less: Income tax expenses		**-26,620.91**	-30,961.88
IV. Net profits (Net loss denoted with "-")		**-218,498,558.97**	37,279,081.96
(I) Net profits from continuing operations (Net loss denoted with "-")		**-218,498,558.97**	37,279,081.96
(II) Net profits from discontinued operations (Net loss denoted with "-")			

PARENT COMPANY INCOME STATEMENT

Year 2025

Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Change in defined benefit plans arising from re-measurement			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity approach			
3. Changes in fair value of other equity instrument investments			
4. Change in fair value of the Company's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity approach			
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Translation differences arising on translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		**-218,498,558.97**	37,279,081.96
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

CONSOLIDATED CASH FLOW STATEMENT

Year 2025

Unit: RMB

會合03表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd. Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
I. Cash flows generated from operating activities:			
Cash from sale of products and provision of services		**695,312,610.55**	346,707,155.04
Net increase in deposits from customers and business partners			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash premiums received under original insurance policies			
Net cash received from reinsurance business			
Net increase in deposit from insurance policy holders and investments			
Cash received for interest, handling fee and commission			
Net increase in placements from banks			
Net gain from repurchase of business			
Net cash received from trading securities			
Tax rebate received		**8,675,698.87**	7,092,567.85
Other cash received relating to operating activities	1(1)	**34,869,219.35**	50,799,392.69
Cash inflows from operating activities — subtotal		**738,857,528.77**	404,599,115.58
Cash paid for purchase of products and services		**340,947,258.60**	198,916,244.01
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other business partners			
Cash benefits paid for original insurance policies			
Net increase in placement with banks			
Cash paid for interest, handling fee and commission			
Cash dividends paid for insurance policies			
Cash paid to and for employees		**165,960,710.10**	149,751,834.41
Payments of various taxes		**14,248,451.37**	13,046,070.98
Other cash paid relating to operating activities	1(2)	**185,091,364.91**	163,530,606.16
Cash outflows from operating activities — subtotal		**706,247,784.98**	525,244,755.56
Net cash flows generated from operating activities		**32,609,743.79**	-120,645,639.98

CONSOLIDATED CASH FLOW STATEMENT

Year 2025

Unit: RMB

Items	Notes	Amount for the Period	Amount for the same period last year
II. Cash flows generated from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		**36,989.23**	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**29,383.61**	
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	1(3)	**1,706,413,690.06**	1,523,915,186.49
Cash inflows from investing activities — subtotal		**1,706,480,062.90**	1,523,915,186.49
Cash paid for acquisition and installation of fixed assets, intangible assets and other long-term assets		**38,915,458.69**	83,238,861.43
Cash paid for investments			
Net increase in secured loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investing activities	1(4)	**2,028,495,380.58**	1,319,520,282.51
Cash outflows from investing activities — subtotal		**2,067,410,839.27**	1,402,759,143.94
Net cash flows generated from investing activities		**-360,930,776.37**	121,156,042.55
III. Cash flow generated from financing activities:			
Cash received from investments			
Including: Cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings		**63,870,000.00**	49,000,000.00
Other cash received relating to financing activities			
Cash inflows from financing activities — subtotal		**63,870,000.00**	49,000,000.00
Cash paid for repayment of indebtedness			49,000,000.00
Cash paid for distribution of dividends, profits and repayment of interest		**22,124.97**	663,011.89
Including: Dividends and profits distributed to minority shareholders by subsidiaries			
Other cash paid relating to financing activities	1(5)	**7,164,265.30**	32,487,602.09
Cash outflows from financing activities — subtotal		**7,186,390.27**	82,150,613.98
Net cash flows generated from financing activities		**56,683,609.73**	-33,150,613.98
IV. Effects of changes in exchange rates on cash and cash equivalents		**-16,405,277.64**	5,878,850.95
V. Net increase in cash and cash equivalents		**-288,042,700.49**	-26,761,360.46
Add: Balance of cash and cash equivalents as at the beginning of the period		**338,676,422.93**	365,437,783.39
VI. Balance of cash and cash equivalents as at the end of the period		**50,633,722.44**	338,676,422.93

PARENT COMPANY CASH FLOW STATEMENT

Year 2025

Unit: RMB

會合03表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd. Unit: RMB

Items		Amount for the Period	Amount for the same period last year
I.	Cash flows generated from operating activities:		
	Cash from sale of products and provision of services	**451,173,240.72**	240,359,210.62
	Tax rebate received	**8,675,389.21**	7,092,258.19
	Other cash received relating to operating activities	**62,988,656.87**	52,030,023.46
	Cash inflows from operating activities — subtotal	**522,837,286.80**	299,481,492.27
	Cash paid for purchase of products and services	**301,121,151.08**	187,206,983.78
	Cash paid to and for employees	**146,552,449.72**	134,389,696.20
	Payments of various taxes	**14,051,060.29**	12,963,223.01
	Other cash paid relating to operating activities	**74,331,299.62**	112,619,959.43
	Cash outflows from operating activities — subtotal	**536,055,960.71**	447,179,862.42
	Net cash flows generated from operating activities	**-13,218,673.91**	-147,698,370.15
II.	Cash flows generated from investing activities:		
	Cash received from recovery of investments		
	Cash received from investment income	**36,989.23**	
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**26,397.78**	
	Net cash received from disposal of subsidiaries and other business units		
	Other cash received relating to investing activities	**1,718,294,868.05**	1,492,177,145.88
	Cash inflows from investing activities — subtotal	**1,718,358,255.06**	1,492,177,145.88
	Cash paid for acquisition and installation of fixed assets, intangible assets and other long-term assets	**14,282,793.58**	17,023,475.64
	Cash paid for investments	**46,800,000.00**	50,200,000.00
	Net cash paid for acquiring subsidiaries and other business units		
	Other cash paid relating to investing activities	**1,938,598,157.29**	1,295,336,252.51
	Cash outflows from investing activities — subtotal	**1,999,680,950.87**	1,362,559,728.15
	Net cash flows generated from investing activities	**-281,322,695.81**	129,617,417.73

PARENT COMPANY CASH FLOW STATEMENT

Year 2025

Unit: RMB

Items	Amount for the Period	Amount for the same period last year
III. Cash flow generated from financing activities:		
Cash received from investments		
Cash received from borrowings	**63,870,000.00**	49,000,000.00
Other cash received relating to financing activities		
Cash inflows from financing activities — subtotal	**63,870,000.00**	49,000,000.00
Cash paid for repayment of indebtedness		49,000,000.00
Cash paid for distribution of dividends, profits and repayment of interest	**22,124.97**	663,011.89
Other cash paid relating to financing activities	**7,164,265.30**	32,487,602.09
Cash outflows from financing activities — subtotal	**7,186,390.27**	82,150,613.98
Net cash flows generated from financing activities	**56,683,609.73**	-33,150,613.98
IV. Effects of changes in exchange rates on cash and cash equivalents	**-16,394,438.61**	5,523,821.21
V. Net increase in cash and cash equivalents	**-254,252,198.60**	-45,707,745.19
Add: Balance of cash and cash equivalents as at the beginning of the period	**311,482,901.16**	357,190,646.35
VI. Balance of cash and cash equivalents as at the end of the period	**57,230,702.56**	311,482,901.16

會合04表

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd.

Unit: RMB

項目	Amount for the Period Owners' equity attributable to shareholders of the parent company												Amount for the same period last year Owners' equity attributable to shareholders of the parent company											
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Minority interests	Total Owners' equity	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	General risk provision	Minority interests	Total Owners' equity
		Preferred shares	Perpetual bonds	Others											Preferred shares	Perpetual bonds	Others									
I. Balance as at the end of the previous year	421,138,000.00				1,871,271,557.52	33,577,999.92	847,204.58				-285,049,379.75		1,974,630,382.43	425,742,600.00				1,882,785,222.90	26,246,338.65	733,216.22				-221,930,140.77		2,061,084,559.70
Add: Adjustment for changes in accounting policies																									
Correction of accounting errors in prior period																									
Consolidation of enterprises under common control																									
Others																									
II. Balance at the beginning of the year	421,138,000.00				1,871,271,557.52	33,577,999.92	847,204.58				-285,049,379.75		1,974,630,382.43	425,742,600.00				1,882,785,222.90	26,246,338.65	733,216.22				-221,930,140.77		2,061,084,559.70
III. Increase/decrease during the period ("-" represents decrease)	-60,000.00				2,006,748.04	2,120,523.68	-234,451.15				40,151,695.97		39,743,469.18	-4,604,600.00				-11,513,665.38	7,331,661.27	113,988.36				-63,118,238.98		-85,454,177.27
(I) Total comprehensive income							-234,451.15				40,151,695.97		39,917,244.82							113,988.36				-63,118,238.98		-63,004,250.62
(II) Capital contributed and reduced by shareholders	-60,000.00				2,006,748.04	2,120,523.68							-173,775.64	-4,604,600.00				-11,513,665.38	7,331,661.27							-23,449,926.65
1. Ordinary shares contributed by shareholders	-60,000.00				-210,178.70								-270,178.70	-4,604,600.00				-16,717,257.09								-21,321,857.09
2. Capital contributed by holders of other equity instruments																									
3. Amount of share-based payment included in owners' equity					6,482,879.17								6,482,879.17					5,203,591.71							5,203,591.71
4. Others					-4,265,952.43	2,120,523.68							-6,386,476.11						7,331,661.27						-7,331,661.27
(III) Profit distribution																									
1. Transfer of surplus reserve																									
2. Provision to general risk reserve																									
3. Distribution to owners (or shareholders)																									
4. Others																									
(IV) Internal transfer within shareholders' equity																									
1. Transfer of capital reserve to share capital (or equity)																									
2. Transfer of surplus reserve to share capital (or equity)																									
3. Compensate losses by surplus reserve																									
4. Changes in defined benefit plans transferred to retained earnings																									
5. Other comprehensive income transferred to retained earnings																									
6. Others																									
(V) Special reserve																									
1. Extraction during the period																									
2. Amount used during the period																									
(VI) Others																									
IV. Balance as at the end of the period	421,078,000.00				1,873,278,305.56	35,698,523.60	612,753.43				-244,897,683.78		2,014,373,851.61	421,138,000.00				1,871,271,557.52	33,577,999.92	847,204.58				-285,049,379.75		1,974,630,382.43

Prepared by: MicroTech Medical (Hangzhou) Co., Ltd.

會合04表
Unit: RMB

Item	Amount for the Period										Amount for the same period last year									
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total Owners' equity	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred shares	Perpetual bonds	Others									Preferred shares	Perpetual bonds	Others							
I. Balance as at the end of the previous year	421,138,000.00				1,871,513,229.11	33,577,999.92				-41,169,154.80	2,217,904,074.39	425,742,600.00				1,883,026,894.49	26,246,338.65				-78,448,236.76	2,204,074,919.08
Add: Adjustment for changes in accounting policies																						
Correction of accounting errors in prior period																						
Others																						
II. Balance at the beginning of the year	421,138,000.00				1,871,513,229.11	33,577,999.92				-41,169,154.80	2,217,904,074.39	425,742,600.00				1,883,026,894.49	26,246,338.65				-78,448,236.76	2,204,074,919.08
III. Increase/decrease during the period ("-" represents decrease)	-60,000.00				2,006,748.04	2,120,523.68				-218,498,558.97	-218,672,334.61	-4,604,600.00				-11,513,665.38	7,331,661.27				37,279,081.96	13,829,155.31
(I) Total comprehensive income										-218,498,558.97	-218,498,558.97										37,279,081.96	37,279,081.96
(II) Capital contributed and reduced by owners	-60,000.00				2,006,748.04	2,120,523.68					-173,775.64	-4,604,600.00				-11,513,665.38	7,331,661.27					-23,449,926.65
1. Ordinary shares contributed by owners	-60,000.00				-210,178.70						-270,178.70	-4,604,600.00				-16,717,257.09						-21,321,857.09
2. Capital contributed by holders of other equity instruments																						
3. Share-based equity-settled payments					6,482,879.17						6,482,879.17					5,203,591.71						5,203,591.71
4. Others					-4,265,952.43	2,120,523.68					-6,386,476.11						7,331,661.27					-7,331,661.27
(III) Profit distribution																						
1. Transfer of surplus reserve																						
2. Distribution to owners (or shareholders)																						
3. Others																						
(IV) Internal transfer within owners' equity																						
1. Transfer of capital reserve to share capital (or equity)																						
2. Transfer of surplus reserve to share capital (or equity)																						
3. Compensate losses by surplus reserve																						
4. Changes in defined benefit plans transferred to retained earnings																						
5. Other comprehensive income transferred to retained earnings																						
6. Others																						
(V) Special reserve																						
1. Extraction during the period																						
2. Amount used during the period																						
(VI) Others																						
IV. Balance as at the end of the period	421,078,000.00				1,873,519,977.15	35,698,523.60				-259,667,713.77	1,999,231,739.78	421,138,000.00				1,871,513,229.11	33,577,999.92				-41,169,154.80	2,217,904,074.39

I. GENERAL INFORMATION OF THE COMPANY

MicroTech Medical (Hangzhou) Co., Ltd. (hereinafter referred to as the Company) was formerly known as MicroTech Medical (Hangzhou) Company Limited (微泰醫療器械(杭州)有限公司 (hereinafter referred to as MicroTech Medical Co., Ltd微泰醫療有限公司)), MicroTech Medical Co., Ltd was jointly funded by Zheng Pan, Hangzhou Ruili Technology Co., Ltd. (杭州瑞利科技有限公司), Wang Chunjiang, Qiu Yifeng, The 715th Research Institute of China Shipbuilding Industry Corporation (中國船舶重工集團公司第七一五研究所), Liu Yajun and Zhou Shenghao. On January 20, 2011, MicroTech Medical Co., Ltd was registered with the Administration for Market Regulation of Yuhang District in Hangzhou. MicroTech Medical Co., Ltd set the base date as September 30, 2020, converting the whole entity into a joint stock limited liability company, and registered with the Administration for Market Regulation of Yuhang District in Hangzhou on November 6, 2020, which the headquarter was located in Hangzhou, Zhejiang Province. The Company's type of legal entity is a joint stock limited company, and currently obtains a business license with unified social credit code of 9133011056875135XF, with the registered capital of RMB421,078,000 and 421,078,000 shares in total with par value of RMB1.00 each. Of which, 251,902,158 are non-tradable shares; and 169,175,842 H shares (tradable shares held not subject to sale restrictions). The Company's shares have been listed and traded on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the Hong Kong Stock Exchange) on October 19, 2021.

The Company is engaged in the medical device industry. The principal business activities are the R&D, manufacturing and sale of medical devices.

These financial statements were approved for publication at the 11st meeting of the second meeting of the Board of the Company on 30 March 2026.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Preparation Basis

The Company prepared the financial statements on the going concern basis and prepared on the transactions and events actually occurred in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidance, interpretations and other relevant provisions (collectively, the Accounting Standards for Business Enterprises), as well as the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (2023 Revision) issued by the China Securities Regulatory Commission (CSRC) and the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

(II) Evaluation on ability of continuing operation

The Company does not have any event or circumstance that arises material concerns about assumptions on the ability of continuing operation within twelve months from the end of the reporting period.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Importance note: Formulation of specific accounting policies and accounting estimates was based on the features of actual productions and operations of the Company with respect to such transactions or matters as impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, and recognition of revenue.

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in accordance with the requirements of the Accounting Standards for Business Enterprises, and gives a true and complete view on information including the financial position, the operating results and cash flows of the Company.

(II) Accounting Period

The accounting year is from 1 January to 31 December.

(III) Operating cycle

The Company operates on a relatively short operating cycle, which classifies the liquidity of assets and liabilities by a 12-months standard.

(IV) Standard currency for accounting

The Company and domestic subsidiaries adopt Renminbi as the standard currency for accounting. MTM AiDEX Europe GmbH, the offshore subsidiary, operates aboard, and chooses the currency of the main economic environment in which it operates as the reporting currency.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Methodology for determining materiality criteria and basis for selection

The Company followed the principle of materiality in its preparation and disclosure of financial statements. The disclosures in the notes to the financial statements that involve materiality standard judgments and the methods of determining and selecting the materiality standards are as follows:

Disclosures that involve materiality standard judgments	Methodology for determining materiality criteria and basis for selection
Significant accounts receivables with provision for bad debts on individual basis	The company recognizes accounts receivable with an individual account receivable amount exceeding 0.3% of total assets as significant accounts receivable.
Significant written-off of receivables	The company recognizes accounts receivable with an individual account receivable amount exceeding 0.3% of total assets as significant accounts receivable.
Significant prepayments aged over 1 year	The Company recognizes prepayments with an individual prepayment amount exceeding 0.3% of total assets as significant prepayment.
Significant construction projects in progress	The Company recognizes construction projects in progress with an individual construction project in progress amount exceeding 0.3% of total assets as significant construction projects in progress.
Significant payables aged over 1 year	The Company recognizes payables with an individual payable amount exceeding 0.3% of total assets as significant payables.
Significant receipts in advance aged over 1 year or past due	The Company recognizes receipts in advance with an individual receipt in advance amount exceeding 0.3% of total assets as significant receipts in advance.
Significant contract liabilities aged over 1 year	The Company recognizes contract liabilities with an individual contract liability amount exceeding 0.3% of total assets as significant contract liabilities.
Significant other payables aged over 1 year	The Company recognizes other payables with an individual other payable amount exceeding 0.3% of total assets as significant other payables.
Significant cash flows from investing activities	The Company recognizes cash flows from investing activities with an individual amount exceeding 5% of total assets as significant cash flows from investing activities.
Significant overseas operating entities	The Company recognizes foreign operating entities with total assets exceeding 15% of total consolidated assets as significant foreign operating entities.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Accounting treatment for business combinations under common control and not under common control

1. Accounting treatment for business combinations under common control

The assets acquired and liabilities assumed by the Company through business combination shall be measured at the book value of the acquiree in the consolidated financial statements of the ultimate controlling party at the combination date. The capital reserve shall be adjusted by the Company based on the difference between the book value of shares of the acquiree's owners' equity in the consolidated financial statements of the ultimate controller and the book value of the combined consideration or the total value of the issued shares, if it is not enough, retained earnings shall be adjusted.

2. Accounting treatments for business combinations not under common control

The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the combination date, was recognised as goodwill. In case the fair value of the consideration paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review indicates that the fair value of the consideration paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

(VII) Standards for Determination of Control and Methodology for the Preparation of the Financial Statements

1. Determination of Control

Control is recognised when the investor has the power over the investee; rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Preparation Method of Consolidated Financial Statements

(1) The parent includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the parent pursuant to "ASBE 33 — Consolidated Financial Statements" based on the financial statements of the parent and its subsidiaries and other relevant information.

(2) Relevant accounting treatment of acquisition and disposal of or disposal and acquisition of equity of the same subsidiary in two consecutive accounting years.

(VIII) Standards for Determination of Cash and Cash Equivalents

Cash presented in the cash flows statement represents cash on hand and deposits ready for payment from time to time. Cash equivalents represent the short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

1. Translation of foreign currency transactions

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate at the date of transaction upon initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the construction or production of qualifying assets. Foreign currency non-monetary items measured at historical cost are translated at the approximate exchange rate of the spot exchange rate at the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date of determination of fair value, with the differences included in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

Asset and liability items in the balance sheet are translated at the spot exchange rate at the balance sheet date. Owners' equity items, excluding "retained earnings", are translated at the spot exchange rate on the transaction dates, and the income and expense items in the income statements are translated at the approximate exchange rate of the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income.

(X) Financial Instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories at initial recognition: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through profit or loss for the current period.

Financial liabilities are classified into the following four categories at initial recognition: (1) financial liabilities measured at fair value through profit or loss for the current period; (2) financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets; (3) the financial guarantee contracts which do not fall into (1) or (2) above, and the commitments to grant loans which do not fall into (1) above and have an interest rate lower than the market rate; (4) financial liabilities measured at amortized cost.

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities

(1) *Recognition criteria and initial measurement method of financial assets and financial liabilities*

When the Company becomes a party to a financial instrument contract, it is recognised as a financial asset or financial liability. The financial assets or financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss for the current period, the transaction expenses thereof are directly included in profit or loss for the current period; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount. However, accounts receivable initially recognised by the Company which do not contain a significant financing component, or financing components in a contract valid for less than one year which are not considered by the Company, are initially measured at transaction price as defined in the "Accounting Standard for Business Enterprises No.14 - Revenue".

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities (Continued)

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be included in profit or loss when the financial asset is derecognized, reclassified, amortized using the effective interest method or recognized in respect of impairment.

2) Debt instrument investments at fair value through other comprehensive income

These debt instrument investments are subsequently measured at fair value. Interest, impairment losses or gains and foreign exchange gains and losses calculated using the effective interest method are included in profit or loss in the current period. Other gains or losses are included in other comprehensive income. On derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to profit or loss for the current period.

3) Equity instrument investments at fair value through other comprehensive income

These debt instrument investments are subsequently measured at fair value. Dividends obtained (excluding those obtained as investment costs recovered) are included in profit or loss for the current period, while other gains or losses are included in other comprehensive income. On derecognition, cumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

4) Financial assets at fair value through profit or loss for the current period

These financial assets are subsequently measured at fair value, and any gain or loss therefrom (including interest and dividend income) is included in profit or loss for the current period, unless such financial assets are part of the hedging relationship.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities (Continued)

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss for the current period

These financial liabilities include trading financial liabilities (including derivative instruments classified as financial liabilities) and financial liabilities designated as at fair value through profit or loss for the current period. These financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as at fair value through profit or loss for the current period as a result of changes in the Company's own credit risk are included in other comprehensive income, unless this approach creates or enlarges an accounting mismatch in the profit or loss. Other gains or losses on these financial liabilities (including interest expenses and changes in fair value other than as a result of changes in the Company's own credit risk) are included in profit or loss for the current period, unless these financial liabilities are part of the hedging relationship. On derecognition, cumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

2) Financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets. Those financial liabilities are measured in accordance with the "Accounting Standard for Business Enterprises No.23 — Transfer of Financial Assets".

3) Financial guarantee contracts which do not fall into 1) or 2) above, and the commitments to grant loans which do not fall into 1) above and have an interest rate lower than the market rate

After initial recognition, these financial guarantee contracts and commitments to grant loans are subsequently measured at the higher of: 1 provisions for losses determined according to requirements on the impairment of financial instruments; 2 balance from the initially recognised amount less accumulated amortisation determined according to the "Accounting Standard for Business Enterprises No.14 - Revenue".

4) Financial liabilities measured at amortised cost

These financial liabilities are measured at amortised cost using the effective interest method. Any gains or losses on financial liabilities measured at amortised cost which are not part of the hedging relationship are included in profit or loss for the current period when derecognised or amortised using the effective interest method.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities (Continued)

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognised when one of the following conditions is met:

① the contractual right to the cash flows from such financial assets has expired;

② such financial assets have been transferred, which meets the requirements of Accounting Standard for Business Enterprise No. 23 — Transfer of Financial Assets in relation to derecognition of financial assets.

2) A financial liability (or part of it) is derecognized accordingly where its present obligation (or part of it) is discharged.

3. Recognition criteria and measurement method of transfer of financial assets

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset, and the rights and obligations arising from or retained in such transfer shall be separately recognized as assets or liabilities. A transferred financial asset will remain recognized if the Company retains substantially all the risks and rewards associated with the ownership of such financial asset. Where the Company has neither transferred nor retained substantially all the risks and rewards associated with the ownership of the financial asset, it may either: derecognize the financial asset if control of the financial asset has not been retained, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities; (2) recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize associated liability accordingly if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the book value of the financial asset transferred on the date of derecognition; (2) the sum of the consideration received from the transferred financial asset and the amount (which involves investments in debt instruments at fair value through other comprehensive income being the transferred financial assets) for derecognition of the cumulative changes in fair value previously included in comprehensive income, is included in profit or loss for the current period. If a partial transfer of a financial asset as a whole qualifies for derecognition, the book value of the financial asset prior to such transfer is allocated between the part that subject to derecognition and the part subject to recognition, in proportion to the respective fair values of those parts on the date of transfer. The difference between (1) the book value of the part derecognized; (2) the sum of the consideration of the part derecognized and the amount (which involves investments in debt instruments at fair value through other comprehensive income being the transferred financial assets) for derecognition of the cumulative changes in fair value for the part derecognized which has been previously directly included in other comprehensive income, is included in profit or loss for the current period.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

4. Determination of fair value of financial assets and financial liabilities

The Company adopts valuation techniques that are appropriate under the circumstances and supported by sufficient data and other information available to determine the fair value of the relevant financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques into the following hierarchies, and applies in the following sequence:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;

(2) Level 2 inputs are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs, including: quoted price for similar assets or liabilities in an active market; quoted price for the same or similar assets or liabilities in an inactive market; other observable inputs excluding quoted price, such as interest rates and yield curves observable at commonly quoted intervals; inputs that are evidenced in market, etc.;

(3) Level 3 inputs are unobservable inputs for the relevant asset or liability, including interest rates, stock volatility, future cash flows from the disposal obligations assumed in a business combination, financial forecast using internal data that are not directly observable or cannot be verified by observable market data.

5. Impairment of financial instruments

Based on the expected credit losses (ECLs), the Company impairs and recognises the loss allowance with respect to financial assets amortized at costs, investments in debt instruments at FVOCI, contract assets, lease receivables, loan commitments other than financial liabilities at FVTPL for the current period, financial liabilities that disqualify for those at FVTPL for the current period and financial guarantee contracts for financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred.

The expected credit losses are the weighted average credit losses with probability of default as the weight. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows that the Company expects to receive, that is, the present value of all cash shortages. For purchased or originated credit-impaired financial assets, the ECLs are discounted at the credit-adjusted effective interest rate of such financial assets.

For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative change in lifetime ECLs after initial recognition on the balance sheet date as loss provision.

For lease receivables, receivables and contract assets arising from transactions regulated by the “Accounting Standard for Business Enterprises No.14 - Revenue”, the Company measures loss provision based on the amount of lifetime ECLs by using a simplified measurement method.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

5. Impairment of financial instruments (Continued)

For receivables and contract assets formed from transactions regulated by Accounting Standard for Business Enterprises No. 14 — Revenue, the Company uses a simplified measurement method to measure the loss provision at an amount equivalent to the expected credit loss over the entire duration.

For lease receivables, receivables and contract assets formed by transactions regulated by Accounting Standard for Business Enterprises No. 14 — Revenue, which do not contain significant financing components or for which the company does not take into account the financing components in contracts not exceeding one year, the Company uses a simplified measurement method to measure the loss provision at an amount equivalent to the expected credit loss over the entire duration.

For receivables and contract assets formed by transactions regulated by Accounting Standard for Business Enterprises No. 14 — Revenue, which do not contain significant financing components or for which the company does not take into account the financing components in contracts not exceeding one year, the Company uses a simplified measurement method to measure the loss provision at an amount equivalent to the expected credit loss over the entire duration.

In addition to financial assets in respect of which the aforesaid measurement approaches are adopted, the Company assesses whether there has been a significant increase in its credit risk since initial recognition at each balance sheet date. If there has been a significant increase in the credit risk since initial recognition, the loss reserves are measured at the amount of lifetime ECLs; if there has not been a significant increase in the credit risk since initial recognition, the loss reserves are measured at the amount of 12-month expected credit loss.

To assess whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument on the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition through reasonable and supportable information, including forward-looking information.

The Company assumes that there has not been a significant increase in the credit risk, if a financial instrument is determined to have a low credit risk at the balance sheet date.

The Company assesses expected credit risk and measures expected credit loss on either an individual basis or a collective basis of financial instruments. When the assessment is performed on a collective basis, the financial instruments are classified into various groups by the Company based on shared risk characteristics.

Expected credit losses are remeasured by the Company at each balance sheet date, and any increase or reversal of loss reserves arising therefrom is included in profit or loss for the current period as impairment losses or gains. For a financial asset at amortised cost, the loss reserve reduces the book value of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss reverse is recognised in other comprehensive income without reducing the book value of the financial asset.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

6. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, if the following conditions are met, the net amount offset by each other is presented in the balance sheet: (1) the Company has a statutory right to offset the recognised amount, and such legal right is currently enforceable; (2) the Company plans to settle in net amount or to realise the financial assets and liquidate the financial liabilities at the same time.

For transferred financial assets not qualify for derecognition, the Company will not offset the transferred financial assets against related liabilities.

(XI) Recognition criteria and provision method of expected credit loss of receivables

1. Receivables for which expected credit losses are provided based on credit risk characteristics portfolio

Category of portfolio	Basis for determining the portfolio	Method for measuring expected credit losses
Bank acceptance accounts receivable Commercial acceptance accounts receivable	Bill type	With reference to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the expected credit loss is calculated based on the exposure at default and the lifetime expected credit loss rate
Accounts receivable — Related party group within the scope of consolidation	Related parties within the scope of consolidation	
Accounts receivable — Aging portfolio	Ageing	The expected credit loss is calculated using the aging provision matrix model, specifically by combining the historical loss rate and the migration rate, etc., forecasting the expected credit loss after considering forward-looking information, and preparing a comparison table between the aging of accounts receivable and the expected credit loss rate to calculate the expected credit loss
Other receivables — Low risk portfolio	Nature of business	With reference to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the expected credit loss is calculated based on the exposure at default and the expected credit loss rate in the next 12 months or the entire lifetime
Other receivables — Related party portfolio within the scope of consolidation	Related parties within the scope of consolidation	

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Recognition criteria and provision method of expected credit loss of receivables (Continued)

2. Comparison table of aging and expected credit loss rate of aging portfolio

Age	Expected credit loss rate of accounts receivable (%)
Within 1 year (inclusive, same below)	1.90
1–2 years	19.97
2–3 years	42.48
3–4 years	64.34
4–5 years	89.99
Over 5 years	100.00

The aging of accounts receivable is calculated from the initial recognition date.

3. Criteria for recognition of receivables for which expected credit losses are provided on an individual basis

For receivables with significantly different credit risks and portfolio credit risks, the Company makes provision for expected credit losses on an individual basis.

(XII) Inventories

1. Categories of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials and supplies etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories

Inventories dispatched are accounted for on the basis of the weighted average method calculated on a month-end basis.

3. Inventory system

Perpetual inventory method is adopted.

4. Amortisation method of low-value consumables and packages

(1) *Low-value consumables*

Low-value consumables are amortised in full when received for use.

(2) *Packages*

Packages are amortised in full when received for use.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XII) Inventories (Continued)

5. Provision for inventory impairment

At the balance sheet date, inventories are measured at the lower of cost and net realisable value; provisions for inventory write-down are made on the excess of its cost over the net realisable value. The net realisable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realisable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realisable value is determined separately and is compared with their costs to determine the provision for inventory write-down to be made or reversed.

(XIII) Long-term Equity Investments

1. Judgement on joint control and significant effects

Joint control is recognised as control held for a certain arrangement under the relevant agreement, the relevant activity of which should be unanimously agreed by the parties sharing the control. The influence is deemed as significant if there involves the power of participating in decision making on the financial and operational policies of the investee, but the power cannot control or jointly control with other parties the formulation of the policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the book value of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the book value of the combination consideration paid or the aggregate nominal amount of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “package deal”. If it is a “package deal”, transactions as a whole are treated as one transaction obtaining the right to control in accounting treatment. If it is not a “package deal”, on the combination date, investment cost is initially recognised at the share of the book value of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party after the combination. The difference between the acquisition-date investment cost of long-term equity investments and the book value of the previously held long-term equity investments plus the book value of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

2. Determination of investment cost (Continued)

(2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of combination considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages through various transactions, the Company determined whether they are separate financial statements and consolidated financial statements in accounting treatment:

1) In separate financial statements, initial investment cost which is accounted for using the cost method is recognised at the book value of the previously held equity investments plus the newly increased investment cost.

2) In consolidated financial statements, the Company determines whether it is a "package deal". If it is a "package deal", transactions as a whole are treated as one transaction obtaining the right to control in accounting treatment. If it is not a "package deal", the book value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the book value is recognised in the investment income for the period; when the acquirer's previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or net assets from pre-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "Accounting Standards for Business Enterprises No.12-Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "Accounting Standards for Business Enterprises No. 7-Non-cash Assets Exchange".

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

3. Subsequent measurement and recognition in profit or loss

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The equity method is applied to long-term equity investment of associates and joint ventures.

4. Accounting treatment of a step-by-step disposal of an investment in a subsidiary through multiple transactions until loss of control

(1) Principles for determining whether a transaction is a "package deal" or not

In the event of a step-by-step disposal of an investment in a subsidiary through multiple transactions until loss of control, the Company shall judge whether the step-by-step transaction is a "package deal" by taking into account the terms and conditions of the transaction agreement for each step of the step-by-step transaction, each disposal consideration received, the object of the disposal, the method of disposal, and the point of time of disposal. Multiple transactions are generally categorized as "package deal" if the terms, conditions and economic effects of the transactions fall into one or more of the following categories:

1) the transactions are entered into at the same time or in contemplation of each other;

2) the transactions shall work together to achieve an overall commercial effect;

3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction;

4) one transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

(2) Accounting treatment for transactions that are not "package deal"

1) Separate financial statements

For equity interests disposed of, the difference between the book value and the actual consideration obtained is recognised as current profit or loss. For the remaining equity interests, those which are still entitled to a significant influence on the investee or perform joint control with other parties are accounted for using equity method, while those which do not control, jointly control or have a significant influence on the investee are accounted for pursuant to the relevant regulations of the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

4. Accounting treatment of a step-by-step disposal of an investment in a subsidiary through multiple transactions until loss of control (Continued)

(2) Accounting treatment for transactions that are not "package deal" (Continued)

2) Consolidated financial statements

Prior to the loss of control, the capital reserve (capital premium) is adjusted with the difference between the consideration of the disposal and the entitled share of the net assets of the subsidiary that would have been entitled to by the disposed long-term equity investment and continuously accounted for from the acquisition date or combination date. If the balance of the capital premium is insufficient for the set-off, the retained earnings will be set off accordingly.

When the control over the former subsidiary is lost, the remaining equities are re-measured at fair value at the date when the control is lost. The sum of the consideration obtained from disposal and the fair value of the remaining equity interests less the share of the net assets of the subsidiary that would have been entitled to and continuously accounted for according to the original shareholding percentage from the acquisition date or combination date is recognised as investment income for the period covering the date of loss of control, offsetting the goodwill at the same time. Other comprehensive income related to the equity investment in the former subsidiary shall be transferred to the investment income for the period when the control is lost.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

4. Accounting treatment of a step-by-step disposal of an investment in a subsidiary through multiple transactions until loss of control (Continued)

(3) Accounting treatment for transactions that are "package deal"

1) Separate financial statements

The transactions as a whole are treated as one single transaction of disposal of a subsidiary and loss of control in accounting treatment. However, prior to the loss of control, the difference between each of the consideration of disposal and the carrying value of the long-term equity investment corresponding to the disposal of the investment is recognised as other comprehensive income in the separate financial statements and transferred to profit or loss for the period when the control is lost.

2) Consolidated financial statements

The transactions as a whole are treated as one single transaction of disposal of a subsidiary and loss of control in accounting treatment. However, prior to the loss of control, the difference between each of the consideration of disposal and the share of net assets of that subsidiary that would have been entitled to by the disposed investment is recognised as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period when the control is lost.

(XIV) Fixed Assets

1. Recognition criteria of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year, and are recognised when the inflow of economic benefits is probable and the cost can be reliably measured.

2. Depreciation method of each category of fixed assets

Categories	Depreciation method	Depreciation term (years)	Residua value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	10-20	0.00-5.00	4.75-10.00
General Equipment	Straight-line method	3-10	0.00-5.00	9.50-33.33
Professional Equipment	Straight-line method	3-10	0.00-5.00	9.50-33.33
Transportation tools	Straight-line method	5	5.00	19.00

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Construction in Progress

1. Construction in progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred until it is ready for intended use.

2. Construction in progress is transferred to fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred to fixed assets based on estimated value. After final account of the project has been settled, the Company shall make adjustment to the previous estimated value based on actual cost, but need not to adjust the depreciation retrospectively.

Categories	Standards and timings for converting construction in progress to fixed assets
Buildings and structures	available for use after completion of work
General Equipment	meeting the design requirements or standards specified in the contract after installation and commissioning
Professional Equipment	meeting the design requirements or standards specified in the contract after installation and commissioning

(XVI) Borrowing Costs

1. Recognition principles on capitalisation of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of an asset eligible for capitalisation shall be capitalised in the cost of relevant assets. Other borrowing costs are recognised as expenses in current profit or loss when incurred.

2. Capitalisation period of borrowing costs

(1) Borrowing costs shall be capitalised when: 1) capital expenditures have been incurred; 2) borrowing costs have been incurred; 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.

(3) The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Borrowing Costs (Continued)

3. Capitalisation rate and amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets eligible for capitalisation, the amount of interest costs (including amortisation of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalised after deducting any interest earned from depositing the unused borrowings in bank or any investment income arising from the temporary investment of those borrowings during the capitalisation period. For general borrowings used to acquire, construct or produce assets eligible for capitalisation, the capitalised amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings).

(XVII) Intangible Assets

1. Intangible assets, including land use rights, patents, license fee, and software license, are initially measured at cost.

2. Intangible assets with definite useful lives are reasonably and systematically amortised over their useful lives based on the pattern of the economic benefits relating to the intangible assets that are expected to be realised. Intangible assets whose economic benefits realisation pattern cannot be reliably anticipated are amortised on a straight-line basis over the following useful life:

Items	Useful life and their basis for determining	Amortization method
Land use rights	The useful life is determined to be 593–600 months according to the property registration period	Straight-line method
Patents	The useful life is determined to be 203–206 months according to the patent term	Straight-line method
License fee, software license	The useful life is determined to be 36–60 months according to the expected benefit period	Straight-line method

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Intangible Assets (Continued)

3. Scope of collection of R&D expenses

(1) Personnel costs

Personnel and labor costs include salaries, basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for the Company's R&D personnel, as well as labor costs for external R&D personnel.

The R&D personnel also serve multiple R&D projects, the labor costs are recognised based on the working hours records of the R&D personnel of each R&D project provided by the Company's management department, and are allocated among different R&D projects on a pro rata basis.

For personnel directly engaged in R&D activities and external R&D personnel engaged in non-R&D activities at the same time, the Company allocates the actual labor costs of R&D personnel according to the working hours of R&D personnel in different positions and other reasonable methods such as the proportion of actual working hours to R&D expenses and production and operation expenses.

(2) Direct input costs

Direct investment expenses refer to the relevant expenses actually incurred by the Company for the implementation of R&D activities. Including: 1) Direct consumption of materials, fuel and power; 2) the development and manufacturing fees for molds and process equipment used for intermediate tests and product trial production, which do not constitute the purchase fees for samples, prototypes and general testing methods of fixed assets, and the inspection fees for trial production of products; 3) Operation, maintenance, adjustment, inspection, testing and maintenance costs of instruments and equipment used for R&D activities.

(3) Depreciation expenses and long-term deferred expenses

Depreciation expenses represent depreciation charges for instruments, equipment and buildings in use for R&D activities.

For instruments, equipment and buildings in use used for R&D activities, which are also used for non-R&D activities, necessary records shall be made for the use of such instruments, equipment and buildings in use, and the actual depreciation expenses shall be allocated between the R&D expenses and the production and operation expenses using reasonable methods based on the actual working hours, area of use and other factors.

Long-term deferred expenses refer to the long-term deferred expenses incurred in the process of reconstruction, modification, renovation and repair of R&D facilities, which are classified according to the actual expenses and amortized evenly over the prescribed period.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Intangible Assets (Continued)

3. Scope of collection of R&D expenses (Continued)

(4) *Amortization expenses of intangible assets*

Amortization expense of intangible assets refers to the amortization expense of software, intellectual property rights and non-patented technologies (proprietary technologies, licenses, design and calculation methods, etc.) used in R&D activities.

(5) *Design fee*

Design expenses refer to the expenses incurred for the conceptualization, development and manufacturing of new products and processes, the formulation of processes, technical specifications, procedures, and the design of operational characteristics, including the expenses related to the creative design activities for obtaining innovative, creative and breakthrough products.

(6) *Equipment commissioning expenses and testing expenses*

Equipment commissioning expenses refer to the expenses incurred in R&D activities during the preparation of tooling, including the expenses incurred in the development of special and specialized production machines, changes in production and quality control procedures, or the formulation of new methods and standards.

The expenses incurred for the preparation of regular tooling and industrial engineering for large-scale batch and commercial production are not included in the scope of collection.

Trial expenses include clinical trial fees for new drug development, on-site testing fees for exploration and development technologies, field testing fees, etc.

(7) *Commission for external R&D*

Outsourced external R&D expenses refer to the expenses incurred by the Company in entrusting other domestic and overseas institutions or individuals to conduct R&D activities (the results of R&D activities are owned by the Company and are closely related to the Company's main business).

(8) *Other expenses*

Other expenses refer to other expenses directly related to R&D activities in addition to the above expenses, including technical drawings and materials fees, data translation fees, expert consulting fees, high-tech R&D insurance premiums, R&D achievements search, demonstration, review, appraisal and acceptance fees, intellectual property application fees, registration fees, agency fees, conference fees, travel expenses, communication fees, etc.

4. Expenditures for internal R&D projects during the development stage are expensed in the period as incurred. The expenses of internal R&D projects during the development stage are recognised as intangible assets when all of the following conditions are satisfied: (1) the completion of such intangible assets for use or sale is technically feasible; (2) the Company has the intention to use or sell the intangible assets upon completion; (3) the way in which the intangible assets bring economic benefits shows that there exists consumption market for the products with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; (4) the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; (5) the expenses attributable to such intangible assets can be measured reliably at the development stage.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Partial Long-term Asset Impairment

For long-term assets such as long-term equity investment, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, when there is evidence at the balance sheet date showing that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination and intangible assets with uncertain useful life, whether there is an evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group portfolio.

If the recoverable amounts of the abovementioned long-term assets are lower than their book values, the differences are recognised as provision for asset impairment and recorded in profit and loss for the current period.

(XIX) Long-term Deferred Expenses

Long-term deferred expenses are expenses that have been recognised but with amortisation period over one year (excluding one year). Long-term deferred expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term deferred expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in profit and loss for the period.

(XX) Employee Benefits

1. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long term employee benefits.

2. **Accounting treatment of short-term remuneration**

   During the accounting period when the staff provides service, the Company will recognise the short-term remuneration incurred as liabilities, and the liabilities would be included in profit and loss for the period or the relevant costs of assets.

3. **Accounting treatment of post-employment benefits**

   The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

   (1) During the accounting period when the staff provides service, the Company will recognise the amount payable calculated under defined contribution plan as liabilities, and the liabilities would be included in profit and loss for the period or the relevant costs of assets.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Employee Benefits (Continued)

3. Accounting treatment of post-employment benefits (Continued)

(2) Accounting treatment of defined benefit plan normally comprises steps as follow:

1) According to the projected unit credit method, the Company adopted unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period of relevant obligations belonging to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;

2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the defined benefit plan less the fair value of the defined benefit plan are recognised as a net debt or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;

3) At the end of the period, the cost of employee benefits from the defined benefit plan will be recognised as three parts, such as the service cost, the net interest on the net liabilities or net assets from the defined benefit plan and the changes arising from the remeasurement of the net liabilities or net assets from the defined benefit plan. Of these, the service cost and the net interest on the net liabilities or net assets from the defined benefit plan will be recognised in profit and loss for the period or relevant assets cost. The changes arising from the remeasurement of the net liabilities or net assets from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to profit or loss in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

4. Accounting treatment of termination benefits

When providing termination benefits to employees, the employee benefits liabilities arising from the recognition of termination will be recognised in profit and loss for the current period at the earlier of: (1) when the Company cannot unilaterally withdraw the termination benefits for the release of the labour relationship plan or the termination proposal; (2) when the Company recognised relevant costs or expenses associated with the reorganisation of the payment of the termination benefits.

5. Accounting treatment of other long-term employee' benefits

Other long-term benefits provided by the Company to employees that satisfy the conditions of defined contribution plan will apply accounting treatment according to the relevant provisions of the defined contribution plans. Other long-term benefits other than this will conduct accounting treatment according to the defined benefit plan. In order to simplify the relevant accounting treatment, the generated staff remuneration is recognised as service cost and the total net amount of the components such as net interest amount of net liabilities or net assets in terms of other long-term employees' benefits and changes arising from re-measuring the net liabilities or net assets in terms of other long-term employees' benefits is recognised as profit and loss for the period or the relevant cost of asset.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Provision for Liabilities

1. Provisions for liabilities are recognised when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and onerous contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of such obligation, and a reliable estimate of the amount of the obligation can be made.

2. Provisions for liabilities are initially stated at the best estimate of the expenditure that is required for settling the present obligation. Book values of provisions for liabilities are reviewed at balance sheet date.

(XXII) Share-based Payments

1. Classification of Share-based Payments

Including equity-settled share-based payments and cash-settled share-based payments.

2. Relevant accounting treatment for implementation, revision and termination of share-based payment plan

(1) *Equity-settled share-based payments*

As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments should, on the date of grant, stated as the relevant cost or expense and the capital reserves should be adjusted accordingly. As to an equity-settled share-based payment in return for services of employees, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimate of the number of vested equity instruments, be stated as relevant costs or expenses at the fair value of the equity instruments on the date of grant and the capital reserves should be adjusted accordingly.

Regarding equity-settled share-based payments in return for services of other parties, if the fair value of the service of any other party can be measured reliably, the equity settled share-based payment should be measured as per the fair value of the service of the other party on the date of acquisition. If the fair value of the service of any other party cannot be measured reliably, but the fair value of the equity instruments can be measured reliably, the equity-settled share-based payments should be measured as per the fair value of the equity instruments on the date of the service acquisition and be stated as relevant cost or expense, and the owner's equities should be increased accordingly.

(2) *Cash-settled share-based payments*

As to a cash-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the cash-settled share-based payment should be stated as relevant cost or expense as per the fair value of the liabilities undertaken by the Company on the date of grant, and the liabilities should be increased accordingly. As to a cash-settled share-based payment in return for services of employees, if the right can only be exercised upon the completion of services or attainment of stipulated results in business performance within the vesting period, on each balance sheet date within the vesting period, the services obtained in the current period should, based on the best estimate of the information about the exercisable right, be stated as relevant costs or expenses and the corresponding liabilities at the fair value of the liabilities undertaken by the Company.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Share-based Payments (Continued)

2. Relevant accounting treatment for implementation, revision and termination of share-based payment plan (Continued)

(3) Revision and termination of share-based payment plan

If the revision leads to increase in the fair value of the equity instruments granted, the Company should recognize the increase of the services obtained according to the increase in the fair value of the equity instruments. If the revision leads to increase in the number of the equity instruments granted, the Company should recognize the fair value of the increased equity instruments as increase of the services obtained. If the Company changes the vesting conditions in a mode favourable to the employees, the Company should take into account the vesting conditions after change in dealing with the vesting conditions.

If the revision leads to decrease in the fair value of the equity instruments granted, the Company should continue to recognize the amount of the services obtained based on the fair value of the equity instruments on the date of grant, without considering the decrease in the fair value of the equity instruments. If the revision leads to decrease in the number of equity instruments, the Company should regard the decrease as cancellation of the equity instruments granted. If the Company changes the vesting conditions in a mode unfavourable to the employees, the Company may not consider the vesting conditions after change in dealing with the vesting conditions.

If the Company cancels or settles the equity instruments granted in the vesting period (except for cancellation due to failure to meet vesting conditions), the Company should speed up dealing with the exercisable right based on the cancellation or settlement and immediately recognize the amount to be recognized in the remaining vesting period.

(XXIII) Revenue

1. Principles on recognition of revenue

At contract inception, the Company assesses the contract to identify each individual performance obligation thereunder and to determine whether the performance obligation is satisfied over time or at a point in time.

If one of the following criteria is met, the Company satisfies a performance obligation over time, otherwise the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the Company's performance creates goods that the customer controls as goods are created; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date during the term of the contract.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Revenue (Continued)

1. Principles on recognition of revenue (Continued)

For a performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. If the Company is unable to reasonably measure its progress towards complete satisfaction of a performance obligation and expects to recover the costs incurred, the Company shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure progress towards complete satisfaction of the performance obligation. For a performance obligation satisfied at a point in time, the Company shall recognise revenue when customer obtains control of relevant goods or services. To determine whether a customer obtains control of goods, the Company shall consider the following indicators: (1) the Company has a present right to receive the payment for the goods, i.e. a customer has a present obligation to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e. the customer has the legal title of the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e. the customer has physical possession of the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e. the customer has the significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other indications that the customer has obtained control of the goods.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Revenue (Continued)

2. Principles on the measurement of revenue

(1) The Company measures revenue through allocating the transaction price to each performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to the customers.

(2) If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration by using either of the expected value or the most likely amount, provided that the transaction price including the variable consideration does not exceed the amount for which the accumulative recognised income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated.

(3) Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when it is assumed that the customer has taken the control of goods or services. The difference between the transaction price and the contract consideration is amortised using the effective interest method during the contract period. On the contract start date, the Company does not consider the major financing components in the contract when it expects that the difference between customer taking the control of goods or services and the payment of the customer price is not more than one year.

(4) Where the contract includes two or more performance obligations, the Company shall amortise the transaction price to each individual performance obligation on the contract start date in line with the relative proportion of the individual selling prices of the goods.

3. Specific methods for revenue recognition

The Company's product sales model is mainly divided into offline and online sales model, which is a performance obligation performed at a certain point in time. The specific methods for revenue recognition are as follows:

(1) Offline sales

Revenue from domestic sales is recognized when the Company delivers the products to the agreed delivery location and the customers sign off; revenue from export sales is recognized based on the sales contracts, customs declaration form, bill of lading and other documents upon completion of the Company's customs declaration or shipping out of the port and arriving at the named port or place of destination.

(2) Online sales

Customers place orders through the online platform to the Company, and the Company delivers the products after receiving the orders from customers, and the revenue is recognized after customer confirms the receipt of the products on the platform.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Revenue (Continued)

4. Impact of special sales terms on revenue recognition and measurement

The Company's contracts with some distributors stipulate that after reaching a certain sales target, sales incentives such as rebates and purchase gifts will be provided. For rebates, at the balance sheet date, the Company recognizes contract liabilities based on the amount allocated to the goods to be redeemed and offsets the sales revenue of the corresponding customers. For the purchase of goods, the Company allocates the total contract transaction price to the relative proportion of the individual selling price of each good and recognizes the sales revenue of each good.

(XXIV) Contract Assets, Contract Liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents the net amount after offsetting the contract assets with the contract liabilities under the same contract.

The Company's unconditional (i.e., depending only on the passage of time) right to collect consideration from customers is presented separately as receivables, whereas the right to collect consideration from customers who have received the goods transferred (which depends on factors other than the passage of time) is presented as contract assets.

Contract liabilities are presented for the obligation of transferring goods to customers when an amount of consideration has been received or is receivable by the Company.

(XXV) Government Grants

1. Government grants are recognised when (1) the Company is able to comply with the conditions attached to the government grants; (2) the Company is able to receive the government grants. Government grants which are monetary assets shall be measured at the amount received or receivable. Government grants which are non-monetary assets shall be measured at fair value, or at nominal amount if the fair value cannot be reliably measured.

2. Judgment basis and accounting treatment on the government grants relating to assets

Government grants which shall be used for constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In the absence of specific requirements in government documents, the determination is made according to basic conditions for obtaining the grants; if constructing or otherwise forming long-term assets is treated as a basic condition, the grants are classified as government grants related to assets. Government grants relating to assets are offset against the book value of such assets or recognised as deferred income. Government grants relating to assets recognised as deferred income are included in profit or loss on a reasonable and systematic basis over the useful lives of the relevant assets. Government grants measured at notional amount are directly recorded in profit or loss. For assets sold, transferred, disposed or damaged prior to the end of their useful lives, balance of unallocated deferred income is transferred to profit or loss for the period in which the disposal occurred.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Government Grants (Continued)

3. Judgment basis and accounting treatment on the government grants relating to revenue

Other than government grants pertinent to assets, other government grants are government grants pertinent to income. The Company classifies government grants that contain both assets-related and income-related portion or those that are difficult to distinguish as the ones related to income on an entire basis. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and taken to the profit and loss for the period or offset the related costs for the period in which the related costs or losses are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in the profit and loss for the period or offset the related costs.

4. Government grants related to the Company's daily operations are included in other income or offset against relevant expenses according to the economic nature of business. Government grants that are not related to the Company's daily operations are included in the non-operating income or expenses.

(XXVI) Deferred Income Tax Assets and Deferred Income Tax Liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognised based on the difference between the book values of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the book value), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.

2. Deferred income tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred income tax assets unrecognised in previous accounting periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.

3. The book value of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available in future periods against which the deferred income tax assets can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.

4. The Company's current and deferred income taxes are recognised in profit and loss for the period as tax expense or profit, excluding income tax arising from: (1) business combination; (2) transactions or items directly recognised in owners' equity.

5. When the following conditions are met at the same time, the Company presents the deferred income tax assets and deferred income tax liabilities as the net amount after offsetting: (1) the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis; (2) the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxable entity or related to different taxable entities, but the involved taxable entities intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and pay off debts simultaneously in each future period in which significant deferred income tax assets and deferred income tax liabilities are reversed.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Lease

1. The Company as a lessee

On the commencement date of the lease term, the Company recognises the leases which have a term of 12 months or less and does not include any purchase options as a short-term lease; the separate leased asset has a low value when new is recognised as a lease of low-value assets. If the Company subleases or expects to sublease the leased assets, the original lease is not recognised as a lease of low-value assets.

For all short-term leases and leases of low-value assets, the Company accounts the lease payments into the relevant asset costs or the profit and loss for the current period using the straight-line method in each period of the lease term.

In addition to the above-mentioned accounting treatment for short-term leases and leases of low-value assets using simplified approach, the Company recognises the right-of-use assets and lease liabilities for the lease at the beginning of the lease term.

(1) Right-of-use assets

The right-of-use assets shall be initially measured at costs. Such costs include: 1) the initial amount of measurement of the lease liabilities; 2) the lease payment paid on or before the commencement date of the lease term (if there is a lease incentive, the amount of the lease incentive that has been received shall be deducted); 3) initial direct costs incurred by the leasee; 4) the cost that the leasee expects to occur for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the agreed status under the terms of the lease terms.

The Company shall make a provision for depreciation on the right-of-use assets using the straight-line method. If it is reasonable to determine that the ownership of the leased assets can be obtained at the expiration of the lease term, the Company shall make a provision for depreciation within the remaining useful life of the leased assets. If it is not reasonable to determine that the ownership of the leased assets can be obtained at the expiration of the lease term, the Company shall make a provision for depreciation at the shorter of the lease term and the remaining useful life of the leased assets.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Lease (Continued)

1. The Company as a lessee (Continued)

(2) Lease liabilities

On the lease start date, the Company recognises the present value of the unpaid lease payments as lease liabilities. When calculating the present value of lease payments, the implied interest rate of lease is used as the discount rate. If the implied interest rate of lease cannot be determined, the incremental borrowing rate of the Company is used as the discount rate. The difference between the lease payments and its present value is regarded as the unrecognised financing expense. During each period of the lease term, its interest expense is measured at the discount rate for determining the present value of the lease payments, and is included in the profit and loss for the current period. The variable lease payments not included in the measurement of lease liabilities are included in the profit and loss for the period when they actually occur.

After the commencement date of the lease term, when there is a change in the actual fixed payments, the estimated payable amount of the guarantee residual value, the index or ratio used to determine the lease payments, the evaluation result or the actual exercise situation of the purchase option, the renewal option or the termination option change, the Company remeasures the lease liabilities according to the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the Company accounts for the remaining amount in the profit and loss for the period.

2. The Company as a lessor

On the lease commencement date, the Company classifies leases that substantially transfer almost all the risks and rewards related to the ownership of the leased assets as financial leases, and other leases are operating leases.

(1) Operating lease

During each period of the lease term, the Company recognizes the lease receipts as rental income on a straight-line basis. The initial direct expenses incurred are capitalized and amortized on the same basis as the rental income recognition, and are included in the profit and loss for the current period in installments. The variable lease payments obtained by the Company related to operating leases but not included in the lease receipts are included in the profit and loss for the current period when actually incurred.

(2) Financial lease

On the commencement date of the lease term, the Company recognizes the finance lease receivables and derecognizes the financial lease assets based on the net investment in the lease (measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease). During each period of the lease term, the Company calculates and recognizes interest income at the interest rate implicit in the lease.

The variable lease payments that are not included in the measurement of the net investment in the lease are recognised in the current profit or loss when incurred.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Other Significant Accounting Policies and Accounting Estimates

Accounting treatment related to the repurchase of the Company's shares

Where the Company acquires its own shares due to the reduction of registered capital or the reward of employees, the amount actually paid shall be treated as treasury shares and registered for inspection at the same time. If the repurchased shares are canceled, the difference between the total nominal value of the shares calculated based on the nominal value of the shares canceled and the number of shares canceled and the amount actually paid for the repurchase is offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings are offset. If the repurchased shares are awarded to the Company's employees as equity-settled share-based payments, when the employees exercise the right to purchase the Company's shares, the cost of the treasury shares delivered to the employees and the accumulated amount of capital reserve (other capital reserve) during the waiting period are reversed, and the capital reserve (share premium) is adjusted according to the difference.

(XXIX) Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertain factors are reviewed on an ongoing basis by the Company. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty are as follows:

1. Recognition of deferred income tax assets

As stated in note 3(XXVI) to these financial statements, deferred income tax assets are recognised on the basis of the deductible temporary differences between the book values of the assets and liabilities and their tax bases (for an item not recognised as asset and liability but for which tax base can be determined under tax laws, the difference between its tax base and its book value), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled. Deferred income tax assets are recognised for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

2. Impairment of financial instruments and contract assets

As described in Note III (X) and (XI) to these financial statements, the Company performs impairment treatment on financial assets measured at amortized cost (accounts receivable and other receivables) and debt instrument investments at fair value through other comprehensive income (receivables financing) and recognizes loss provisions based on expected credit losses.

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Significant Accounting Judgments and Estimates (Continued)

3. Provision for impairment of inventories

As stated in note 3(XII) to these financial statements, at the balance sheet date, the Company's inventories are measured at the lower of cost and net realisable value. Provision for impairment is made for the excess of the cost over the net realisable value of individual inventory. For inventories for immediate sale, net realisable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realisable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realisable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or released.

4. Impairment of long-term assets

As stated in note 3(XVIII) to these financial statements, for long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets and intangible assets with limited useful lives, its recoverable amount will be estimated when there is an indication of impairment at the balance sheet date. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to the annual impairment test, irrespective of whether there is any indication of impairment. Impairment test will be conducted on goodwill together with the related asset group or asset group portfolio. If the result of recoverable amount measurement indicates that the recoverable amount of such long-term assets is less than its book value, the book value of the assets will be reduced to its recoverable amount. That reduction is recognised as an impairment loss of assets and charged to profit or loss for the current period. A provision for impairment of the assets is recognised accordingly.

IV. TAXATION

(I) Main Types of Taxes and Corresponding Rates

Tax Type	Tax basis	Tax rate
Value-added Tax	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	6%, 9%, 13%, 19%
Property tax	If levied at value, 1.2% of the original value of the property less 30% of the remaining value at one time; if levied at rent, 12% of the rental income	1.2%, 12%
City maintenance and construction tax	Actual amount of transfer tax paid	7%
Education surcharge	Actual amount of transfer tax paid	3%
Local education surcharge	Actual amount of transfer tax paid	2%
Corporate income tax	Based on taxable profits	[Note]

[Note] Details of corporate income tax rates of different entities

Name of entity	Income tax rate
The Company	15%
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)	20%
Hangzhou Jienuotong Science and Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司)	20%
MTM AiDEX Europe GmbH	15.825%
MicroTech Medical (Nanjing) Co., Ltd. (微泰醫療器械(南京)有限公司)	20%
Hangzhou MicroTech Medical Electronics Co., Ltd. (杭州微泰醫療電子有限公司)	25%
SenEaron Healthcare Limited (欣宜榮健康有限公司)	Using the principle of geographical source, the profits tax rate is 8.25% for the first HK$2,000,000 of profits derived from Hong Kong, and 16.5% for profits derived from Hong Kong thereafter. Profits derived from other places are not subject to profits tax in Hong Kong

IV. TAXATION (Continued)

(II) Tax Incentives

1. Enterprise income tax

(1) According to the Announcement on the Filing of High-tech Enterprises Recognized and Reported by Zhejiang Provincial Accreditation Institutions in 2024 issued by the National High-tech Enterprise Certification Management Leading Group Office, the Company was recognized as a high-tech enterprise (Certificate No. GR202433006134), with a validity period of 3 years, and is subject to an enterprise income tax rate of 15% in 2025.

(2) Income tax incentives for small and low-profit enterprises

Hangzhou MicroTech E-Commerce Co., Ltd., Hangzhou Jienuotong Technology Materials Co., Ltd. and MicroTech Medical (Nanjing) Co., Ltd. are qualified as small low-profit enterprises during the Reporting Period and are entitled to the income tax preference for small low-profit enterprises, details of which are as follows:

1) According to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, qualified small low-profit enterprises are subject to a reduced enterprise income tax rate of 20%.

2) According to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 12), the taxable income of a small low-profit enterprise shall be reduced to 25% of the taxable income, and the enterprise income tax shall be paid at the tax rate of 20%, and such policy will continue to be implemented until December 31, 2027.

(3) Pursuant to Chapter 112 of the Laws of Hong Kong and section 14 of the Inland Revenue Ordinance, Hong Kong is taxed on a territorial basis, i.e. only profits from Hong Kong are taxable in Hong Kong, while profits from other places are not taxable in Hong Kong. SenEaron Healthcare Limited (欣宜榮健康有限公司), a subsidiary of the Company, derived its profits for the current period from other places and is not subject to profits tax in Hong Kong.

IV. TAXATION (Continued)

(II) Tax Incentives (Continued)

2. Value-added Tax

(1) According to the Announcement on the Additional VAT Deduction Policy for Advanced Manufacturing Enterprises (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to offset the VAT payable with an additional 5% of the deductible input VAT for the current period. The Company is an advanced manufacturing enterprise and enjoys this tax preference in 2025.

(2) According to the relevant provisions of Notice on Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (Guo Fa [2011] No. 4) issued by the State Council and the Notice Concerning Value-Added Tax Policy on Software Products (Cai Shui [2011] No.100) issued by Ministry of Finance and State Administration of Taxation, starting from 1 January 2011, the policy of forthwith levy and forthwith refund shall be implemented for the selling software products developed and produced by itself and the part where the actual tax burden of the value-added tax exceeds 3%. The Company enjoys preferential policy of forthwith levy and forthwith refund.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to the Consolidated Balance Sheet

1. Monetary funds

Item	Closing balance	Closing balance of last year
Cash on hand	**13,707.29**	15,787.29
Bank deposits	**1,503,339,170.26**	1,693,602,479.66
Other monetary funds	**3,403,750.64**	3,646,592.77
Total	**1,506,756,628.19**	1,697,264,859.72
Including: total amount of money deposited abroad	**32,462,069.27**	16,028,594.63

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

2. Financial assets held for trading

Item	Closing balance	Closing balance of last year
Financial assets at fair value through profit or loss for the current period	**39,226,922.48**	10,224,641.54
Included: Funds	**4,201,761.68**	10,224,641.54
Wealth management products	**35,025,160.80**	
Total	**39,226,922.48**	10,224,641.54

3. Accounts receivable

(1) Breakdown

1) Breakdown by category

Category	Closing balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
Provision for bad debts made individually	**5,145,981.78**	**3.37**	**5,145,981.78**	**100.00**	
Provision for bad debts made as per portfolio	**147,597,279.60**	**96.63**	**2,995,600.21**	**2.03**	**144,601,679.39**
Total	**152,743,261.38**	**100.00**	**8,141,581.99**	**5.33**	**144,601,679.39**

Category	Closing balance of last year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
Provision for bad debts made individually	1,678,170.87	1.36	1,678,170.87	100.00	
Provision for bad debts made as per portfolio	121,549,282.36	98.64	5,445,677.85	4.48	116,103,604.51
Total	123,227,453.23	100.00	7,123,848.72	5.78	116,103,604.51

2) No material accounts receivable with provision for bad debts has been made individually.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

3. Accounts receivable (Continued)

(1) Breakdown (Continued)

3) Accounts receivable with provision for bad debts has been made using ageing grouping

Age	Closing balance Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	**146,756,208.43**	**2,788,367.95**	**1.90**
1 to 2 years	**693,768.22**	**138,545.52**	**19.97**
2 to 3 years	**122,378.45**	**51,986.37**	**42.48**
3 to 4 years	**22,336.00**	**14,370.98**	**64.34**
4 to 5 years	**2,588.50**	**2,329.39**	**89.99**
Sub-total	**147,597,279.60**	**2,995,600.21**	**2.03**

(2) Ageing analysis

Age	Closing balance Book balance	Provision for bad debts	Percentage of provision (%)	Closing balance of last year Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	**147,051,240.60**	**3,083,400.12**	**2.10**	112,324,674.33	2,751,954.53	2.45
1 to 2 years	**1,204,242.85**	**649,020.15**	**53.89**	7,200,102.44	1,725,831.95	23.97
2 to 3 years	**1,301,930.08**	**1,231,538.00**	**94.59**	1,559,981.68	810,590.08	51.96
3 to 4 years	**1,173,172.69**	**1,165,207.67**	**99.32**	1,060,927.56	757,179.94	71.37
4 to 5 years	**977,948.02**	**977,688.91**	**99.97**	113,605.77	110,191.26	96.99
Over 5 years	**1,034,727.14**	**1,034,727.14**	**100.00**	968,161.45	968,100.96	99.99
Total	**152,743,261.38**	**8,141,581.99**	**5.33**	123,227,453.23	7,123,848.72	5.78

The ageing analysis of accounts receivable is based on the initial recognition date. The amount that occurs first has priority in settlement upon turnover of funds.

The credit period granted by the Company to its customers generally ranges from approximately 1 to 3 months. Overdue receivables are regularly reviewed by management.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

3. Accounts receivable (Continued)

(3) Changes in provision for bad debt

Item	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts made individually	1,678,170.87	3,984,335.99	-2,785.16	-513,739.92		**5,145,981.78**
Provision for bad debts made as per portfolio	5,445,677.85	-2,450,077.64				**2,995,600.21**
Sub-total	7,123,848.72	1,534,258.35	-2,785.16	-513,739.92		**8,141,581.99**

(4) Actual Accounts receivables written off in the period

1) Accounts receivables written off

Item	Amount written off
Actual Accounts receivables written off	513,739.92

2) There were no material account receivables written off in the period.

(5) Top 5 entities by the amount of accounts receivable and contract assets

Name of entity	Closing book balance	Percentage in the closing balance of accounts receivables (%)	Provision for bad debts of accounts receivables
Company A	**34,948,964.86**	**22.88**	**664,030.33**
Company B	**24,103,734.89**	**15.78**	**457,970.96**
Company C	**17,888,306.70**	**11.71**	**339,877.83**
Company D	**8,470,322.53**	**5.55**	**160,936.13**
Company E	**6,520,844.82**	**4.27**	**123,896.05**
Sub-total	**91,932,173.80**	**60.19**	**1,746,711.30**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

4. Receivables financing

(1) Breakdown

Item	Closing balance	Closing balance of last year
Bank acceptance notes	**100,000.00**	1,715,356.77
Total	**100,000.00**	1,715,356.77

(2) Provision for impairment

1) Breakdown by category

Type	Closing balance				
	Costs		Accumulated credit impairment provision recognised		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Book value
Provision for impairment by portfolio	**100,000.00**	**100.00**			**100,000.00**
Including : Bank acceptance notes	**100,000.00**	**100.00**			**100,000.00**
Total	**100,000.00**	**100.00**			**100,000.00**

Type	Closing balance of last year				
	Costs		Accumulated credit impairment provision recognised		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Book value
Provision for impairment by portfolio	1,715,356.77	100.00			1,715,356.77
Including: Bank acceptance notes	1,715,356.77	100.00			1,715,356.77
Total	1,715,356.77	100.00			1,715,356.77

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

4. Receivables financing (Continued)

(2) Provision for impairment (Continued)

2) Financing of receivables with provision for impairment by portfolio

Item	Closing balance Costs	Accumulated credit impairment provision recognised	Provision Percentage (%)
Bank acceptance notes portfolio	**100,000.00**		
Sub-total	**100,000.00**		

Item	Closing balance of last year Costs	Accumulated credit impairment provision recognised	Provision Percentage (%)
Bank acceptance notes portfolio	1,715,356.77		
Sub-total	1,715,356.77		

(3) Financing of receivables that were not mature as at the balance sheet date but had been endorsed or discounted by the Company at the end of the period

Item	Amount derecognised at the end of the period
Bank acceptance notes	**971,000.00**
Sub-total	**971,000.00**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

5. Prepayments

(1) Ageing analysis

1) breakdown

Ageing	Closing balance				Closing balance of last year			
	Book balance	Proportion (%)	Provision for impairment	Book value	Book balance	Proportion (%)	Provision for impairment	Book value
Within 1 year	**10,202,716.23**	**95.74**		**10,202,716.23**	10,304,664.61	96.52		10,304,664.61
1 to 2 years	**443,683.72**	**4.16**		**443,683.72**	360,673.75	3.38		360,673.75
2 to 3 years	**22.12**	**0.00**		**22.12**	1,297.70	0.01		1,297.70
Over 3 years	**10,912.70**	**0.10**		**10,912.70**	9,615.00	0.09		9,615.00
Total	**10,657,334.77**	**100.00**		**10,657,334.77**	10,676,251.06	100.00		10,676,251.06

2) As at the end of the period, there were no material prepayments aged over 1 year.

(2) Top 5 entities by the amount of prepayments

Name of entity	Book balance	Percentage of the closing balance of prepayments (%)
Company F	**2,908,030.82**	**27.29**
Company G	**859,877.06**	**8.07**
Company H	**817,357.51**	**7.67**
Company I	**746,610.00**	**7.01**
Company J	**723,617.33**	**6.79**
Sub-total	**6,055,492.72**	**56.83**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

6. Other receivables

(1) Other receivables presented by nature

Nature	Closing balance	Closing balance last year
Deposit security deposit	**4,494,435.51**	2,066,675.44
Reserve fund	**289,794.29**	849,354.20
other	**287,269.73**	95,324.02
Total book balance	**5,071,499.53**	3,011,353.66
Less: Provision for bad debts		
Total book value	**5,071,499.53**	3,011,353.66

(2) Ageing

Age	Closing balance	Closing balance last year
Within 1 year	**3,162,165.97**	2,478,530.02
1 to 2 years	**1,399,045.96**	170,000.00
2 to 3 years	**170,000.00**	37,600.00
3 to 4 years	**32,400.00**	220,094.20
4 to 5 years	**203,767.60**	101,009.44
Over 5 years	**104,120.00**	4,120.00
Total book balance	**5,071,499.53**	3,011,353.66
Less: Provision for bad debts		
Total book value	**5,071,499.53**	3,011,353.66

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

6. Other receivables (Continued)

(3) Provision for bad debts

1) Breakdown by category

Category	Closing balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts made as per portfolio	**5,071,499.53**	**100.00**			**5,071,499.53**
Total	**5,071,499.53**	**100.00**			**5,071,499.53**

Category	Closing balance of last year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts made as per portfolio	3,011,353.66	100.00			3,011,353.66
Total	3,011,353.66	100.00			3,011,353.66

2) Other receivables with provision for bad debts made as per portfolio

Name of Portfolio	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Low Risk Portfolio	**5,071,499.53**		
Sub-total	**5,071,499.53**		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

6. Other receivables (Continued)

(4) Top 5 entities by the amount of other receivables

Name of entity	Nature	Closing balance	Ageing	Percentage of the closing balance of other receivables (%)	Bad debt provision at end of period
Company K	Security deposits	2,358,490.04	Within 1 year	46.50	
Company L	Security deposits	1,134,000.00	1 to 2 year	22.36	
Company M	Reserve funds	160,325.79	1 to 2 year	3.16	
Company N	Others	140,000.00	Within 1 year	2.76	
Company O	Security deposits	100,000.00	Within 1 year	1.97	
Sub-total		3,892,815.83		76.75	

7. Inventories

(1) Breakdown

Items	Closing balance			Closing balance of last year		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Raw materials	**38,614,399.16**	**6,076,643.08**	**32,537,756.08**	28,056,777.09	3,209,218.60	24,847,558.49
Work in process	**7,631,016.54**	**404,057.30**	**7,226,959.24**	4,246,169.85	322,002.10	3,924,167.75
Inventories	**21,975,567.85**	**4,120,207.14**	**17,855,360.71**	14,978,166.34	601,474.41	14,376,691.93
Delivered goods	**17,711,316.92**		**17,711,316.92**	6,740,819.63		6,740,819.63
Materials for consigned processing	**3,735,216.62**		**3,735,216.62**	918,711.39		918,711.39
Total	**89,667,517.09**	**10,600,907.52**	**79,066,609.57**	54,940,644.30	4,132,695.11	50,807,949.19

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

7. Inventories (Continued)

(2) Provisions for inventory impairment

1) Breakdown

Items	Opening balance	Increase during the period: Provision	Increase during the period: Others	Decrease during the period: Write-off	Decrease during the period: Others	**Closing balance**
Raw materials	3,209,218.60	4,374,670.13		1,507,245.65		**6,076,643.08**
Work in process	322,002.10	296,930.86		214,875.66		**404,057.30**
Inventories	601,474.41	4,447,869.42		929,136.69		**4,120,207.14**
Total	4,132,695.11	9,119,470.41		2,651,258.00		**10,600,907.52**

2) Specific basis for determining net realizable value, the reasons for write-off of provisions for inventory impairment during the period

Items	Specific basis for determining net realisable value	Reason for write-off of provisions for inventory impairment
Raw materials Work in process	The net realisable value of relevant products is determined based on estimated selling price less estimated costs to be incurred for completion, estimated sales expenses and relevant taxes and surcharges	During the period, inventories with provisions for impairment were consumed
Inventories	The net realisable value of the inventory items is determined based on estimated selling price of inventories and dispatched goods less estimated sales expenses and relevant taxes.	During the period, inventories with provisions for impairment were sold or scrapped

8. Other current assets

Items	**Closing balance: Book balance**	**Closing balance: Provision for impairment**	**Closing balance: Book value**	Closing balance of last year: Book balance	Closing balance of last year: Provision for impairment	Closing balance of last year: Book value
Input value added tax retained for deduction	**22,822,689.78**		**22,822,689.78**	14,908,139.13		14,908,139.13
Deferred expenses				101,886.79		101,886.79
Prepaid corporate income tax	**2,860.34**		**2,860.34**			
Total	**22,825,550.12**		**22,825,550.12**	15,010,025.92		15,010,025.92

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

9. Fixed assets

(1) Breakdown

Items	Buildings and structures	General equipment	Professional equipment	Transportation vehicles	Total
Original book value					
Opening balance	76,199,405.60	4,016,314.81	52,402,720.92	624,433.63	133,242,874.96
Increase during the period	120,844,774.72	2,145,794.20	10,541,106.35	1,487,787.61	135,019,462.88
1) Purchase		686,347.49	10,526,138.76	1,487,787.61	12,700,273.86
2) Transferred from construction in progress	120,844,774.72	1,459,446.71	14,967.59		122,319,189.02
Decrease during the period		42,146.20	7,560.50	80,991.15	130,697.85
1) Disposal or retirement		42,146.20	7,560.50	80,991.15	130,697.85
Closing balance	197,044,180.32	6,119,962.81	62,936,266.77	2,031,230.09	268,131,639.99
Accumulated depreciation					
Opening balance	17,534,872.15	2,909,967.01	17,641,594.55	359,949.04	38,446,382.75
Increase during the period	4,831,706.79	658,347.24	5,178,222.42	274,313.27	10,942,589.72
1) Provision	4,831,706.79	658,347.24	5,178,222.42	274,313.27	10,942,589.72
Decrease during the period		36,446.48	7,253.08	61,814.09	105,513.65
1) Disposal or retirement		36,446.48	7,253.08	61,814.09	105,513.65
Closing balance	22,366,578.94	3,531,867.77	22,812,563.89	572,448.22	49,283,458.82
Book value					
Closing book value	174,677,601.38	2,588,095.04	40,123,702.88	1,458,781.87	218,848,181.17
Opening book value	58,664,533.45	1,106,347.80	34,761,126.37	264,484.59	94,796,492.21

(2) Operating leased fixed assets

Item	Closing book value
Buildings and structures	11,622,371.63
Sub-total	11,622,371.63

(3) Information about fixed assets without certificate of title

Item	Carrying amount	Reason for not obtaining certificate of title
Buildings and structures	120,153,355.46	Still under process
Sub-total	120,153,355.46	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

10. Project under construction

(1) Breakdown

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Annual production of 30,000 sets of patch insulin pumps and 3.6 million sets of consumables	**924,172.58**		**924,172.58**	109,265,783.84		109,265,783.84
Equipment to be installed	**205,667.86**		**205,667.86**	350,156.43		350,156.43
Self-developed equipment project	**46,817.95**		**46,817.95**			
Total	**1,176,658.39**		**1,176,658.39**	109,615,940.27		109,615,940.27

(2) Changes in major projects under construction during the period

Item	Budget	Opening balance	Increase during the period	Transfer to fixed assets	Other decrease	Closing balance
Annual production of 30,000 sets of patch insulin pumps and 3.6 million sets of consumables	RMB 244.28 million	109,265,783.84	13,747,013.83	122,088,625.09		**924,172.58**
Sub-total		109,265,783.84	13,747,013.83	122,088,625.09		**924,172.58**

Item	Percentage of accumulated project input to budget (%)	Progress of project	Accumulated amounts of capitalized interest	Capitalised interest amount for the current period	Ratio of capitalised interest for the current period (%)	Source of funds
Annual production of 30,000 sets of patch insulin pumps and 3.6 million sets of consumables	50.36	100.00[Note]				Own funds
Sub-total	50.36	100.00				

[Note] It only covers the progress of the building construction project. The total project budget includes the investment in buildings, production equipment, etc.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

11. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
Opening balance	1,385,186.00	1,385,186.00
Increase during the period	1,152,450.13	1,152,450.13
(1) Leased-in	1,152,450.13	1,152,450.13
Decrease during the period		
(1) Disposal		
Closing balance	2,537,636.13	2,537,636.13
Accumulated depreciation		
Opening balance	1,185,889.44	1,185,889.44
Increase during the period	509,950.35	509,950.35
(1) Provision	509,950.35	509,950.35
Decrease during the period		
(1) Disposal		
Closing balance	1,695,839.79	1,695,839.79
Book value		
Closing book value	841,796.34	841,796.34
Opening book value	199,296.56	199,296.56

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

12. Intangible assets

Item	Land use rights	Patent	License Fee	Software License	Total
Original book value					
Opening balance	23,999,864.52	20,000,000.00	1,946,875.00	2,141,529.28	48,088,268.80
Increase during the period				955,683.02	955,683.02
(1) Purchase				955,683.02	955,683.02
Decrease during the period					
(1) Disposal					
Closing balance	23,999,864.52	20,000,000.00	1,946,875.00	3,097,212.30	49,043,951.82
Accumulated amortisation					
Opening balance	1,582,800.26	11,490,984.42	1,946,875.00	1,265,631.55	16,286,291.23
Increase during the period	481,724.04	1,173,657.24		485,441.75	2,140,823.03
(1) Provision	481,724.04	1,173,657.24		485,441.75	2,140,823.03
Decrease during the period					
(1) Disposal					
Closing balance	2,064,524.30	12,664,641.66	1,946,875.00	1,751,073.30	18,427,114.26
Book value					
Closing book value	21,935,340.22	7,335,358.34		1,346,139.00	30,616,837.56
Opening book value	22,417,064.26	8,509,015.58		875,897.73	31,801,977.57

13. Long-term deferred expenses

Item	Opening amount	Increase during the period	Amortization during the period	Other decreases	Closing balance
Software License Fee	107,626.91	1,179,833.91	425,107.00		**862,353.82**
Total	107,626.91	1,179,833.91	425,107.00		**862,353.82**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

14. Deferred income tax assets and deferred income tax liabilities

(1) Non-offsetting deferred income tax assets

Item	Closing balance		Closing balance of last year	
	Deductible temporary differences	**Deferred income tax assets**	Deductible temporary differences	Deferred income tax assets
Lease liabilities	**835,642.29**	**125,346.34**	165,627.80	24,844.17
Total	**835,642.29**	**125,346.34**	165,627.80	24,844.17

(2) Non-offsetting deferred income tax liabilities

Item	Closing balance		Closing balance of last year	
	Taxable temporary differences	**Deferred income tax liabilities**	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	**745,164.89**	**111,774.73**	895,122.88	134,268.44
Right-of-use assets	**841,796.34**	**126,269.45**	199,296.56	29,894.48
Total	**1,586,961.23**	**238,044.18**	1,094,419.44	164,162.92

(3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Item	Closing balance		Closing balance of last year	
	Offset amount of deferred income tax assets and liabilities	**Balance of deferred income tax assets or liabilities after offsetting**	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	**125,346.34**		24,844.17	
Deferred income tax liabilities	**125,346.34**	**112,697.84**	24,844.17	139,318.75

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

14. Deferred income tax assets and deferred income tax liabilities (Continued)

(4) Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible losses	**440,990,501.84**	407,437,691.97
Provision for impairment of assets	**18,742,489.51**	11,256,543.83
Share-based payments	**6,482,879.17**	5,203,591.71
Estimated liabilities/Other current liabilities — product quality assurance	**5,937,611.35**	4,655,549.55
Deferred income	**9,023,154.98**	
Total	**481,176,636.85**	428,553,377.06

(5) Deductible losses for which deferred income tax assets are not recognised will expire in the following years

Year	Closing balance	Closing balance of last year	Note
2025		10,059,206.31	
2026	**13,807,038.40**	13,807,038.40	
2027	**50,842,408.43**	50,842,408.43	
2028	**57,348,937.61**	57,348,937.61	
2029	**73,613,232.26**	73,613,232.26	
2030	**45,055,600.25**	18,443,742.41	
2031	**54,568,011.04**	54,568,489.04	
2032	**37,268,952.89**	37,268,952.89	
2033	**82,885,849.12**	82,885,849.12	
2034	**8,599,835.50**	8,599,835.50	
2035	**17,000,636.34**		
Total	**440,990,501.84**	407,437,691.97	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

15. Other non-current assets

Item	Closing balance			Closing balance of last year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Payment for the purchase of long-term assets	6,668,508.00		6,668,508.00	5,017,469.72		5,017,469.72
Large-denomination certificate of deposit	243,020,383.57		243,020,383.57			
Total	249,688,891.57		249,688,891.57	5,017,469.72		5,017,469.72

16. Assets under restricted ownership or use rights

(1) Restricted assets at end of period

Item	Closing book balance	Closing book value	Type of restriction	Reason for restriction
Monetary funds	10,000,000.00	10,000,000.00	Pledge	Pledge large-denomination certificates of deposit for issuing bank acceptance notes
Monetary funds	10,000,000.00	10,000,000.00	Frozen	Pledge has been lifted, and operation process of the internal system of the bank line has not been lifted and is in a frozen state
Intangible assets	10,000,000.00	3,640,776.61	Pledge	Pledge of bank borrowings
Total	30,000,000.00	23,640,776.61		

(2) Restricted assets at the end of last year

Item	Closing book balance	Closing book value	Type of restriction	Reason for restriction
Monetary funds	15,750,720.00	15,750,720.00	Pledge	Pledge large-denomination certificates of deposit for issuing bank acceptance notes
Total	15,750,720.00	15,750,720.00		

17. Short-term borrowings

Item	Closing balance	Closing balance of last year
Principal amount of pledged loan	63,870,000.00	
Interest of pledged Loans	80,678.23	
Total	63,950,678.23	

All borrowings were due within one year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

18. Bills payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	**26,542,172.40**	4,038,498.99
Total	**26,542,172.40**	4,038,498.99

19. Accounts payable

(1) *Breakdown*

Item	Closing balance	Closing balance of last year
Payment for goods	**45,869,191.90**	27,422,399.67
Payment for construction equipment	**36,891,944.84**	47,676,956.36
Others	**4,025,216.07**	1,945,930.69
Total	**86,786,352.81**	77,045,286.72

(2) *Ageing analysis*

Age	Closing balance
Within 1 year	**85,449,849.94**
1 to 2 years	**664,208.97**
2 to 3 years	**215,362.97**
Over 3 years	**456,930.93**
Total	**86,786,352.81**

Accounts payable are analysed by age based on the month in which the payments were actually incurred; payments incurred earlier are settled first when funds become available.

(3) There were no material accounts payable ageing over 1 year at the end of the period.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

20. Prepayment

Item	Closing balance	Closing balance of last year
Rent in advance	**672,613.48**	664,307.84
Total	**672,613.48**	664,307.84

21. Contract liabilities

(1) Breakdown

Item	Closing balance	Closing balance of last year
Advances for goods	**22,931,786.59**	14,122,088.13
Rebate payables	**19,611,799.92**	13,124,504.06
Total	**42,543,586.51**	27,246,592.19

(2) At the end of the period, there were no significant contract liabilities aged more than one year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

22. Employee remuneration payable

(1) Breakdown

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance
Short-term compensation	23,002,504.42	161,500,953.70	160,000,248.71	**24,503,209.41**
Post-employment benefits — Defined contribution plans	61,527.78	6,627,229.04	6,623,378.04	**65,378.78**
Total	23,064,032.20	168,128,182.74	166,623,626.75	**24,568,588.19**

(2) Details of short-term remuneration

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance
Salaries, bonuses, allowances and subsidies	21,516,592.80	150,023,696.58	147,122,724.07	**24,417,565.31**
Employee benefits expenses		2,191,091.18	2,191,091.18	
Social insurance premiums	41,018.25	3,911,553.54	3,913,984.49	**38,587.30**
Including: Medical insurance	40,153.67	3,814,831.27	3,817,342.61	**37,642.33**
Work-related injury insurance	864.58	96,722.27	96,641.88	**944.97**
Housing funds	19,993.29	4,649,148.69	4,658,453.69	**10,688.29**
Labor union expenses and staff education expenses	1,424,900.08	725,463.71	2,113,995.28	**36,368.51**
Sub-total	23,002,504.42	161,500,953.70	160,000,248.71	**24,503,209.41**

(3) Details of defined contribution plan

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance
Basic pension insurance	59,414.43	6,426,411.31	6,422,428.14	**63,397.60**
Unemployment insurance premiums	2,113.35	200,817.73	200,949.90	**1,981.18**
Sub-total	61,527.78	6,627,229.04	6,623,378.04	**65,378.78**

According to the Labor Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries pay basic pension insurance for their employees. The social insurance agency will pay pension to the employees when they reach the retirement age stipulated by the state or otherwise leave their positions. The Company and its subsidiaries no longer undertake other employee retirement benefits.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

23. Tax payable

Item	Closing balance	Closing balance of last year
Withholding individual income tax	**1,382,800.13**	926,599.78
VAT	**35.54**	5,527,913.32
Corporate income tax	**220,171.06**	
Property tax	**710,342.86**	464,753.90
Stamp duty	**192,824.47**	73,591.81
Urban maintenance and construction tax	**935,802.84**	328,711.70
Land use tax	**114,875.04**	57,437.50
Education surcharge	**404,074.22**	140,876.45
Local education surcharge	**264,356.39**	93,917.63
Total	**4,225,282.55**	7,613,802.09

24. Other payables

(1) Breakdown

Item	Closing balance	Closing balance of last year
Accrued and unpaid fees	**20,173,779.74**	13,450,747.66
Government grants — special incentive funds in advance	**2,420,000.00**	11,000,000.00
Security deposit	**2,615,598.09**	2,267,411.46
Total	**25,209,377.83**	26,718,159.12

(2) At the end of the period, there were no significant other payables aged more than one year.

25. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Lease liabilities due within one year	**491,254.63**	165,627.80
Total	**491,254.63**	165,627.80

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

26. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output tax	**2,253,292.83**	371,287.93
Product quality assurance	**5,937,611.35**	
Total	**8,190,904.18**	371,287.93

27. Lease liabilities

Item	Closing balance	Closing balance of last year
Lease payments not yet paid	**346,082.36**	
Less: unrecognized financing expenses	**1,694.70**	
Total	**344,387.66**	

28. Estimated liabilities

Item	Closing balance	Closing balance of last year	Reasons for formation
Compensation expenses for litigation	**3,306,040.00**		Estimated litigation compensation fees
Product quality assurance		4,655,549.55	Estimated product return and exchange and claim costs
Total	**3,306,040.00**	4,655,549.55	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

29. Deferred income

(1) Breakdown

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance	Reasons for formation
Government grants		9,058,500.50	35,345.52	**9,023,154.98**	Received government grants related to assets
Total		9,058,500.50	35,345.52	**9,023,154.98**	

(2) Details of government grants

Item	Opening balance	Increased grants amounts during the period	Profit or loss for the current period or amount for offsetting the related cost [Note]	Closing balance	Related to assets/ Related to income
Large-scale equipment renewal project for ultra-long-term government bonds		3,750,000.50	13,226.77	**3,736,773.73**	Related to assets
Pre-approval Funds of Special Incentives for the Provincial Biomedical and Medical Device Cluster Collaboration Zone in 2024 (2024年度省級生物醫藥與醫療器械產業集群協同區專項激勵預撥資金)		5,308,500.00	22,118.75	**5,286,381.25**	Related to assets
Sub-total		9,058,500.50	35,345.52	**9,023,154.98**	

[Note] For details of government grants included in the profit or loss for the current period or amount for offsetting the related cost, please refer to explanation to Note VIII (I) to the consolidated financial statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

30. Share capital

(1) Breakdown

Item	Opening balance	Increase/decrease for the period (decrease represented by "-")					Closing balance
		Issuance of new shares	Bonus issue	Provident fund conversion	Others	Sub-total	
Non-tradable shares	251,902,158.00						**251,902,158.00**
Shares held by domestic legal persons	12,970,446.00				6,000,000.00	6,000,000.00	**18,970,446.00**
Shares held by domestic natural persons	63,383,814.00				10,530,757.00	10,530,757.00	**73,914,571.00**
Shares held by other domestic institutions	125,431,453.00				(12,574,009.00)	(12,574,009.00)	**112,857,444.00**
State-owned shares	1,794,108.00						**1,794,108.00**
Shares held by overseas legal persons	43,696,684.00				(3,956,748.00)	(3,956,748.00)	**39,739,936.00**
Shares held by overseas natural persons	4,625,653.00						**4,625,653.00**
Tradable shares not subject to sales restrictions	169,235,842.00				(60,000.00)	(60,000.00)	**169,175,842.00**
H Shares	169,235,842.00				(60,000.00)	(60,000.00)	**169,175,842.00**
Total	421,138,000.00				(60,000.00)	(60,000.00)	**421,078,000.00**

(2) Other explanations

1) Transfer of non-tradable shares

The changes in non-tradable shares in the period were due to the transfer by shareholders of those shares held by them. According to the Articles of Association, the relevant share transfer is not subject to approval from the Board or the general meeting, and does not involve other matters that need to be disclosed.

2) Deregistration of tradable shares

According to the resolution at the 2024 AGM, the Company intended to deregister a total of 60,000 shares repurchased by it on the open market between March 28, 2024 and April 9, 2024, and completed the deregistration procedures on September 26, 2025. After the completion of deregistration, the Company's share capital was reduced from 421,138,000 shares to 421,078,000 shares, the registered capital was reduced from RMB421,138,000.00 to RMB421,078,000.00, the capital reserve — share premium was reduced by RMB210,178.70 (including handling fees of RMB2,739.93), and the corresponding Treasury shares was reduced by RMB270,178.70.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

31. Capital reserve

(1) Breakdown

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance
Share premium	1,866,067,965.81	905,369.80	210,178.70	**1,866,763,156.91**
Other capital reserve	5,203,591.71	6,482,879.17	5,171,322.23	**6,515,148.65**
Total	1,871,271,557.52	7,388,248.97	5,381,500.93	**1,873,278,305.56**

(2) Other explanations

1) Increase during the period

The previous equity incentive corresponding to 938,500 shares. In this period, 932,680 shares were exercised. After deducting the cost of treasury shares, the capital reserve — share premium increased by RMB798,005.68. When exercising the rights of the incentive shares in this period, the Company deducted 83,283 incentive shares for withholding and remitting individual income tax to employees. The corresponding amount of treasury shares sold was RMB557,771.08 and recognized capital reserve — share premium of RMB107,364.12 after deducting the individual income tax paid on behalf of employees of RMB450,406.96.

Capital reserve — Increase in other capital reserve is share incentive expense recognized in the period. For details, please refer to descriptions of Note XII to the financial statements.

2) Decrease in the period

Capital reserve — decrease in share premium due to the deregistration of treasury shares. For details, please refer to descriptions of Note V (I) 30(2) to the financial statements.

Capital reserve — decrease in other capital reserves is due to the exercise of the corresponding shares under the share incentive from the previous period in the period.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

32. Treasury shares

(1) Breakdown

Item	Opening balance	Increase during the period	Decrease in the period	Closing balance
Treasury shares	33,577,999.92	6,764,018.93	4,643,495.25	**35,698,523.60**
Total	33,577,999.92	6,764,018.93	4,643,495.25	**35,698,523.60**

(2) Other explanations

1) Increase during the period

① The resolution in relation to the proposed adoption of the 2022 H Share Award and Trust Scheme was considered and approved at the 2021 annual general meeting of the Company. The Company plans to establish a trust to repurchase no more than 8,510,000 shares of the Company, which will be funded by internal funds of the Company. The repurchased shares will be used to reward selected incentive employees. As of December 31, 2025, the Company's trust account cumulatively purchased 5,312,800 shares of the Company through the secondary market, with a cumulative payment of HK$27,249,941.14 (including transaction costs), equivalent to RMB24,911,605.47, of which the amount paid during the year was HK$823,702.94, equivalent to RMB760,227.29.

② According to the resolutions of the annual general meetings in 2022 and 2023, the Board of the Company was granted a general mandate to repurchase H shares. The repurchase of shares will carry out deregistration procedures under the Company Law of the People's Republic of China to reduce the registered capital of the Company. As of December 31, 2025, the Company's securities account cumulatively purchased 7,836,500 shares of the Company through the secondary market, with a cumulative payment of HK$40,080,817.69 (including transaction costs), equivalent to RMB36,543,067.38, of which the amount paid during the year was HK$6,566,799.00, equivalent to RMB6,003,791.64.

2) Decrease during the period

① Last period, the Company used the treasury shares for equity incentive. The corresponding 932,680 shares were exercised this period, resulting in a decrease of RMB4,373,316.55 in the treasury shares.

② The Company deregistered 60,000 treasury shares for the current period, corresponding to a reduction of RMB270,178.70 in cost amount. For details, please refer to descriptions of Note V (I) 30(2) to the financial statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(I) Notes to the Consolidated Balance Sheet (Continued)

33. Other comprehensive income

Item	Opening balance	Amount for the period						Closing balance
		Amount incurred before income tax for the period	Less: Previously included in other comprehensive income and transferred to profit or loss for the current period	Less: Income tax expenses	Other comprehensive income, net of tax: Attributable to the parent company after tax	Other comprehensive income, net of tax: Attributable to minority shareholders after tax	Less: Previously included in other comprehensive income and transferred to retained earnings for the current period (attributable to the parent company after tax)	
Other comprehensive income that will be reclassified to profit or loss	847,204.58	-234,451.15			-234,451.15			**612,753.43**
Including: Translation difference of foreign currency financial statements	847,204.58	-234,451.15			-234,451.15			**612,753.43**
Total other comprehensive income	847,204.58	-234,451.15			-234,451.15			**612,753.43**

34. Retained earnings

Item	Current period	Same period of last year
Retained earnings at the beginning of the period	**-285,048,379.75**	-221,930,140.77
Add: Net profit attributable to owners of the parent company in the current period	**40,151,695.97**	-63,118,238.98
Retained earnings at the end of the period	**-244,896,683.78**	-285,048,379.75

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement

1. Operating income/operating cost

(1) Breakdown

Item	Current period Revenue	Current period Cost	Same period of last year Revenue	Same period of last year Cost
Income from principal operations	**652,023,871.10**	**297,397,773.21**	340,354,965.89	160,214,679.75
Other operating income	**8,764,519.67**	**5,965,784.88**	5,260,121.03	2,551,407.19
Total	**660,788,390.77**	**303,363,558.09**	345,615,086.92	162,766,086.94
Including: Revenue from contracts with customers	**656,724,735.24**	**302,662,060.41**	341,637,548.54	162,064,254.10

(2) Breakdown of revenue

1) Disaggregation of revenue from contracts with customers by types of goods or services

Item	Current period Revenue	Current period Cost	Same period of last year Revenue	Same period of last year Cost
Continuous Glucose Monitoring System	**451,516,183.98**	**193,350,178.12**	180,430,589.90	76,739,516.13
Glucose Monitoring System	**112,645,012.11**	**76,143,440.18**	78,550,801.61	59,316,500.34
Insulin Pump System	**88,766,673.55**	**28,380,381.78**	81,011,924.97	21,229,124.06
Others	**3,796,865.60**	**4,788,060.34**	1,644,232.06	4,779,113.57
Sub-total	**656,724,735.24**	**302,662,060.41**	341,637,548.54	162,064,254.10

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

1. Operating income/operating cost (Continued)

(2) Breakdown of revenue (Continued)

2) Disaggregation of revenue from contracts with customers by geographical areas of operations

Item	Current period		Same period of last year	
	Revenue	Cost	Revenue	Cost
Domestic	**313,371,280.21**	**154,082,287.65**	236,690,281.44	103,554,725.23
Overseas	**343,353,455.03**	**148,579,772.76**	104,947,267.10	58,509,528.87
Sub-total	**656,724,735.24**	**302,662,060.41**	341,637,548.54	162,064,254.10

3) Disaggregation of revenue from contracts with customers by timing of transfer of goods or services

Item	Current period	Same period of last year
Revenue recognized at a point in time	**656,724,735.24**	341,637,548.54
Sub-total	**656,724,735.24**	341,637,548.54

(3) Information related to the performance obligations

Items	Time to fulfill performance obligations	Important payment terms	Nature of goods the Company undertook to transfer	Whether it is the main responsible person	Amount expected to be refunded to customers by the Company	Types of quality assurance provided by the Company and related obligations
Sales of goods	At the time of goods delivery	Offline sales: payment terms are generally 30 to 90 days after product delivery; online sales: payment is made after the platform confirms receipt	Continuous glucose monitoring products, etc.	Yes	None	Assurance-type quality warranty

(4) Revenue recognized in the current period that was included in the book value of contract liabilities at the beginning of the period was RMB21,376,838.25.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

2. Taxes and surcharges

Item	Current period	Same period of last year
Property tax	**969,841.49**	738,700.01
Urban maintenance and construction tax	**1,975,878.58**	1,588,201.53
Education surcharge	**800,261.16**	691,027.28
Local education surcharge	**611,080.66**	460,380.24
Stamp duty	**409,203.15**	128,508.54
Land use tax	**114,875.04**	69,437.46
Others	**2,345.82**	
Total	**4,883,485.90**	3,676,255.06

3. Selling expenses

Item	Current period	Same period of last year
Marketing and promotion expenses	**139,982,223.40**	127,312,394.57
Employee remuneration	**68,939,465.08**	65,305,435.17
Office and travel expenses	**6,928,092.77**	7,900,368.15
Entertainment expenses	**1,626,175.62**	2,653,080.03
Depreciation and amortization expenses	**1,022,224.65**	1,030,607.78
Share-based payments	**994,041.47**	1,363,967.57
Others	**3,557,675.63**	1,573,294.21
Total	**223,049,898.62**	207,139,147.48

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

4. Administrative expenses

(1) Breakdown

Item	Current period	Same period of last year
Employee remuneration	**24,087,817.30**	25,246,333.01
Intermediary fees	**9,456,593.89**	3,396,883.25
Office and travel expenses	**3,149,559.92**	3,318,650.76
Depreciation and amortization expenses	**4,296,542.80**	3,570,583.38
Share-based payments	**1,976,419.76**	1,042,381.72
Others	**5,324,111.79**	5,570,629.13
Total	**48,291,045.46**	42,145,461.25

(2) Included in the administrative expenses for the year is auditor's remuneration of RMB641,509.43 (2024: RMB641,509.43).

5. Research and development expenses

Item	Current period	Same period of last year
Employee remuneration	**35,515,415.90**	38,589,683.39
Service fees	**22,326,974.22**	19,874,796.73
Materials expenses	**10,094,614.11**	9,334,446.89
Depreciation and amortization expenses	**2,908,260.24**	2,956,979.34
Share-based payments	**3,107,852.99**	2,675,261.58
Others	**2,385,145.64**	3,127,228.55
Total	**76,338,263.10**	76,558,396.48

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

6. Finance costs

Item	Current period	Same period of last year
Interest expense	**127,978.05**	676,448.90
Less: Interest income	**47,778,382.91**	62,844,339.71
Foreign exchange gains or losses	**18,140,011.56**	-9,696,870.41
Handling charges	**329,918.66**	300,072.25
Total	**-29,180,474.64**	-71,564,688.97

7. Other Income

Item	Current period	Same period of last year	Amount included in non-recurring profit or loss for the period
Government grants related to assets	**35,345.52**		
Government grants related to income	**9,591,221.00**	12,579,901.09	9,591,221.00
Immediate refund after payment of the VAT	**3,816,607.84**	2,170,662.36	
Refund of withholding of handling fees of individual income tax	**393,634.80**	111,362.51	
Additional VAT credit	**652,072.85**	1,496,568.98	
Total	**14,488,882.01**	16,358,494.94	9,591,221.00

8. Investment income

Item	Current period	Same period of last year
Investment income from disposal of financial assets held for trading	**6,118,581.70**	1,408,085.72
Total	**6,118,581.70**	1,408,085.72

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

9. Gains from changes in fair value

Item	Current period	Same period of last year
Financial assets held for trading	**-33,995.73**	88,460.72
Including: Gains from changes in fair value of funds	**-33,995.73**	88,460.72
Total	**-33,995.73**	88,460.72

10. Credit impairment losses

Item	Current period	Same period of last year
Bad debt loss	**-1,531,473.19**	-1,439,412.54
Total	**-1,531,473.19**	-1,439,412.54

11. Impairment losses on assets

Item	Current period	Same period of last year
Inventory impairment loss	**-9,119,470.41**	-3,769,077.85
Total	**-9,119,470.41**	-3,769,077.85

12. Gain from disposal of assets

Item	Current period	Same period of last year	Amount included in non-recurring profit or loss for the period
Gain from disposal of fixed assets	**7,371.61**		7,371.61
Total	**7,371.61**		7,371.61

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

13. Non-operating income

Item	Current period	Same period of last year	Amount included in non-recurring profit or loss for the period
Scrap income	**44,501.60**	95,451.48	44,501.60
Claims income	**121,927.95**	62,146.91	121,927.95
Others	**73,064.15**	5,588.03	73,064.15
Total	**239,493.70**	163,186.42	239,493.70

14. Non-operating expenses

Item	Current period	Same period of last year	Amount included in non-recurring profit or loss for the period
Claims and penalty paid [Note]	**3,699,921.00**	6,692.62	3,699,921.00
External donations	**15,000.00**		15,000.00
Losses from damage and scrapping of non-current assets	**3,172.20**	832,338.44	3,172.20
Others	**93,237.96**	14,335.89	93,237.96
Total	**3,811,331.16**	853,366.95	3,811,331.16

[Note] It included a provision for temporary litigation fees of EUR400,000 (equivalent to RMB3,306,040.00). For further details on the progress of the relevant legal proceedings, please refer to Note XIV (1) to the financial statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(II) Notes to the Consolidated Income Statement (Continued)

15. Income tax expense

(1) Breakdown

Item	Current period	Same period of last year
Current income tax	**275,597.71**	
Deferred income tax expense	**-26,620.91**	-30,961.88
Total	**248,976.80**	-30,961.88

(2) Adjustment process of accounting profit and income tax expenses

Item	Current period	Same period of last year
Total profit	**40,400,672.77**	-63,149,200.86
Income tax expenses calculated at the applicable tax rate of the parent company	**6,060,100.92**	-9,472,380.13
Effect of different tax rates applicable to subsidiaries	**-11,644,425.03**	-6,809,175.82
Effect of adjusting income tax from prior periods	**275,597.71**	
Effect of non-deductible costs, expenses and losses	**117,606.08**	212,275.65
Effect of utilising deductible losses of unrecognised deferred income tax assets in prior periods	**-908,185.58**	
Impact of deductible temporary differences or deductible losses for which no deferred income tax assets were recognized in the period	**17,766,593.20**	26,691,553.47
Additional deduction of research and development expenses	**-11,418,310.50**	-10,653,235.06
Income tax expense	**248,976.80**	-30,961.89

16. Other comprehensive income, net of tax

For details of other comprehensive income, net of tax, please refer to Note V (I) 33 to the financial statements.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Notes to the Consolidated Statement of Cash Flows

1. Other cash received or paid relating to operating activities, investing activities and financing activities

(1) Cash received relating to other operating activities

Item	Current period	Same period of last year
Receipts of government grants	**19,681,221.50**	11,889,801.93
Interest income	**6,210,536.70**	21,479,385.14
House rental income	**4,071,961.17**	4,343,822.49
Security deposit received	**1,821,078.23**	1,811,834.20
Temporary receipt of special incentive funds in advance	**2,420,000.00**	11,000,000.00
Others	**664,421.75**	274,548.93
Total	**34,869,219.35**	50,799,392.69

(2) Cash paid relating to other operating activities

Item	Current period	Same period of last year
Marketing and promotion expenses	**126,220,326.78**	111,987,617.70
Service fees	**20,219,609.01**	21,988,234.33
Office and travel expenses	**5,897,182.80**	10,071,412.85
Intermediary fees	**10,090,496.73**	5,461,602.70
Entertainment expenses	**1,994,222.08**	3,154,112.63
Llitigation compensation fees	**3,292,000.00**	
Others	**17,377,527.51**	10,867,625.95
Total	**185,091,364.91**	163,530,606.16

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Notes to the Consolidated Statement of Cash Flows (Continued)

1. Other cash received or paid relating to operating activities, investing activities and financing activities (Continued)

(3) Cash received relating to other investing activities

Item	Current period	Same period of last year
Principal and interest received from time deposits, certificates of deposit and structured deposits	**1,694,436,598.75**	1,507,511,037.19
Redemption of fund	**6,006,214.78**	15,424,000.30
Gains on foreign exchange swaps	**5,970,876.53**	980,149.00
Total	**1,706,413,690.06**	1,523,915,186.49

(4) Cash paid relating to other investing activities

Item	Current period	Same period of last year
Purchase of time deposits, certificates of deposit and structured deposits	**1,993,355,380.58**	1,300,109,753.00
Purchase of funds	**140,000.00**	19,410,529.51
Purchase of wealth management products	**35,000,000.00**	
Total	**2,028,495,380.58**	1,319,520,282.51

(5) Cash paid relating to other financing activities

Item	Current period	Same period of last year
Payment for share repurchase	**6,653,914.88**	31,787,154.45
Rent paid	**507,610.49**	491,244.55
Share cancellation fees	**2,739.93**	209,203.09
Total	**7,164,265.30**	32,487,602.09

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Notes to the Consolidated Statement of Cash Flows (Continued)

2. Supplementary information to the cash flow statement

Supplementary information	Current period	Same period of last year
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	**40,151,695.97**	-63,118,238.98
Add: Provision for asset impairment	**9,119,470.41**	3,769,077.85
Provision for credit impairment	**1,531,473.19**	1,439,412.54
Depreciation of fixed assets, depreciation of right-of-use assets, depletion of oil and gas assets, depreciation of productive biological assets	**11,452,540.07**	10,363,070.07
Amortization of intangible assets	**1,834,913.03**	1,739,800.45
long-term deferred expenses	**425,107.00**	
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	**-7,371.61**	
Losses from scrapping of fixed assets (gains are indicated by "-")	**3,172.20**	832,338.44
Losses from changes in fair value (gains are indicated by "-")	**33,995.73**	-88,460.72
Financial expenses (gains are indicated by "-")	**-24,504,201.74**	-49,723,042.96
Investment losses (gains are indicated by "-")	**-6,118,581.70**	-1,408,085.72
Decrease in deferred tax assets (gains are indicated by "-")		
Increase in deferred tax liabilities (decrease is indicated by "-")	**-26,620.91**	-30,961.88
Decrease in inventories (increase is indicated by "-")	**-37,378,130.79**	-12,462,303.79
Decrease in operating receivables (increase is indicated by "-")	**-38,722,824.93**	-59,280,222.66
Increase in operating payables (decrease is indicated by "-")	**68,332,228.70**	42,118,385.67
Others	**6,482,879.17**	5,203,591.71
Net cash flows from operating activities	**32,609,743.79**	-120,645,639.98
(2) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Increase in right-of-use assets		
(3) Net changes in cash and cash equivalents:		
Closing balance of cash	**50,633,722.44**	338,676,422.93
Less: Opening balance of cash	**338,676,422.93**	365,437,783.39
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	**-288,042,700.49**	-26,761,360.46

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Notes to the Consolidated Statement of Cash Flows (Continued)

3. Composition of cash and cash equivalents

(1) Breakdown

Item	Closing balance	Closing balance of last year
1) Cash	**50,633,722.44**	338,676,422.93
Including: Cash on hand	**13,707.29**	15,787.29
Bank deposits readily available for payment	**47,216,264.51**	335,014,042.87
Other monetary funds readily available for payment	**3,403,750.64**	3,646,592.77
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Closing balance of cash and cash equivalents	**50,633,722.44**	338,676,422.93
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

(2) Cash and cash equivalents held by the Company with restricted scope of use

Item	Closing balance	Closing balance of last year	Reasons for the limitation of scope of use, reasons for being cash and cash equivalents
Fund raising	**2,066,780.33**	114,025,662.10	Limited scope of use but can be withdrawn at any time
Overseas funds	**26,478,669.06**	10,014,982.73	Limited scope of use but can be withdrawn at any time
Sub-total	**28,545,449.39**	124,040,644.83	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(III) Notes to the Consolidated Statement of Cash Flows (Continued)

3. Composition of cash and cash equivalents (Continued)

(3) Monetary funds not classified as cash and cash equivalents

Item	Closing balance	Closing balance of last year	Reasons for not being cash and cash equivalents
Principal of term deposits and certificates of deposit	**1,417,033,670.00**	1,295,326,301.03	Long holding period
Interest on term deposits and certificates of deposit	**38,935,320.71**	62,076,228.78	Interest accrued
Interest on portfolio deposit products	**153,915.04**	1,185,906.98	Interest accrued
Sub-total	**1,456,122,905.75**	1,358,588,436.79	

4. Changes in liabilities related to financing activities

Item	Opening balance	Increase during the period		Decrease in the period		Closing balance
		Cash movement	Non-cash changes	Cash movement	Non-cash changes	
Lease liabilities (including lease liabilities due within one year)	165,627.80		1,177,624.98	507,610.49		**835,642.29**
Short-term borrowings		63,870,000.00	688,127.56	607,449.33		**63,950,678.23**
Sub-total	165,627.80	63,870,000.00	1,865,752.54	1,115,059.82		**64,786,320.52**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(IV) Others

1. Foreign currency monetary items

(1) Breakdown

Item	Foreign currency balance at the end of the period	Conversion rate	Closing balance converted into RMB
Monetary funds			851,526,308.47
Including: USD	77,048,452.43	7.0288	541,558,162.41
EUR	1,072,581.83	8.2355	8,833,247.66
HK$	333,408,877.77	0.9032	301,134,898.40
Accounts receivable			84,021,667.24
Including: USD	10,945,418.66	7.0288	76,933,158.68
EUR	860,725.95	8.2355	7,088,508.56
Other receivables			79,338.21
Including: USD	11,287.59	7.0288	79,338.21
Accounts payable			13,013.62
Including: GBP	1,379.35	9.4346	13,013.62

(2) The Company has no significant overseas operating entities.

2. Leases

(1) The Company as lessee

1) For details of the right-of-use assets, please refer to Note V (I) 11 to the financial statements.

2) For details of the Company's accounting policies for short-term leases and leases of low-value assets, please refer to Note III (XXVII) to the financial statements. The amount of short-term lease expenses and low-value asset lease expenses included in the profit and loss for the period is as follows:

Item	Current period	Same period of last year
Short-term lease expenses	**46,752.66**	80,518.71
Total	**46,752.66**	80,518.71

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(IV) Others (Continued)

2. Leases (Continued)

(1) The Company as lessee (Continued)

3) Profit and loss for the period and cash flows related to leases

Item	Current period	Same period of last year
Interest expenses on lease liabilities	**41,530.70**	13,437.01
Total cash outflow for leases	**554,363.15**	571,763.26

4) For the maturity analysis of lease liabilities and the corresponding liquidity risk management, please refer to Note IX (II) to the financial statements.

(2) The Company as lessor

1) Operating leases

① Rental income

Item	Current period	Same period of last year
Rental income	**4,063,655.53**	3,977,538.38
Including: Income related to variable lease payments not included in the measurement of lease receipts		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(IV) Others (Continued)

2. Leases (Continued)

(2) The Company as lessor (Continued)

1) Operating leases (Continued)

② Operating lease assets

Item	Closing balance	Closing balance of last year
Fixed assets	**11,622,371.63**	12,324,204.47
Sub-total	**11,622,371.63**	12,324,204.47

Details of fixed assets leased out under operating leases are set out in note 5 (I) 9 to the financial statements.

③ Future undiscounted lease payments under non-cancellable leases with lessees in accordance with the lease agreement with the lessee

Remaining maturity	Closing balance	Closing balance of last year
Within 1 year	**4,079,354.08**	4,027,372.28
1–2 years	**681,348.22**	4,079,354.08
2–3 years		681,348.22
Total	**4,760,702.30**	8,788,074.58

VI. RESEARCH AND DEVELOPMENT EXPENDITURE

Item	Current period	Same period of last year
Employee remuneration	**35,515,415.90**	38,589,683.39
Service fees	**22,326,974.22**	19,874,796.73
Materials expenses	**10,094,614.11**	9,334,446.89
Depreciation and amortization expenses	**2,908,260.24**	2,956,979.34
Share-based payments	**3,107,852.99**	2,675,261.58
Others	**2,385,145.64**	3,127,228.55
Total	**76,338,263.10**	76,558,396.48
Including: R&D expenditure expensed	**76,338,263.10**	76,558,396.48
R&D expenditure capitalized		

VII. EQUITY IN OTHER ENTITIES

Composition of the Group

(I) The Company included 6 subsidiaries including Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司) in the scope of consolidated financial statements.

(II) General information of subsidiaries

Name of subsidiary	Nature of company	Registered capital	Principal place of business and place of registration	Nature of business	Shareholding ratio (%) Direct	Indirect	Acquisition method
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)	Limited liability	RMB60,000,000	Hangzhou, Zhejiang Province	Retail	100.00		Established
Hangzhou Jienuotong Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司)	Limited liability	RMB1,000,000	Hangzhou, Zhejiang Province	Scientific research and technical services	100.00		Established
MTM AiDEX Europe GmbH	Limited liability	EUR4,650,000	Germany	Business Services	100.00		Established
MicroTech Medical (Nanjing) Co., Ltd. (微泰醫療器械(南京)有限公司)	Limited liability	RMB10,000,000	Nanjing, Jiangsu Province	Wholesale and retail	100.00		Established
Hangzhou MicroTech Medical Electronics Co., Ltd. (杭州微泰醫療電子有限公司)	Limited liability	RMB100,000,000	Hangzhou, Zhejiang Province	Manufacturing	100.00		Established
Xinyi Wing Health Limited (欣宜榮健康有限公司)	Limited liability	USD100,000	Hong Kong, China	Commercials	100.00		Established

VIII. GOVERNMENT GRANTS

(I) Increase in government grants in the period

Item	Increase in grants during the period
Government grants related to assets	9,058,500.50
Including: Included in deferred income	9,058,500.50
Government grants related to income	13,407,828.84
Including: Included in other income	13,407,828.84
Loan interest subsidy	1,031,500.00
Including: Offset against financial expenses	1,031,500.00
Total	23,497,829.34

(II) Amount of government grants included in profit or loss for the period

Item	The period	Same period of last year
Amount of government grants included in other income	**13,443,174.36**	12,579,901.09
Impact amount of loan interest subsidy on the total profit	**1,031,500.00**	
Total	**14,474,674.36**	12,579,901.09

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company engages in risk management with the objective of striking a balance between risks and returns, minimizing the negative impact of risks on the Company's operating results, and maximizing the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze various risks faced by the Company, establish appropriate bottom lines for risk tolerance and conduct risk management, and monitor various risks in a timely and reliable manner to control risks within a limited scope.

The Company is exposed to various risks related to financial instruments in its daily activities, mainly including credit risk, liquidity risk and market risk. Management has reviewed and approved policies for managing each of these risks and they are summarized below.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risk

Credit risk refers to the risk that a party to a financial instrument will fail to discharge its obligations and cause a financial loss to the other party.

1. Credit risk management practices

(1) Credit risk evaluation method

The Company assesses at each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition. When determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical information, external credit risk rating and forward-looking information. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Company compares the risk of a default occurring on the financial instrument on the balance sheet date with the risk of a default occurring on the initial recognition date to determine the change in the risk of a default occurring over the expected life of the financial instrument.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

1) The quantitative criteria are mainly that the remaining lifetime probability of default on the balance sheet date has increased by more than a certain proportion from the initial recognition;

2) Qualitative criteria mainly include significant adverse changes in the debtor's operation or financial conditions, existing or expected changes in the technological, market, economic or legal environment, and will have a significant adverse impact on the debtor's ability to repay the Company.

(2) Definition of default and credit-impaired assets

When a financial instrument meets one or more of the following conditions, the Company defines the financial asset as defaulted, and its criteria are consistent with the definition of credit-impaired:

1) Significant financial difficulties of the debtor;

2) The debtor breaches the binding clauses on the debtor in the contract;

3) it is probable that the debtor will enter bankruptcy or other financial reorganization;

4) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risk (Continued)

2. Measurement of expected credit losses

The key parameters for measuring ECL include probability of default, loss given default and exposure at default. The Company takes into account the quantitative analysis and forward-looking information of historical statistics (such as counterparty rating, guarantee method and collateral type, repayment method, etc.), and establishes the model of PD, LGD and EAD.

3.

Please refer to notes V (I) 3 to the financial statements for the reconciliation of opening balance and closing balance of provision for losses on financial instruments.

4. Credit risk exposure and credit risk concentration

The Company's credit risk mainly comes from monetary funds and receivables. In order to control the above-mentioned related risks, the Company has taken the following measures respectively.

(1) *Monetary funds*

The Company places bank deposits and other monetary funds with financial institutions with high credit ratings, so its credit risk is low.

(2) *Account receivables*

The Company continuously performs credit evaluations on customers who trade on credit. Based on the results of the credit assessment, the Company chooses to transact with recognized and creditworthy customers and monitors their receivable balances to ensure that the Company is not exposed to significant bad debt risks.

As the Company's accounts receivable risk is spread over a number of partners and customers, as at December 31, 2025, 60.19% of the Company's accounts receivable was due from the five largest customers in terms of balance (December 31, 2024: 53.99%), and the Company has no significant concentration of credit risk.

The maximum exposure to credit risk is the book value of each financial asset in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company performs its obligations to settle in cash or other financial assets. Liquidity risk may result from the inability to sell financial assets at fair value as soon as possible, or from the failure of the counterparty to repay its contractual obligations, or from early maturities of debts, or from the inability to generate expected cash flows.

In order to control this risk, the Company comprehensively uses various financing methods such as bill settlement, bank borrowings, and adopts a combination of long-term and short-term financing methods to optimize the financing structure and maintain a balance between financing continuity and flexibility.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk (Continued)

Classification of financial liabilities by remaining maturity

Item	Closing balance				
	Book value	Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Bank borrowings	**63,950,678.23**	**64,561,683.41**	**64,561,683.41**		
Bills payables	**26,542,172.40**	**26,542,172.40**	**26,542,172.40**		
Accounts payable	**86,786,352.81**	**86,786,352.81**	**86,786,352.81**		
Other payables	**25,209,377.83**	**25,209,377.83**	**25,209,377.83**		
Lease liabilities (including those due within one year)	**835,642.29**	**853,692.84**	**491,254.63**	**344,387.66**	
Sub-total	**203,324,223.56**	**203,953,279.29**	**203,590,841.08**	**344,387.66**	

Item	Closing balance of last year				
	Book value	Contractual undiscounted amount	Within 1 year	1–3 years	Over 3 years
Bills payables	4,038,498.99	4,038,498.99	4,038,498.99		
Accounts payable	77,045,286.72	77,045,286.72	77,045,286.72		
Other payables	26,718,159.12	26,718,159.12	26,718,159.12		
Lease liabilities (including those due within one year)	165,627.80	168,018.27	168,018.27		
Sub-total	107,967,572.63	107,969,963.10	107,969,963.10		

(III) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest-bearing financial instruments with fixed interest rates expose the Company to fair value interest rate risk, and interest-bearing financial instruments with floating interest rates expose the Company to cash flow interest rate risk. The Company determines the proportion of financial instruments with fixed and floating interest rates based on the market environment, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk (Continued)

2. Foreign exchange risk

Foreign exchange risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in exchange rates relates primarily to the Company's foreign currency monetary assets and liabilities. For foreign currency assets and liabilities, if short-term imbalances occur, the Company will buy or sell foreign currencies at market rates when necessary to ensure that the net risk exposure is maintained at an acceptable level.

For details of the Company's foreign currency monetary assets and liabilities at the end of the period, please refer to Note V (IV) 1 to the financial statements.

(IV) Transfer of financial assets

1. Particulars of transfer of financial assets

Method of transfer	Nature of transferred financial assets	Amount of transferred financial assets	Status of derecognition	Basis for judging the status of derecognition
Bills endorsement	Receivables financing	971,000.00	Derecognized	Substantially all of the risks and rewards have been transferred
Sub-total		971,000.00		

2. Financial assets derecognized due to transfer

Item	Method of transfer of financial assets	Amount of financial assets derecognized	Gains or losses related to derecognition
Receivables financing	Endorsement	971,000.00	
Sub-total		971,000.00	

X. FAIR VALUE DISCLOSURES

(I) Details of fair value of assets and liabilities measured at fair value at the end of the period

Item	Closing fair value			
	Level 1 Measurement of fair value	Level 2 Measurement of fair value	Level 3 Measurement of fair value	Total
Continuous fair value measurement				
1. Financial assets held for trading	39,226,922.48			39,226,922.48
(1) Classified as financial assets measured at fair value through profit or loss	39,226,922.48			39,226,922.48
Funds	4,201,761.68			4,201,761.68
Wealth management products	35,025,160.80			35,025,160.80
2. Receivables financing			100,000.00	100,000.00
Total assets measured at fair value on a recurring basis	39,226,922.48		100,000.00	39,326,922.48

(II) Basis for determining the market price of continuous and non-continuous Level 1 Measurement of fair value items

For Financial assets held for trading, the fair value is determined based on the daily fund net value announced by the fund management company or the net value recognised in the reply letter of the wealth management product.

(III) Qualitative and quantitative information on valuation technique and important parameters used for continuous and non-continuous Level 3 Measurement of fair value items

For bank acceptance bills, the fair value is determined by the face value.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Related parties

1. Parent company of the Company

(1) The Company has no parent company and is controlled by a natural person, Zheng Pan. As of December 31, 2025, the shareholding and voting rights of the actual controller are as follows:

Name of natural person	Shareholding in the Company (%)	Percentage of voting rights in the Company (%)
Zheng Pan	26.1343	26.6439

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related parties (Continued)

1. Parent company of the Company (Continued)

(2) Other explanations

Zheng Pan directly holds 21.1293% of the Company's shares (with a voting right ratio of 21.5151%), indirectly holds 1.3083% of the Company's shares (with a voting right ratio of 1.3326%) through Hangzhou Yantai Investment Partnership (Limited Partnership) (杭州研泰投資合夥企業(有限合夥)), and indirectly holds 3.6967% of the Company's shares (with a voting right ratio of 3.7962%) through Hangzhou Hengtai Brand Management Partnership (Limited Partnership) (杭州衡泰品牌管理合夥企業(有限合夥)). Zheng Pan directly and indirectly holds a total of 26.1343% of the shares of the Company, and holds a total of 26.6439% of the voting rights of the Company, and is the actual controller of the Company.

2. Please refer to Note VII to the financial statements for details of the subsidiaries of the Company.

3. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Henghua Property Service Co., Ltd. (杭州衡華物業服務有限公司)	An enterprise controlled by the mother of the de facto controller, Li Zhenhua, a supervisor of the Company, who serves as an executive director
Yu Fei	Executive Director and R&D Director of the Company
Shi Yonghui	Executive Director and Secretary to the Board of the Company
Liu Xiu	Executive Director and Chief Financial Officer of the Company
Mao Shuo	Non-executive Directors of the Company
Gao Yun	Non-executive Directors of the Company
Lan Yi (蘭毅)	Deputy general manager
Li Lihua	Independent Non-executive Directors of the Company
Ho Kin Cheong Kelvin	Independent Non-executive Directors of the Company
Wang Chunfeng	Independent Non-executive Directors of the Company
Cheng Hua	Independent Non-executive Directors of the Company
Li Zhenhua	Supervisor of the Company
Zhao Zhiheng	Supervisor of the Company
Lyu Cheng	Supervisor of the Company
Xu Fangling	Vice president and the head of administration department

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions

1. Related party transactions of purchase and sale of goods, provision and acceptance of services

Related party transactions in relation to purchase of goods and receipt of services

Related parties	Content of related party transactions	Current period	Same period of last year
Hangzhou Henghua Property Service Co., Ltd. (杭州衡華物業服務有限公司)	Property charges	**1,888,976.96**	1,590,114.86

2. Compensation of key management personnel

Item	Current period	Same period of last year
Compensation of key management personnel	**7,336,500**	7,855,500

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Directors' and supervisors' remuneration

Item	Current period						
	Fees	Salaries, bonuses, allowances and subsidies	Housing provident fund	Pension insurance	Other social insurance premiums	Benefit in kind	share-based payments,	Total
Executive Directors:							
Zheng Pan		814,674.50	19,200.00	1,887.36	20,417.88			886,179.74
Yu Fei		587,843.86	28,998.00	9,350.40	6,352.55		343,789.05	976,333.86
Shi Yonghui		1,451,692.00	19,200.00	9,350.40	6,352.55		319,232.69	1,805,827.64
Liu Xiu		676,770.90	38,508.00	9,350.40	6,352.55		294,676.33	1,025,658.18
Non-executive Directors:								
Mao Shuo								
Gao Yun								
Independent Non-executive Directors:								
Li Lihua	99,996.00							99,996.00
Ho Kin Cheong Kelvin	209,070.97							209,070.97
Wang Chunfeng	99,996.00							99,996.00
Cheng Hua	99,996.00							99,996.00
Supervisors:								
Li Zhenhua		358,851.65	20,680.00	9,350.40	6,352.55		122,781.80	518,016.40
Zhao Zhiheng		200,698.57	12,960.00	9,350.40	6,352.55		73,669.08	303,030.60
Lyu Cheng								
Total	509,058.97	4,090,531.48	139,546.00	78,639.36	52,180.63		1,154,148.94	6,024,105.38

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

3. Directors' and supervisors' remuneration (Continued)

Item	Same period of last year							
	Fees	Salaries, bonuses, allowances and subsidies	Housing provident fund	Pension insurance	Other society Insurance premium	Benefit in kind	share-based payments,	Total
Executive Directors:								
Zheng Pan		1,215,712.50	19,200.00	29,396.16	20,510.84			1,284,819.50
Yu Fei		1,257,210.52	18,924.00	8,055.24	6,404.86		199,605.01	1,490,199.63
Shi Yonghui		1,489,751.84	19,200.00	8,055.24	6,404.86		199,605.01	1,723,016.95
Liu Xiu		641,634.15	37,398.00	8,055.24	6,404.86		199,605.01	893,097.26
Non-executive Directors:								
Hu Xubo								
Mao Shuo								
Gao Yun								
Independent Non-executive Directors:								
Li Lihua	99,996.00							99,996.00
Ho Kin Cheong Kelvin	203,377.02							203,377.02
Wang Chunfeng	99,996.00							99,996.00
Cheng Hua	99,996.00							99,996.00
Supervisors:								
Li Zhenhua		316,336.65	18,894.00	8,055.24	6,404.86		99,802.50	449,493.25
Zhao Zhiheng		182,233.96	12,240.00	8,055.24	6,404.86		49,901.25	258,835.31
Lyu Cheng								
Total	503,365.02	5,102,879.62	125,856.00	69,672.36	52,535.14		748,518.79	6,602,826.92

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related party transactions (Continued)

4. Five highest paid employees

The five highest paid employees during the year included 1 (2024: 3) directors, details of whose remuneration are set out in note XI (II) 3 to the financial statements. The aggregate of the emoluments in respect of the remaining 4 (2024: 2) non-director employees are as follows:

Item	Current period	Same period of last year
Salaries, bonuses, allowances and subsidies	**4,782,859.51**	2,485,206.69
Housing provident funds	**107,808.00**	26,172.00
Pension insurance	**52,732.80**	16,110.48
Other social insurance premiums	**34,179.11**	12,809.72
Benefit in kind		
Share-based payments	**724,903.76**	166,337.51
Total	**5,702,483.18**	2,706,636.40

The remunerations of the 4 (2024: 2) non-director employees were within the following bands:

Item	Number of individuals for the period	Number of individuals in the same period of last year
HK$1,000,001 to HK$1,500,000	**2**	
HK$1,500,001 to HK$2,000,000	**2**	2

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Amounts due from/to related parties

Amounts due to related parties

Item	Related parties	Closing balance	Closing balance of last year
Other payables	Ho Kin Cheong Kelvin	**12,919.94**	
	Cheng Hua	**6,999.72**	
	Wang Chunfeng	**6,999.72**	
Sub-total		**26,919.38**	

XII. SHARE-BASED PAYMENTS

(I) Overall share-based payment

1. Breakdown

	Number and amount of equity instruments							
	Granted during the period		Options exercised during the period		Unlocked during the period		Lapsed during the period	
Grant participants	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management personnel	992,500	2,244,216.19	188,000	0				
R&D personnel	1,582,000	3,577,178.85	482,500	0				
Sales personnel	506,000	1,144,154.55	240,180	0				
Production personnel	219,500	496,327.91	22,000	0				
Total	3,300,000	7,461,877.50	932,680	0				

XII. SHARE-BASED PAYMENTS (Continued)

(I) Overall share-based payment (Continued)

2. Other explanations

(1) *Grant for the current period*

On December 24, 2025, the Company's the first extraordinary general meeting of shareholders approved the "Share Incentive Scheme" and authorized the Board to handle matters related to the Share Incentive Scheme. On December 30, 2025, the Company held the 10th meeting of the second session of the Board, planning to grant 3,300,000 shares to the incentive recipients (including 5 related personnel, with the grant amount being 235,000 shares). The exercise price is HK$2.5 per share. The related Awarded Shares will be attributed in two periods, as follows: 1) 40% will be attributed one year after the grant date; 2) 60% will be attributed two years after the grant date. The attribution of the Awarded Shares depends on whether the individual performance targets stated in the relevant grant letter are achieved. According to the Announcement, the Awarded Shares of the Company's Share Incentive Scheme consist of the Company's ordinary shares listed on the Stock Exchange, and the grant must be implemented upon acceptance by the recipient.

(2) *Exercise for the current period*

For the H Share Award and Trust Scheme of the previous period, 932,680 out of the 938,500 corresponding incentive shares were exercised in the current period, and the remaining 5,820 shares will be exercised in January 2026.

(II) Equity-settled share-based payments

Method for determining the fair value as at the grant date and significant parameters	In accordance with Accounting Standard for Business Enterprises No. 11 — Share-based Payments, the Company uses the difference between the closing price of the share on the grant date and the grant price as the share-based payment cost per incentive share, and will ultimately recognize share-based payment expense for this incentive plan.
Basis for determining the number of exercisable equity instruments	Estimated number of shares granted and estimated likelihood of future exercise
Reasons for significant differences of estimate between the current period and the previous period	N/A
Cumulative amount of equity-settled share-based payments included in the capital reserve	215,949,869.78

(III) Total share-based payment expense recognized during the period

Grant participants	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Management personnel	1,949,775.02	
R&D personnel	3,107,852.99	
Sales personnel	994,041.47	
Production personnel	431,209.69	
Total	6,482,879.17	

XIII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. As of December 31, 2025, the Company had issued the following letter of credit which had not yet been fully performed:

Issuing Bank	Application Unit	Amount	Conditions for the issuance
Bank of Ningbo Co., Ltd., Hangzhou Branch	The Company	10,000,000.00	Pledge

2. As of December 31, 2025, the Company's borrowings which had not yet been fully repaid are as follows:

Creditor	Borrowings amount	Guarantee method	Guarantor	Amount	Date of maturity guarantee	Guarantee contract
Kunlun Trust Co., Ltd.	14,000,000.00	Financing guarantee letter	China Zheshang Bank Co., Ltd., Hangzhou Branch	14,115,183.56	2026-9-15	(30203000) Zhe Shang Yin Bao Xie Zi (2025) No. 00747
Industrial and Commercial Bank of China Limited, Hangzhou Yuhang Branch	40,000,000.00	Pledge guarantee	MicroTech Medical (Hangzhou) Co., Ltd. (微泰醫療器械(杭州)股份有限公司)	53,447,100.00	2026-4-20	0120200467-2025 Yu Hang (Zhi) Zi No. 0038

(II) Contingent matters

As at the balance sheet date, the Company had no significant contingencies to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

(1) On September 2, 2025, Abbott Diabetes Care Inc. initiated legal proceedings against the Company with the Hague Local Division of the Unified Patent Court for patent infringement. On February 6, 2026, the Court issued a ruling on the provisional measures. As of the date of approval of the financial statements, the case is still pending.

(2) Except for the above, as of the date of approval of the financial statements, the Company has no other significant events after the balance sheet date.

XV. OTHER SIGNIFICANT MATTERS

SEGMENT INFORMATION

The Company is principally engaged in the manufacture and sale of BGMS, CGMS and insulin pump systems. The Company regards this business as a whole to implement management and evaluate operating results. Therefore, the Company does not need to disclose segment information. For details of the breakdown of the Company's revenue, please refer to Note V (II) 1 to the financial statements.

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(I) Notes to items in the balance sheet of the parent company

1. Account Receivable

(1) Breakdown

1) Breakdown by category

Type	Closing balance				
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Book value
Provision for bad debts on individual basis	**5,145,981.78**	**2.27**	**5,145,981.78**	**100.00**	
Provision for bad debts by portfolio	**221,244,447.65**	**97.73**	**3,204,587.15**	**1.45**	**218,039,860.50**
Total	**226,390,429.43**	**100.00**	**8,350,568.93**	**3.69**	**218,039,860.50**

Type	Closing balance of last year				
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Book value
Provision for bad debts on individual basis	1,678,170.87	0.59	1,678,170.87	100.00	
Provision for bad debts by portfolio	281,681,743.57	99.41	5,025,192.59	1.78	276,656,550.98
Total	283,359,914.44	100.00	6,703,363.46	2.37	276,656,550.98

2) At the end of the period, there were no significant account receivable for which bad debt provision was made individually.

3) Account receivable with provision for bad debts made on a collective basis

Item	Book balance		
	Closing balance	Bad debt provision	Provision ratio (%)
Aging portfolio	**62,217,513.60**	**1,344,307.06**	**2.16**
Related party portfolio within the scope of consolidation	**159,026,934.05**	**1,860,280.09**	**1.17**
Sub-total	**221,244,447.65**	**3,204,587.15**	**1.45**

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

1. Account Receivable (Continued)

(1) Breakdown (Continued)

4) Account receivable for which bad debt provision has been made using aging portfolio

Age	Closing balance		
	Book balance	Bad debt provision	Provision ratio (%)
Within 1 year	**61,462,927.52**	**1,167,795.62**	**1.90**
1–2 years	**645,342.20**	**128,874.84**	**19.97**
2–3 years	**106,655.38**	**45,307.21**	**42.48**
4–5 years	**2,588.50**	**2,329.39**	**89.99**
Sub-total	**62,217,513.60**	**1,344,307.06**	**2.16**

(2) Ageing analysis

Age	Closing balance			Closing balance of last year		
	Book balance	Bad debt provision	Provision ratio (%)	Book balance	Bad debt provision	Provision ratio (%)
Within 1 year	**220,784,893.74**	**3,323,107.88**	**1.51**	186,721,460.49	2,344,183.59	1.26
1–2 years	**1,155,816.83**	**639,349.47**	**55.32**	62,882,853.12	1,722,433.98	2.74
2–3 years	**1,286,207.01**	**1,224,858.84**	**95.23**	28,921,680.05	801,273.73	2.77
3–4 years	**1,150,836.69**	**1,150,836.69**	**100.00**	3,752,153.56	757,179.94	20.18
4–5 years	**977,948.02**	**977,688.91**	**99.97**	113,605.77	110,191.26	96.99
Over 5 years	**1,034,727.14**	**1,034,727.14**	**100.00**	968,161.45	968,100.96	99.99
Total	**226,390,429.43**	**8,350,568.93**	**3.69**	283,359,914.44	6,703,363.46	2.37

The ageing analysis of account receivable is based on the initial recognition date. The amount initially incurred shall be settled in priority during the capital turnover period.

The credit period granted by the Company to its customers is generally approximately 1 to 3 months. Overdue receivables are reviewed regularly by management.

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

1. Account Receivable (Continued)

(3) Changes in bad debt provision

Item	Opening balance	Changes in the current period				Closing balance
		Provision	Recoveries or reversals	Written-off	Others	
Provision for bad debts on individual basis	1,678,170.87	3,984,335.99	-2,785.16	-513,739.92		**5,145,981.78**
Provision for bad debts by portfolio	5,025,192.59	-1,820,605.44				**3,204,587.15**
Total	6,703,363.46	2,163,730.55	-2,785.16	-513,739.92		**8,350,568.93**

(4) Accounts receivables actually written off in the period

1) Accounts receivables written-off

Item	Amount written off
Accounts receivables actually written off	513,739.92

2) No significant accounts receivables were written off in the period.

(5) Top 5 accounts receivables

Company name	Closing book balance	Percentage in the closing balance of accounts receivables (%)	Provision for bad debts of accounts receivables
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)	**97,909,478.32**	**43.25**	**1,860,280.09**
SenEaron Healthcare Limited (欣宜榮健康有限公司)	**61,117,455.73**	**27.00**	
China Resources Hubei Pharmaceutical Co., Ltd. (華潤湖北醫藥有限公司)	**24,103,734.89**	**10.65**	**457,970.96**
Diana Medical Factory Company	**8,470,322.53**	**3.74**	**160,936.13**
Diabetes Cloud FZE	**4,251,176.62**	**1.88**	**80,772.36**
Sub-total	**195,852,168.09**	**86.51**	**2,559,959.54**

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

2. Other receivables

(1) Classification by nature

Nature of amount	Closing balance	Closing balance of last year
Current accounts	**315,507,796.65**	102,589,100.07
Security deposit	**408,616.22**	258,336.75
Reserve funds	**283,418.73**	732,144.47
Others	**220,618.40**	95,244.02
Total book balance	**316,420,450.00**	103,674,825.31
Less: provision for bad debts	**260,782,131.15**	
Total book value	**55,638,318.85**	103,674,825.31

(2) Ageing

Age	Closing balance	Closing balance of last year
Within 1 year	**104,741,063.65**	54,192,405.84
1–2 years	**122,220,454.58**	48,517,550.60
2–3 years	**63,881,852.97**	843,063.92
3–4 years	**25,471,600.45**	117,684.95
4–5 years	**101,358.35**	
Over 5 years	**4,120.00**	
Total book balance	**316,420,450.00**	103,670,705.31
Less: provision for bad debts	**260,782,131.15**	
Total book value	**55,638,318.85**	103,670,705.31

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

2. Other receivables (Continued)

(3) Provision for bad debts

1) Breakdown by category

Type	Closing balance				
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Book value
Provision for bad debts made individually	**260,782,131.15**	**82.42**	**260,782,131.15**	**100.00**	
Provision for bad debts by portfolio	**55,638,318.85**	**17.58**			**55,638,318.85**
Total	**316,420,450.00**	**100.00**	**260,782,131.15**	**82.42**	**55,638,318.85**

Type	Closing balance of last year				
	Book balance		Bad debt provision		
	Amount	Percentage (%)	Amount	Provision Percentage (%)	Book value
Provision for bad debts made individually					
Provision for bad debts by portfolio	103,674,825.30	100.00			103,674,825.30
Total	103,674,825.30	100.00			103,674,825.30

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

2. Other receivables (Continued)

(3) Provision for bad debts (Continued)

2) Other material receivables for which provision for bad debts is made individually

Company name	Closing balance of last year		Closing balance			Basis of provision
	Book balance	bad debt provision	Book balance	bad debt provision	Percentage of provision (%)	
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)			260,782,131.15	260,782,131.15	100.00	The recoverability of the balance is considered to be unlikely and has been approved by the Company's management
Sub-total			260,782,131.15	260,782,131.15	100.00	

3) Other receivables for which bad debt provision is made on a collective basis

Name of portfolio	Book balance		
	Closing balance	Bad debt provision	Provision ratio (%)
Related party portfolio within the scope of consolidation	54,726,165.50		
Low risk fund portfolio	912,153.35		
Sub-total	55,638,318.85		

4) Changes in provision for bad debt

Explanation of significant changes in the book balance of other receivables subject to movements in provision for losses during the current period:

The receivables due from Hangzhou MicroTech E-Commerce Co., Ltd., a subsidiary of the Company, have long ageing periods, and the subsidiary has incurring continuous losses, which partially and substantially resulting in a highly unlikely recoverability of the receivables of the net investment in the subsidiary. Based on the assessment, a provision for bad debts of RMB260,782,131.15 is made.

5) There were no other receivables written off in the period.

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

2. Other receivables (Continued)

(3) Provision for bad debts (Continued)

6) Top five other receivables

Company name	Nature of amount	Closing book balance	Age	Percentage in the balance of other receivables (%)	Closing bad debt provision
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)	Current accounts	260,782,131.15	Within 1 year: 91,612,431.81, 1–2 years: 88,927,416.03, 2–3 years: 55,698,474.75, 3–4 years: 24,675,260.37	82.32	260,782,131.15
Hangzhou MicroTech Medical Electronics Co., Ltd. (杭州微泰醫療電子有限公司)	Current accounts	52,743,787.86	Within 1 year: 11,687,648.34, 1–2 years: 33,002,402.17, 2–3 years: 8,053,737.35	16.65	
Hangzhou Jienuotong Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司)	Current accounts	1,067,000.54	Within 1 year: 136,829.17, 1–2 years: 86,590.42, 2–3 years: 49,640.87, 3–4 years: 793,940.08	0.34	
SenEaron Healthcare Limited (欣宜榮健康有限公司)	Current accounts	914,877.10	Within 1 year	0.29	
Miao Jin	Reserve funds	160,325.79	1–2 years	0.10	
Sub-total		315,668,122.44		99.70	260,782,131.15

3. Long-term equity investments

(1) Breakdown

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	**157,037,225.00**	**60,000,000.00**	**97,037,225.00**	110,237,225.00		110,237,225.00
Total	**157,037,225.00**	**60,000,000.00**	**97,037,225.00**	110,237,225.00		110,237,225.00

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(I) Notes to items in the balance sheet of the parent company (Continued)

3. Long-term equity investments (Continued)

(2) Investment in subsidiaries

Investee entity	Opening balance		Changes in the current period				Closing balance	
	Book value	Provision for impairment	Additional investment	Reduction of investment	Provision for impairment	Others	Book value	Provision for impairment
Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司)	60,000,000.00				60,000,000.00		**60,000,000.00**	**60,000,000.00**
Hangzhou Jienuotong Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司)	1,000,000.00						**1,000,000.00**	
MTM AiDEX Europe GmbH	18,037,225.00						**18,037,225.00**	
Hangzhou MicroTech Medical Electronics Co., Ltd. (杭州微泰醫療電子有限公司)	31,200,000.00		46,800,000.00				**78,000,000.00**	
Sub-total	110,237,225.00		46,800,000.00		60,000,000.00		**157,037,225.00**	**60,000,000.00**

(3) Impairment test of long-term equity investments

The operating results of the Company's subsidiary, Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司), are unsatisfactory. Its net assets are negative and it has been in a continuous loss-making state. The possibility of future recovery of the long-term equity investment is considered extremely low. Upon test, it is proposed to make a full provision for impairment.

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(II) Notes to the parent company income statement

1. Operating income/operating cost

(1) Breakdown

Item	Current period Revenue	Current period Cost	Same period of last year Revenue	Same period of last year Cost
Income from principal operations	**588,717,754.75**	**299,119,640.81**	331,397,208.28	162,047,171.47
Other operating income	**10,747,480.23**	**5,959,801.11**	5,682,565.39	2,963,794.92
Total	**599,465,234.98**	**305,079,441.92**	337,079,773.67	165,010,966.39
Including: Revenue from contracts with customers	**595,401,579.45**	**304,377,944.24**	333,102,235.29	164,309,133.55

(2) Breakdown of revenue

1) Disaggregation of revenue from contracts with customers by types of goods or services

Item	Current period Revenue	Current period Cost	Same period of last year Revenue	Same period of last year Cost
CGMS	**408,805,919.70**	**195,512,658.17**	181,336,329.37	80,562,792.82
Glucose Monitoring System	**109,796,259.77**	**77,742,172.10**	78,638,328.22	60,350,389.03
Insulin Pump System	**71,719,984.34**	**27,520,017.14**	71,383,609.07	21,130,842.37
Others	**5,079,415.64**	**3,603,096.84**	1,743,968.63	2,265,044.30
Sub-total	**595,401,579.45**	**304,377,944.24**	333,102,235.29	164,309,068.52

2) Disaggregation of revenue from contracts with customers by geographical areas of operations

Item	Current Period Revenue	Current Period Cost	Same Period of Last Year Revenue	Same Period of Last Year Cost
Domestic	**422,979,830.21**	**213,526,821.39**	258,712,926.52	116,555,748.05
Foreign countries	**172,421,749.24**	**90,851,122.85**	74,389,308.77	47,753,385.50
Sub-total	**595,401,579.45**	**304,377,944.24**	333,102,235.29	164,309,133.55

XVI. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(II) Notes to the parent company income statement (Continued)

1. Operating income/operating cost (Continued)

(2) Breakdown of revenuet (Continued)

3) Revenue from contracts with customers is disaggregated by timing of transfer of goods or services

Item	Current period	Same period of last year
Revenue recognized at a point in time	**595,401,579.45**	333,102,235.29
Sub-total	**595,401,579.45**	333,102,235.29

(3) Revenue recognized in the current period that was included in the book value of contract liabilities at the beginning of the period was RMB14,301,470.88.

2. Research and development expenses

Item	Current period	Same period of last year
Employee remuneration	**35,515,415.90**	38,589,683.39
Service fees	**22,326,974.22**	19,874,796.73
Materials expenses	**10,094,614.11**	9,334,446.89
Depreciation and amortization expenses	**2,908,260.24**	2,956,979.34
Share-based payments	**3,107,852.99**	2,675,261.58
Others	**2,385,145.64**	3,127,228.55
Total	**76,338,263.10**	76,558,396.48

3. Investment income

Item	Current period	Same period of last year
Investment income from disposal of financial assets held for trading	**6,117,659.69**	1,408,085.72
Total	**6,117,659.69**	1,408,085.72

XVII. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

Item	Amount	Description
Gains or losses from disposal of non-current assets, including the offset part of the provision for asset impairment	-10,543.81	
Government grants included in profit or loss for the current period, except for those closely related to the Company's normal business operations, in compliance with national policies and regulations, in accordance with determined standards, which have a continuous impact on the Company's profit or loss	9,591,221.00	
Gains or losses on changes in fair value arising from financial assets and financial liabilities held by non-financial enterprises and gains or losses on disposal of financial assets and financial liabilities, except for effective hedging activities related to the Company's normal business operations	6,084,585.97	
Fund occupation fee charged to non-financial enterprises included in profit and loss for the period		
Profit or loss from entrusting others to invest or manage assets		
Gains or losses from entrusted loans		
Loss of assets due to force majeure such as natural disasters		
Reversal of provision for impairment of receivables subject to individual impairment test	2,785.16	
Gains arising from the fair value of the identifiable net assets of the investee at the time of acquisition when the investment cost of acquisition of subsidiaries, associates and joint ventures is less than the investment cost		
Net profit or loss of subsidiaries from the beginning of the period to the combination date arising from business combination under common control		
Gains or losses from exchange of non-monetary assets		
Profit or loss from debt restructuring		
One-off expenses incurred by the enterprise due to the discontinuity of relevant business activities, such as expenses for resettlement of employees		
One-off impact on profit and loss for the period due to the adjustment of tax, accounting and other laws and regulations		
One-off share-based payment expenses recognized due to cancelation and modification of share incentive scheme		
For cash-settled share-based payments, gains or losses arising from changes in fair value of employee remuneration payable after the vesting date		
Gains or losses arising from changes in fair value of investment properties subsequently measured at fair value		
Gain arising from transactions with obviously unfair transaction price		
Profit or loss from contingencies unrelated to the normal business of the Company		
Custody fee income from entrusted operation	-3,521,130.37	
Other non-operating income and expenses other than the above items		
Other profit or loss items that meet the definition of non-recurring profit or loss	12,146,917.95	
Sub-total		
Less: Impact of corporate income tax (decrease in income tax is represented by "-") Impact of minority interests (after tax)		
Net non-recurring profit or loss attributable to owners of the parent company	12,146,917.95	

XVII. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share

1. Breakdown

Profit for the Reporting Period	Weighted average net assets Rate of return (%)	Earnings per share (RMB/share) Basic earnings per share	Earnings per share (RMB/share) Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	2.01	0.10	0.10
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.40	0.07	0.07

2. Calculation process of weighted average return on net assets

Item		Serial number	Amount for the period
Net profit attributable to ordinary shareholders of the Company		A	40,151,695.97
Non-recurring profit or loss		B	12,146,917.95
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss		C=A-B	28,004,778.02
Opening net assets attributable to ordinary shareholders of the Company		D	1,974,630,382.43
New net assets attributable to ordinary shareholders of the Company arising from issuance of new shares or debt-to-equity swap		E	
Total number of months from the next month following the increase in net assets to the end of the Reporting Period		F	
Net assets attributable to ordinary shareholders of the Company decreased due to repurchase or cash dividends		G	6,764,018.93
Total number of months from the next month following the reduction of net assets to the end of the Reporting Period		H	0-11 months
Others	Increase in net assets from translation of foreign currency financial statements	I1	-234,451.15
	Total number of months from the next month to the end of the Reporting Period	J1	6
	Share-based payment	I2	6,482,879.17
	Total number of months from the next month to the end of the Reporting Period	J2	6
	Increase in capital reserve from the premium arising from the disposal of incentive shares withheld by the Company for the purpose of withholding and remitting employees' individual income tax	I3	107,364.12
	Total number of months from the next month following the change of net assets to the end of the Reporting Period	J3	0
Number of months during the Reporting Period		K	12
Weighted average net assets		L=D+A/2+ExF/K-GxH/K+IxJ/K	1,994,992,548.45
Weighted average return on net assets		M=A/L	2.01%
Weighted average return on net assets after deducting non-recurring profit or loss		N=C/L	1.40%

XVII. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share (Continued)

3. Calculation process of basic and diluted earnings per share

(1) Calculation process of basic earnings per share

Item	Serial number	Amount for the period
Net profit attributable to ordinary shareholders of the Company	A	40,151,695.97
Non-recurring profit or loss	B	12,146,917.95
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	28,004,778.02
Total number of shares at the beginning of the period	D	413,818,200.00
Increase in number of shares due to conversion of capital reserve into share capital or share dividend distribution	E	
Increase in number of shares by issuance of new shares or debt-to-equity swap	F	932,680.00
Cumulative number of months from the month following the increase in shares to the end of the Reporting Period	G	6 months
Number of shares decreased due to repurchase, etc.	H	1,224,900.00
Cumulative number of months from the month following the share reduction to the end of the Reporting Period	I	0-11 months
Reduction of shares during the Reporting Period	J	
Number of months during the Reporting Period	K	12
Weighted average number of ordinary shares in issue	L=D+E+F×G/K-H×I/K-J	413,248,225.00
Basic earnings per share	M=A/L	0.10
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	0.07

XVII. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share (Continued)

3. Calculation process of basic and diluted earnings per share (Continued)

(2) The calculation process of diluted earnings per share and that of basic earnings per share.

Item	Serial number	Amount for the period
Net profit attributable to ordinary shareholders of the Company	A	40,151,695.97
Effect of dilutive potential ordinary shares on net profit	B	
Diluted net profit attributable to ordinary shareholders of the Company	C=A+B	40,151,695.97
Non-recurring profit or loss	D	12,146,917.95
Diluted net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	E=C-D	28,004,778.02
Weighted average number of ordinary shares in issue	F	413,248,225.00
Weighted average number of ordinary shares increased due to warrant, share options, and convertible bond, etc.	G	684,212.38
Weighted average number of diluted ordinary shares in issue	H=F+G	413,932,437.38
Diluted earnings per share	M=C/H	0.10
Diluted earnings per share after deducting non-recurring profit or loss	N=E/H	0.07

(III) Explanation on differences between domestic and foreign accounting standards

The Company prepares the financial report in accordance with the Accounting Standards for Business Enterprises. In 2023, the Company decided to adopt the Accounting Standards for Business Enterprises to prepare financial statements for information disclosure on the Hong Kong Stock Exchange in accordance with the "Consultation Conclusions on Acceptance of Mainland Incorporated Companies Listed in Hong Kong on the Adoption of Chinese Accounting Standards and Appointment of Mainland Accounting Firms" published by the Hong Kong Stock Exchange in December 2010.

MicroTech Medical (Hangzhou) Co., Ltd.
March 30, 2026

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"13th Five-Year Plan"	outline of the 13th Five Year Plan for national economic and social development of the PRC (中華人民共和國國民經濟和社會發展第十三個五年規劃綱要)
"2025 Share Incentive Scheme"	the 2025 H Share Incentive Scheme which was approved by Shareholders at the general meeting held on December 5, 2025 and adopted by the Company
"AGM" or "Annual General Meeting"	annual general meeting of the Company
"Articles of Association"	the Articles of Association of the Company, as amended from time to time
"artificial pancreas"	an integrated diabetes management system that tracks blood glucose levels using a continuous glucose monitor and automatically delivers the insulin when needed using an insulin pump according to its control algorithm
"Audit Committee"	the audit committee of the Board
"BGMS"	blood glucose monitoring system
"blood glucose"	blood glucose, also referred to as blood sugar, is the amount of glucose in your blood, an indicator of diabetes monitoring
"Board"	the board of Directors of the Company
"calibration-free"	also known as "factory-calibrated", the ability to use the sensor without the need for BGMS calibration; while users may opt to calibrate at his/her own discretion, a calibration-free CGMS does not require the user to perform a finger stick blood glucose calibration before displaying the glucose values
"CE marking"	a certification marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CEO" or "Chief Executive Officer"	chief executive officer of our Company
"CG Code"	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
"CGMS"	continuous glucose monitoring system
"Chairman"	chairman of the Board
"China" or "PRC"	People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Company", "MicroTech" or "MicroTech Medical"	MicroTech Medical (Hangzhou) Co., Ltd.* (微泰醫療器械(杭州)股份有限公司), a limited liability company incorporated in the PRC on January 20, 2011 and converted into a joint stock limited liability company incorporated in the PRC on November 6, 2020, whose stock code is: HK2235
"Core Product"	Equil Patch Insulin Pump System, the designated "core product" as defined under Chapter 18A of the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
"Dr. Zheng"	Dr. Zheng Pan (鄭攀), the chairman of the Board, an executive Director, the Chief Executive Officer of the Company and a member of the Single Largest Group of Shareholders
"Employment Incentive Platforms"	Hangzhou Yantai and Hangzhou Hengtai
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group"	the Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which is/are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"H Share Scheme"	As approved by the Shareholders at the general meeting of the Company on June 22, 2022, the Company adopted the 2022 H Share Award and Trust Scheme
"2025 Share Incentive Scheme"	the 2025 H Share Incentive Scheme which was approved by Shareholders at the general meeting held on December 5, 2025 and adopted by the Company
"Hangzhou Hengtai"	Hangzhou Hengtai Brand Management Partnership (Limited Partnership) (杭州衡泰品牌管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 11, 2019, of which Dr. Zheng is the sole general partner, one of the Employee Incentive Platforms

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Hangzhou Yantai"	Hangzhou Yantai Investment Partnership (Limited Partnership) (杭州研泰投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 2, 2018, of which Dr. Zheng is the sole general partner, one of the Employee Incentive Platforms
"HbA1C"	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IVD"	in vitro diagnostic medical devices, referring to devices such as reagent, calibrator, control material, kit, specimen receptacle, software, instrument, apparatus, equipment, or system, whether used alone or in combination, intended by the manufacturer for tests performed on samples taken from the human body, such as swabs of mucus from inside the nose or back of the throat, or blood taken from a vein or fingerstick
"Latest Practicable Date"	April 23, 2026 being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing"	the listing of the shares on the Main Board of the Stock Exchange
"Listing Date"	October 19, 2021, being the date on which the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"MicroTech E-Commerce"	Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司), a limited liability company established under the laws of the PRC on September 19, 2019 and our Company's subsidiary
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Prospectus"	the prospectus of the Company dated October 6, 2021, in relations of its Global Offering
"R&D"	research and development
"Remuneration and Assessment Committee"	the remuneration and assessment committee of the Board
"Reporting Period"	the year ended December 31, 2025
"RMB or "Renminbi""	Renminbi, the lawful currency of the PRC
"Schemes"	the employee incentive schemes dated January 2, 2018 (as amended on September 21, 2020) and December 25, 2019 (as amended on September 21, 2020) respectively
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
"Shareholder(s)"	holder(s) of our Share(s)
"Single Largest Group of Shareholder(s)"	Dr. Zheng Pan, Hangzhou Yantai and Hangzhou Hengtai
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of our Company
"Unlisted Foreign Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

For the purpose of this annual report and for illustration purpose only, conversion of HK$ to RMB is based on the exchange rate of HK$1 to RMB0.9032.