

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I — Accountants’ Report” to this Document, together with the accompanying notes. Our consolidated financial information have been prepared in accordance with HKFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report, and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance and involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. Our actual results may differ materially from those anticipated in these forward looking statements as a result of any number of factors. In evaluating our business, you should carefully consider all of the information provided in this Document, including “Risk Factors” and “Business.”

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a market-leading visual processing AI SoC supplier in China with solid solutions capabilities. Leveraging deep industry knowledge that we integrate with our innovative technology, we offer a diverse product portfolio applicable to consumer and industrial AI scenarios. Seamlessly integrated into UAVs, AIoT and smart wearables applications, our products continuously expand the application landscape and enhance the utility of smart devices.

Our business is underpinned by solid full-stack in-house R&D strengths. Through solid IC architecture design expertise, we built a strong technical foundation surrounding intelligent sensing, computing and transmission, which enable us to deliver cutting-edge visual processing AI SoC and wireless video transmission SoC products and solutions. Our deep vertical integration of high performance SoC architectures, proprietary technology IPs and dedicated algorithms and software empower smart devices without compromising performance, power consumption, or costs. Building on our robust, anti-interference wireless video transmission modules, we have built solid advantages in the UAVs, AIoT and smart wearables markets.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with all applicable HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

See note 1 to the Accountant’s Report in Appendix I to this Document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

1. Overall economic growth and conditions.
2. Development of the global SoC industry.
3. Conditions of the downstream markets and demand fluctuations.
4. Technology development and competition in the SoC industry.
5. Cyclical fluctuations in the SoC industry.
6. Relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our ability to strengthen customer relationships and expand sales networks

Strong customer relationships and expanding sales networks directly drive our revenue growth and market position. We have established a diversified customer base comprising customers with both customized and standardized product requirements. We have maintained strong collaboration with our large customers, who are well-established companies in their respective industries. Our collaboration has involved joint development of tailored, high-value products, which effectively contributed to high customer stickiness and recurring demand. In addition, While maintaining deep partnerships with large customers, we also serve smaller customers with standardized solutions, further expanding our market reach. We aim to further strengthen our customer relationships by offering competitive products and services while continuing to expand our sales network through sales and marketing efforts. These efforts include participation in industry exhibitions, provision of proactive pre-sales support and expansion of our overseas sales networks. In the long run, a stable and expanding customer base remains critical to reinforcing our market position within the industry, which we expect to lead to higher revenue and profit growth.

Product development cycle

Our financial results during the Track Record Period were closely tied to our product development cycles and the maturity stages of our key products. At the earlier stages of a product development cycle, R&D costs typically constitute a significant portion of our overall cost structure, while revenue contribution from products under development remains limited. This front-loaded investment profile is particularly evident in our industry due to the complexity of chip design, lengthy development timelines, and the need for extensive testing and validation before commercialization.

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As products progress from the R&D stage into commercialization and mass production, the financial dynamics shifts accordingly. Revenue increases as products gain market traction, and the impact of upfront development costs is distributed across higher sales volumes, resulting in improved cost efficiency and expanding gross profit margins. For the year ended December 31, 2023, certain core products in the UAVs, AIoT and smart wearables application fields were still in the R&D or early commercialization stage, which required substantial upfront R&D investment, while revenue contribution from such products remained relatively limited. For the year ended December 31, 2024 and nine months ended September 30, 2025, as these products subsequently entered the commercialization and mass production stage, shipment volumes and revenue increased, and the impact of upfront development costs on our overall cost structure was diluted, contributing to improved cost efficiency and gross profit margins.

Accordingly, fluctuations in our revenue, cost of sales and gross profit margin during the Track Record Period reflect the different stages of our product development cycle. We anticipate maintaining substantial and sustained investment in R&D to preserve and enhance our market position. As we scale our operations and as our products progress further along their lifecycle curves, we expect to benefit from operational leverage while simultaneously investing in next-generation technologies that will drive future growth.

Our ability to enhance product mix and offer cutting-edge products

Our ability to enhance our product mix and deliver cutting-edge products significantly influences our results of operations. We have long focused on developing visual processing AI SoCs, wireless video transmission SoCs and providing differentiated products to customers across various industry verticals. Our products are applied to UAVs, AIoT and smart wearables devices, and within each product category, we provide multiple products with varying specifications to address specific performance requirements across different end markets. Products carry varying gross profit profiles based on their technical specifications and application requirements to customers. In particular, products equipped with new-generation chips generally carry higher gross profit margins, reflecting their advanced capabilities, the substantial upfront R&D investment required for their development, and their ability to address more sophisticated customer requirements.

Our product mix is dynamic and continuously evolves in response to technological advancements, market conditions, and changing customer demands. Significant changes in product mix can directly impact our profitability, as shifts toward higher-margin products enhance overall performance while increased reliance on lower-margin offerings may have the opposite effect. To navigate these dynamics, we continuously refine our product portfolio, conduct R&D investment in high-margin and high-growth products, and align our offerings with market trends and customer needs. Through continued product diversification and strategic focus on high-margin offerings, we are committed to sustaining our financial performance, expanding our margin profile, and driving long-term revenue growth while benefiting from operational leverage and economies of scale.

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Sustaining investment in R&D, technology and innovation

Our investment in R&D, technology and innovation is fundamental to our long-term success. We have independently developed core technologies across ISP, NPU and communication domains, which form the innovation foundation of our product mix. During the Track Record Period, leveraging our proprietary technologies and the expertise of our R&D team, we were able to closely collaborate with customers during their product development cycle, from initial design to final production. Our involvement in the early stages of product development helps us build close customer relationships. This early collaboration ensures our products address validated market needs and remain aligned with customer roadmaps, resulting in longer commercial life cycles and sustained revenue generation. We will continue to invest in R&D and advance our technology capabilities to help ensure that our products and services remain current in a rapidly developing industry.

Supply chain stability and deepening supplier relationships

We operate in a fabless model that focuses on product design and outsources the production process to suppliers for wafers, and packaging and testing services. As a result, our ability to satisfy customer orders is dependent on the resilience of the supply chain, including the supply of raw materials and the production capacity of foundries and packaging and testing partners. For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, the aggregate of our cost of raw materials and processing costs as a percentage of the total cost of sales was 68.9%, 85.1%, 87.0% and 86.5%, respectively. As raw material and packaging costs are expected to remain a material portion of our cost of sales, changes to such costs and fees are likely to impact our results of operations.

We have implemented measures to mitigate potential supply chain disruptions and have established long-term partnerships with leading foundries and packaging and testing facilities. These relationships help secure stable capacity, enable close collaboration, and minimize delays or bottlenecks, particularly during periods of high industry demand. Coordination with partners allows us to optimize production, shorten cycle times, and accelerate time-to-market. By managing procurement lead times for critical materials and services, we reduce inventory costs while maintaining continuous production. To further strengthen supply chain resilience and maintain cost competitiveness, we plan to expand cooperation with top-tier suppliers and diversify our supplier base to ensure stable supply and improved efficiency.

MATERIAL ACCOUNTING POLICY INFORMATION

We have identified certain accounting policies and estimate that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgement based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

See Note 2 and 3 to the Accountant's Report in Appendix I to this Document.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statement.

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Revenue from contracts with customers

We principally generates revenue from sales of SoC products. We mainly recognise revenue on a gross basis for our revenue transactions. In determine whether we act as an principal or as an agent, we considers whether we obtains control of the products before they are transferred to the customers. Control refers to the our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue from sales of our products is recognised when the customer takes possession of and accepts the products. Revenue of services is recognised when the customer accepts the service results.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period and the period covered by the Interim Financial Information are as follows:

— Equipment and machinery	3–4 years
— Office equipment and furniture	3–5 years
— Leasehold improvements	Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses. Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Redemption liabilities

A contract that contains an obligation to purchase our equity instruments for cash or another financial asset gives rise to financial liabilities for the redemption amount, even if our obligations to purchase is conditional on the counterparty exercising a right to redeem. The redemption liabilities are measured at the highest redemption amount (on a present value basis) that we could be required to pay from time to time. Any change in the carrying amount of the redemption liabilities arising from the remeasurement of the redemption amount is recognised in profit or loss. The carrying amount of the redemption liabilities is reclassified to equity upon a termination of the counterparty's redemption right.

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RESULTS OF OPERATIONS

The following table sets forth our selected consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as a percentage of our revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
Revenue	105,081	100.0	448,697	100.0	343,349	100.0	341,297	100.0
Cost of sales	<u>(93,363)</u>	<u>(88.8)</u>	<u>(304,266)</u>	<u>(67.8)</u>	<u>(235,717)</u>	<u>(68.7)</u>	<u>(190,189)</u>	<u>(55.7)</u>
Gross profit	11,718	11.2	144,431	32.2	107,632	31.3	151,108	44.3
Other net income	5,234	5.0	5,180	1.2	1,027	0.3	4,020	1.2
Selling and marketing costs	(29,172)	(27.8)	(29,662)	(6.6)	(18,686)	(5.4)	(20,657)	(6.1)
Administrative expenses	(73,613)	(70.1)	(67,551)	(15.1)	(52,388)	(15.3)	(21,634)	(6.3)
Research and development costs	<u>(136,546)</u>	<u>(129.9)</u>	<u>(139,884)</u>	<u>(31.2)</u>	<u>(82,652)</u>	<u>(24.1)</u>	<u>(62,012)</u>	<u>(18.2)</u>
(Loss)/profit from operations	<u>(222,379)</u>	<u>(211.6)</u>	<u>(87,486)</u>	<u>(19.5)</u>	<u>(45,067)</u>	<u>(13.1)</u>	<u>50,825</u>	<u>14.9</u>
Changes in the carrying amount of redemption liabilities	(85,553)	(81.4)	(127,634)	(28.4)	(110,563)	(32.2)	(51,085)	(15.0)
Other finance costs	<u>(341)</u>	<u>(0.3)</u>	<u>(1,129)</u>	<u>(0.3)</u>	<u>(596)</u>	<u>(0.2)</u>	<u>(2,000)</u>	<u>(0.6)</u>
Finance costs	<u>(85,894)</u>	<u>(81.7)</u>	<u>(128,763)</u>	<u>(28.7)</u>	<u>(111,159)</u>	<u>(32.4)</u>	<u>(53,085)</u>	<u>(15.6)</u>
Loss before taxation	(308,273)	(293.4)	(216,249)	(48.2)	(156,226)	(45.5)	(2,260)	(0.7)
Income tax	<u>—</u>	<u>0.0</u>	<u>(32)</u>	<u>0.0</u>	<u>—</u>	<u>0.0</u>	<u>(17)</u>	<u>0.0</u>
Loss for the year/period	<u>(308,273)</u>	<u>(293.4)</u>	<u>(216,281)</u>	<u>(48.2)</u>	<u>(156,226)</u>	<u>(45.5)</u>	<u>(2,277)</u>	<u>(0.7)</u>

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	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					(Unaudited)		(Unaudited)	
Loss per share								
Basic and Diluted (<i>RMB</i>)	<u>(11.40)</u>		<u>(7.96)</u>		<u>(5.75)</u>		<u>(0.08)</u>	
Loss for the year/period	(308,273)	(293.4)	(216,281)	(48.2)	(156,226)	(45.5)	(2,277)	(0.7)
Other comprehensive income for the year/period								
Item that is or may be reclassified subsequently to profit or loss:								
Exchange differences on translation of:								
— financial statements of an overseas subsidiary	<u>7</u>		<u>29</u>		<u>(1)</u>		<u>(47)</u>	
Total comprehensive income for the year/period	<u>(308,266)</u>	<u>(293.4)</u>	<u>(216,252)</u>	<u>(48.2)</u>	<u>(156,227)</u>	<u>(45.5)</u>	<u>(2,324)</u>	<u>(0.7)</u>

Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies.

We defined adjusted net profit (non-HKFRS measure) as profit for the years/period adjusted by adding back changes in the carrying amount of redemption liabilities and equity-settled share-based transactions, which are non-cash items. We exclude changes in the carrying amount of redemption liabilities, which primarily relate to our ordinary shares with redemption rights issued to investors, which will be converted into equity of the Company upon [REDACTED], and equity-settled share-based transactions, as such changes are non-recurring in nature. Therefore, these items are added back to the adjusted net profit (non-HKFRS measure) with a view to eliminating the potential impacts of such items. The Directors believe that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measure provides useful information to [REDACTED] and management in better reflecting our underlying operating performance and facilitating a better comparison of our underlying operating performance from period to period. Adjusted net profit (non-HKFRS measure) is not a measure required by, or presented in accordance with, HKFRS. The use of adjusted net profit (non-HKFRS measure) has limitations as an analytical tool, which should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial position as reported under HKFRS.

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The following table reconciles our adjusted net profit for the years (non-HKFRS measure) presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	For the year ended		For the nine months ended	
	December 31,		September 30,	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Loss for the year/period	(308,273)	(216,281)	(156,226)	(2,277)
<i>Add:</i>				
Changes in the carrying amount of redemption liabilities	85,553	127,634	110,563	51,085
Equity-settled share-based payment expenses	<u>37,954</u>	<u>79,495</u>	<u>36,371</u>	<u>(1,847)</u>
Adjusted net profit/(loss) (non-HKFRS measure)	<u><u>(184,766)</u></u>	<u><u>(9,152)</u></u>	<u><u>(9,292)</u></u>	<u><u>46,961</u></u>

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our total revenue amounted to RMB105.1 million, RMB448.7 million, RMB343.3 million and RMB341.3 million, respectively.

Revenue by products

We derived our revenues mainly from (i) sales of SoC products, including chips and modules and (ii) provision of technology services. Our revenue from the sales of SoC products consists of sales of products applied to three core end-products: UAVs, AIoT and smart wearables. Our revenue from the sales of SoC products increased significantly in 2024, due to several reasons: (i) general recovery of the semiconductor market in 2024 following an industry-wide downturn in 2023, (ii) growth in sales in all product segments. In turn, such increase was tied to our relevant product development stage whereby we commenced mass production and volume deliveries for certain new generation products commencing in 2024; and (iii) we commenced sales of products applied to smart wearables in the AR market, which expanded our products' end application scenarios and our customer base, contributing further to revenue growth. Our revenue from the sales of SoC products remained relatively stable at RMB333.3 million and RMB312.7 million in the nine months ended September 30, 2024 and 2025, respectively.

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Our revenue from provision of technology services consists of both product design services and IP incomes. Our revenue from technology services increased significantly from RMB4.7 million in 2023 to RMB13.8 million in 2024 mainly because of the recognition of income from IP licensing, amounting to RMB8.3 million. Our revenue from technology services increased from RMB10.1 million in the nine months ended September 30, 2024 to RMB28.6 million in the nine months ended September 30, 2025, due to the increase of product design services for smart wearables products.

The following table sets forth a breakdown of our revenue by products and a percentage of our total revenue for the periods presented.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
SoC products								
UAVs	65,835	62.7	276,636	61.7	233,773	68.0	193,784	56.8
UAV — Chips	4,078	3.9	4,794	1.1	1,849	0.5	41,884	12.3
UAV — Modules	61,757	58.8	271,842	60.6	231,924	67.5	151,900	44.5
AIoT	34,530	32.9	153,879	34.3	98,593	28.7	112,028	32.8
AIoT — Chips	12,884	12.3	46,398	10.3	26,197	7.6	47,211	13.8
AIoT — Modules	21,646	20.6	107,481	24.0	72,396	21.1	64,817	19.0
Smart Wearables — Chips	43	0.0	4,383	1.0	903	0.3	6,896	2.0
Subtotal	100,408	95.6	434,898	97.0	333,269	97.0	312,708	91.6
Technology Services⁽¹⁾	4,673	4.4	13,799	3.0	10,080	3.0	28,589	8.4
Total	105,081	100.0	448,697	100.0	343,349	100.0	341,297	100.0

Note:

- (1) Technology services primarily consist of non-recurring engineering (“NRE”) such as product design services and IP incomes.

Revenue by sales channel

We primarily promote and sell our SoCs and technology service through direct sales, but also conduct a smaller portion of our sales through distributors. For further details of our sales network, please see “Business – Our Customers – Distribution” in this Document. The following table sets forth our revenue breakdown by sales channel in absolute amount and as a percentage of our total revenue for the periods indicated. Our distribution sales increased from RMB3.4 million for the year ended December 31, 2023 to RMB171.2 million for the year ended December 31, 2024. Such increase was mainly due to an increase in sales of image processing SoC products through distributors as the relevant products were in high demand. Our sales through distributors subsequently decreased from RMB152.0 million for the nine months ended September 30, 2024 to RMB43.5 million for the nine months ended September 30, 2025 mainly because of our change in supplier that led to adjustment in capacity and we strategically focused on supplying to direct customers.

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	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
Direct sales	101,717	96.8	277,545	61.9	191,338	55.7	297,796	87.3
Distribution sales	3,364	3.2	171,152	38.1	152,011	44.3	43,501	12.7
Total	<u>105,081</u>	<u>100.0</u>	<u>448,697</u>	<u>100.0</u>	<u>343,349</u>	<u>100.0</u>	<u>341,297</u>	<u>100.0</u>

Cost of Sales

Our cost of revenue primarily consisted of costs for raw materials, processing costs, depreciation and amortization, direct labor costs and inventory write-down costs. For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2024 and 2025, our cost of sales amounted to RMB93.4 million, RMB304.3 million, RMB235.7 million and RMB190.2 million, respectively. The following table sets forth a breakdown of our cost of sales in absolute amounts and as percentages of total cost of sales, for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
Raw materials	49,015	52.5	155,192	51.0	111,775	47.4	96,726	50.9
Processing costs	15,272	16.4	103,797	34.1	93,425	39.6	67,645	35.6
Depreciation and amortization	7,560	8.1	12,079	4.0	6,661	2.8	9,604	5.0
Direct labor costs	6,839	7.3	14,254	4.7	10,793	4.6	7,145	3.8
Inventory write-down costs	14,342	15.4	16,996	5.6	11,679	5.0	7,831	4.1
Others	335	0.3	1,948	0.6	1,384	0.6	1,238	0.6
Total	<u>93,363</u>	<u>100.0</u>	<u>304,266</u>	<u>100.0</u>	<u>235,717</u>	<u>100.0</u>	<u>190,189</u>	<u>100.0</u>

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During the Track Record Period, raw material costs and processing costs were the principal components of our cost of sales. In aggregate, the two items accounted for 68.9%, 85.1%, 87.0% and 86.5% of our total cost of sales for the respective periods. As raw materials costs, processing costs are directly tied to our products mass production, fluctuations in our cost of sales primarily reflected changes in our sales volume. Our inventory write-down costs represent provisions recognized for inventories whose net realizable value is lower than their carrying amount, which increased from RMB14.3 million for the year ended December 31, 2023 to RMB17.0 million for the year ended December 31, 2024, primarily due to slow moving old generation products with lower sales potential in light of our introduction of new generation products. Our inventory write-down costs decreased from RMB11.7 million for the nine months ended September 30, 2024 to RMB7.8 million for the nine months ended September 30, 2025, were mainly a benefit of our inventory management improvement, resulting in significantly lower write-down requirements in 2025.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our gross profit was RMB11.7 million, RMB144.4 million, RMB107.6 million and RMB151.1 million, respectively, and our gross profit margin was 11.2%, 32.2%, 31.3% and 44.3%, respectively. The following table sets forth our gross profit and gross margin for the periods indicated.

	Year ended December 31,		Nine months ended	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Revenue	105,081	448,697	343,349	341,297
Cost of sales	<u>(93,363)</u>	<u>(304,266)</u>	<u>(235,717)</u>	<u>(190,189)</u>
Gross profit	11,718	144,431	107,632	151,108
Gross profit margin	11.2%	32.2%	31.3%	44.3%

Gross profit and gross profit margin by products

During the Track Record Period, our gross profit and gross profit margin increased materially. Such increase in turn was primarily due to: (i) change in product mix as we provided higher-margin SoC products applied to UAVs and AIoT, and (ii) our provision of customized product design services for smart wearable products.

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The following table sets forth a breakdown of our gross profit and gross profit margin by products and services for the years ended December 31, 2023, 2024 and the nine months ended September 30, 2024, 2025.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
SoC products								
UAVs	9,012	13.7	90,875	32.9	74,200	31.7	84,130	43.4
UAV — Chips	1,233	30.2	2,700	56.3	898	48.6	28,284	67.5
UAV — Modules	7,779	12.6	88,175	32.4	73,302	31.6	55,846	36.8
AIoT	4,773	13.8	53,390	34.7	33,741	34.2	42,397	37.8
AIoT — Chips	1,811	14.1	10,340	22.3	3,385	12.9	17,584	37.2
AIoT — Modules	2,962	13.7	43,050	40.1	30,356	41.9	24,813	38.3
Smart Wearables —								
Chips	(11)	(25.6)	231	5.3	106	11.7	1,681	24.4
Technology Services⁽¹⁾	(2,056)	(44.0)	(65)	(0.5)	(415)	(4.1)	22,900	80.1

Note:

(1) Technology services primarily consist of non-recurring engineering such as product design services and IP incomes.

During the Track Record Period, the gross profit and gross profit margin of our UAV-Chips, AIoT SoC products, Smart Wearables — Chips increased materially. The increase was largely attributable to our product development cycle, whereby we commenced to introduce new generation SoC products in 2024 that contributed positively to our gross profit and gross profit margin.

Similarly, the gross profit and gross profit margin for our technology services segment also increased substantially in the nine-months ended September 30, 2025. Material changes in our gross profit and gross profit margin for our technology services segment was due to the type of services we provided. In 2023 and 2024, our technology services were mainly to aid our customers' product development, which were often offered as auxiliary services to our product sales. The material increase in our gross and gross profit margin for the nine-months ended September 30, 2025 was attributable to us providing product design services for smart wearable products. Such design services involved higher-margin services including IP and chip customization.

On the other hand, while the gross profit margin for our UAV-Modules increased during the Track Record Period, the gross profit for such product segment decreased during the nine-months ended September 30, 2025 when compared to the same period in 2024. Such result was mainly due to switching supplier and had to complete the engineering phase of production, which in turn, limited our product supply. Under such circumstance, we elected to prioritize sales to strategic customers and our gross profit was affected accordingly.

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Other Net Income

Our other net income primarily consisted of (i) interest income; (ii) government grants and (iii) net gain from financial assets measured at FVPL. Our interest income declined from RMB2.4 million for the year ended December 31, 2023 to RMB0.4 million for the year ended December 31, 2024 because we reduced bank deposit and redeployed cash to support increasing operating needs. On the other hand, changes in our income from government grants primarily reflect (i) financial subsidies awarded by local government in recognition of the national-level certification and our industry leadership and (ii) the tax benefits granted to IC design companies in Chinese Mainland. Our net gain from financial assets measured at FVPL primarily represented the gain from investments on financial products, which decreased during the Track Record Period as we reduced the amount of these investments.

The following table sets forth a breakdown of our other net income in absolute amount for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					(Unaudited)		(Unaudited)	
Interest income	2,431	46.4	446	8.6	357	34.8	427	10.6
Net gain/(loss) on disposal of property, plant and equipment	7	0.1	—	—	—	—	(2)	—
Government grants	285	5.4	4,351	84.0	477	46.4	3,516	87.5
Net foreign exchange (loss)/gain	(33)	(0.6)	191	3.7	37	3.6	82	2.0
Net gain from financial assets measured at FVPL	2,714	51.9	38	0.7	38	3.7	—	—
Others	(170)	(3.2)	154	3.0	118	11.5	(3)	(0.1)
Total	<u>5,234</u>	<u>100.0</u>	<u>5,180</u>	<u>100.0</u>	<u>1,027</u>	<u>100.0</u>	<u>4,020</u>	<u>100.0</u>

Selling and Marketing Expenses

Our selling and marketing expenses mainly consisted of (i) employee expenses, (ii) equity-settled share-based transactions, (iii) travelling and hospitality expenses, (iv) marketing expenses, and (v) depreciation and amortization expenses. During the Track Record Period, our employee expenses are primarily employee salaries paid to sales and marketing staff and customer technical support personnel. Changes in our employee expenses correlate with the number of sales and marketing staff we hired as well as the needs for customer technical support. We also incurred equity-settled share-based transactions in relation to incentive payments given to employees who have contributed to our business advancement.

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Travelling and hospitality expenses, as well as marketing expenses are primarily related to costs we incurred in relation to activities for product promotion and market expansion. Reduced travelling and hospitality expenses and marketing expenses were due to the fact that we incurred more marketing expenses in relation to launch of new products in 2023. As sales for such products entered more mature marketing phases in 2024, the relating costs declined accordingly. Depreciation and amortization mainly represented the depreciation of office decoration costs, which declined over time as the relevant assets depreciate.

The following table sets forth a breakdown of our selling and marketing expenses both in absolute amount and as a percentage of our total selling and marketing expenses for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					(Unaudited)		(Unaudited)	
Employee expenses	19,806	67.9	18,517	62.4	14,463	77.4	19,182	92.9
Equity-settled share-based transactions	1,048	3.6	7,083	23.9	832	4.5	(403)	(2.0)
Travelling and hospitality expenses	880	3.0	703	2.4	584	3.1	567	2.7
Marketing expenses	2,183	7.5	900	3.0	900	4.8	86	0.4
Office expenses	817	2.8	136	0.5	92	0.5	67	0.3
Depreciation and amortization	3,545	12.2	1,759	5.9	1,377	7.4	690	3.3
Others	893	3.0	564	1.9	438	2.3	468	2.4
Total	<u>29,172</u>	<u>100</u>	<u>29,662</u>	<u>100</u>	<u>18,686</u>	<u>100</u>	<u>20,657</u>	<u>100</u>

Administrative Expenses

Our administrative expenses mainly consisted of (i) employee expenses, (ii) equity-settled share-based transactions, (iii) depreciation and amortization, (iv) professional services, and (v) equipment, office and property management expenses. During the Track Record Period, our employee expenses mainly include the employee salaries paid to administrative staff, which decreased from RMB30.1 million for the year ended December 31, 2023 to RMB21.3 million for the year ended December 2024, primarily due to a reduction in the number of administrative staff in 2024, as part of our efforts to streamline our workforce. Our employee expenses remained relatively stable at RMB15.6 million and RMB16.0 million for the nine months ended September 30, 2024 and 2025, respectively. We also incurred equity-settled share-based transactions in relation to incentive payments given to employees who have contributed to our business advancement. Most of those restricted shares vested in 2024 and costs were reflected during the Track Record Period accordingly.

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The following table sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total administrative expenses for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
Employee expenses	30,095	40.9	21,343	31.6	15,615	29.8	16,022	74.1
Equity-settled share-based transactions	31,593	42.9	38,013	56.3	31,498	60.1	—	0.0
Depreciation and amortization	3,334	4.5	4,293	6.4	3,376	6.4	2,677	12.4
Professional services	2,888	3.9	1,072	1.6	722	1.4	742	3.4
Equipment, office and property management expenses	1,899	2.6	842	1.2	602	1.1	1,195	5.5
Credit Impairment Loss	(1,713)	(2.3)	(431)	(0.6)	(426)	(0.8)	124	0.6
Others ⁽¹⁾	5,517	7.5	2,419	3.5	1,001	2.0	874	4.0
Total	<u>73,613</u>	<u>100</u>	<u>67,551</u>	<u>100</u>	<u>52,388</u>	<u>100</u>	<u>21,634</u>	<u>100</u>

Note:

(1) Others mainly include IT-related fees, travelling expenses and entertainment fees.

R&D Expenses

Our R&D expenses mainly consisted of (i) expenses relating to employee, (ii) equity-settled share-based compensation, (iii) depreciation and amortization of servers, equipment, IP and software designated for R&D use and (iv) outsourced development and testing, representing costs incurred for outsourcing chip back-end design and testing to external parties. During the Track Record Period, our employee expenses primarily consist of employee salaries, which generally decreased due to natural attrition and adjusted compensation structure that included more equity compensation. The decrease in our outsourced development and testing expenses primarily reflect the R&D cycle of our new generation SoC products. We had outsourced part of our product development in 2023 leading to higher expenses in 2023.

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The following table sets forth a breakdown of our R&D expenses both in absolute amount and as a percentage of our total R&D expenses for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)		(Unaudited)	
Employee expenses	96,862	70.9	81,566	58.3	60,582	73.3	52,306	84.3
Equity-settled share-based transactions	5,276	3.9	34,300	24.5	4,013	4.9	(1,360)	(2.2)
Outsourced development and testing expenses	14,772	10.8	1,089	0.8	735	0.9	858	1.4
Service expenses	1,191	0.9	1,218	0.9	188	0.2	—	0.0
Depreciation and amortization	14,945	10.9	17,709	12.7	14,246	17.2	7,673	12.4
Others	3,500	2.6	4,002	2.8	2,888	3.5	2,535	4.1
Total	<u>136,546</u>	<u>100</u>	<u>139,884</u>	<u>100</u>	<u>82,652</u>	<u>100</u>	<u>62,012</u>	<u>100</u>

Finance Costs

Our finance costs primarily consisted of (i) changes in the carrying amount of redemption liabilities, mainly consisted of the ordinary shares with redemption rights issued to investors, (ii) interest on loans and borrowings, representing expenses we incurred in relation to our borrowings, and (iii) interest on lease liabilities, representing expenses we incurred in relation to right-of-use assets. During the Track Record Period, changes in the carrying amount of redemption liabilities were RMB85.6 million, RMB127.6 million, and RMB110.6 million, RMB51.1 million, for the years and periods indicated. Changes in our finance costs primarily reflect the increase in the fair value of the ordinary shares with redemption rights issued to investors and the recognition of interest accrued for the year. The following table sets forth a breakdown of our finance costs in absolute amount for the periods indicated.

	Year ended December 31,		Nine months ended	
	2023	2024	September 30,	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	(Unaudited)
Changes in the carrying amount of redemption liabilities	85,553	127,634	110,563	51,085
Interest on				
— loans and borrowings	—	917	523	1,638
— lease liabilities	341	212	73	362
Total finance costs	<u>85,894</u>	<u>128,763</u>	<u>111,159</u>	<u>53,085</u>

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense represents current tax expenses and deferred tax expenses. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, we recorded income tax expense of nil, RMB0.03 million, nil and RMB0.02 million, respectively.

Chinese Mainland

Pursuant to the PRC Enterprise Income Tax Law (the “**EIT Law**”) and the respective regulations, our subsidiaries operating in the PRC are subject to enterprise income tax at a rate of 25% on the taxable income, except for those that enjoyed preferential income tax treatments.

According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company obtained the certificate of high-technology enterprise on December 14, 2022 and renewed on December 8, 2025 and is subject to income tax rate at 15% during the Track Record Period. The Company’s subsidiary, Shanghai Kuxin Semiconductor Co., Ltd. obtained the certificate of high-technology enterprise on 26 December 2024 and is subject to income tax rate at 15% from January 1, 2024 to December 31, 2026.

Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified R&D costs during the Track Record Period.

Hong Kong SAR

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of our qualifying subsidiaries are taxed at a rate of 8.25%, and profits above HK\$2 million are taxed at a rate of 16.5%. The profits of our subsidiaries that are not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of our qualifying subsidiaries is accrued at a rate of 8.25% on the first HK\$2 million of the estimated assessable profits and at a rate of 16.5% on the estimated assessable profits above HK\$2 million.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased materially from RMB105.1 million in 2023 to RMB448.7 million in 2024. Such growth was primarily driven by an increase in the sales of our SoC products, which in turn was mainly due to the following reasons: (i) the general recovery of the semiconductor market in 2024 following an industry-wide downturn in 2023, (ii) growth in sales in all product segments, in particular in SoC products applied to UAVs and AIoT. In turn, such increase was tied to our relevant product development stage whereby we commenced mass production and volume deliveries for certain UAVs and AIoT products in 2024, and (iii) we commenced sales of products applied to smart wearables in the AR market, which expanded our products' end application scenarios and our customer base.

Cost of sales

Our cost of sales increased materially from RMB93.4 million in 2023 to RMB304.3 million in 2024. The increase in costs of sales was primarily driven by the increase of the cost of raw materials and processing costs.

Gross profit and gross profit margin

Our total gross profit increased materially from RMB11.7 million in 2023 to RMB144.4 million in 2024, which our total gross profit margin increased from 11.2% in 2023 to 32.2% in 2024. Such increase was primarily due to a substantial increase in revenue derived from the sales of applications across UAVs, AIoT and smart wearables, in particular, the modules sold in our UAVs and AIoT.

Other net income

Our other net income remained relatively stable at RMB5.2 million in 2023 and 2024.

Selling and marketing expenses

Our selling and marketing expenses increased slightly from RMB29.2 million in 2023 to RMB29.7 million in 2024, primarily due to increases in equity-settled share-based transactions in relation to incentive payments given to employees who have contributed to our business advancement, which was partially offset by decreases in marketing expenses as we incurred more marketing expenses in 2023 for the launch of relevant products and lowered depreciation and amortization expenses as the relevant assets depreciated.

Administrative expenses

Our administrative expenses decreased by 8.2% from RMB73.6 million in 2023 to RMB67.6 million in 2024. This decline was mainly a result of lowered employee expenses as we reduced number of administrative staff. Such decrease was partially offset by an increase in equity-settled share-based compensation given to employees who have contributed to our business advancement.

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R&D expenses

Our R&D expenses increased slightly from RMB136.5 million in 2023 to RMB139.9 million in 2024, primarily attributable to (i) natural attrition and adjustment in compensation structure that include more equity payment and (ii) reduced outsourced development and testing expenses as we completed outsourced development and testing for new generation SoC products in 2023.

Finance costs

Our finance costs increased by 49.9% from RMB85.9 million in 2023 to RMB128.8 million in 2024, primarily due to increase in changes in the carrying amount of redemption liabilities. The growth primarily reflected the increase in the fair value of the ordinary shares with redemption rights issued to investors and the recognition of interest accrued for the year.

Income tax expense

Our income tax expense increased slightly from nil in 2023 to RMB0.03 million in 2024, mainly because our Hong Kong subsidiary recorded a taxable profit in 2024 after reporting losses in 2023.

Profit and total comprehensive income for the year

As a result of the foregoing, we recorded a loss of RMB308.3 million and RMB216.3 million in 2023 and 2024, respectively.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2025

Revenue

Our revenue decreased slightly from RMB343.3 million for the nine months ended September 30, 2024 to RMB341.3 million for the nine months ended September 30, 2025. The decrease was primarily a result of slower sales of UAV — Modules, which in turn was mainly due to (i) our more limited capacity as we switched supplier and elected sales to prioritize to our strategic customer and (ii) clients' adjusted purchase structure, shifting from modules to chips. Such decrease was partially offset by growth in (i) sales of products for AIoT — Chips and smart wearables — Chips, and (ii) revenue derived from product design services for relevant products applied to smart wearable products.

Cost of sales

Our cost of sales decreased by 19.3% from RMB235.7 million in the nine months ended September 30, 2024 to RMB190.2 million in the nine months ended September 30, 2025. The decrease in our cost of sales was primarily driven by the decrease in raw materials and processing costs, which was a direct result of our slower sales for products applied to UAVs.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our total gross profit increased by 40.4% from RMB107.6 million in the nine months ended September 30, 2024 to RMB151.1 million in the nine months ended September 30, 2025, while our gross profit margin increased from 31.3% for the nine months ended September 30, 2024 to 44.3% for the nine months ended September 30, 2025. Such changes were primarily due to (i) the improved profitability of our SoC products applied to UAVs, as we reduced sales of module products and shifted toward higher-margin SoC products and (ii) our provision of technology services, including design services for smart wearable products which generally carry higher gross profit margins.

Other net income

Our other net income increased materially from RMB1.0 million in the nine months ended September 30, 2024 to RMB4.0 million in the nine months ended September 30, 2025. The increase in our net income was primarily driven by the increase in the subsidies from government to support the development and growth of the IC industry.

Selling and marketing expenses

Our selling and marketing expenses increased by 10.5% from RMB18.7 million in the nine months ended September 30, 2024 to RMB20.7 million in the nine months ended September 30, 2025, primarily due to the increase in employee expenses relating to customer technical support services, which was partially offset by the decrease of marketing expenses.

Administrative expenses

Our administrative expenses decreased materially from RMB52.4 million for the nine months ended September 30, 2024 to RMB21.6 million for the nine months ended September 30, 2025. Such decrease was mainly due to a reduction in the equity-settled share-based transactions as most of the restricted shares vested in 2024.

R&D expenses

Our R&D expenses decreased by 25.0% from RMB82.7 million in the nine months ended September 30, 2024 to RMB62.0 million in the nine months ended September 30, 2025, primarily due to (i) a decrease in employee expenses as we streamlined our R&D personnel and reassigned some of R&D personnel to technical services functions, (ii) reduced depreciation and amortization costs as we completed the research and development of relevant products. In turn, as such products enter the commercialization stage, the depreciation and amortization costs related to such products are recorded under cost of goods sold, and (iii) less equity-settled share-based transactions incurred in 2025 for the same reasons above.

Finance costs

Our finance costs decreased by 52.2% from RMB111.2 million in the nine months ended September 30, 2024 to RMB53.1 million in the nine months ended September 30, 2025, primarily due to a slower decrease in the carrying amount of redemption liabilities.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense increased slightly from nil in the nine months ended September 30, 2024 to RMB0.02 million in the nine months ended September 30, 2025, primarily because our Hong Kong subsidiary achieved a taxable profit in the nine-month period of 2025.

Profit and total comprehensive income for the year

As a result of the foregoing, we recorded a loss of RMB156.2 million and RMB2.3 million in the nine months ended September 30, 2024 and the nine months ended September 30, 2025, respectively.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31, 2023	2024	As of September 30, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Non-current assets			
Property, plant and equipment	39,993	52,586	46,729
Right-of-use assets	4,994	11,504	9,826
Intangible assets	31,388	37,564	30,077
Other non-current assets	<u>2,631</u>	<u>1,969</u>	<u>2,027</u>
	<u>79,006</u>	<u>103,623</u>	<u>88,659</u>
Current assets			
Inventories	51,622	69,745	109,364
Trade and other receivables	55,060	62,224	114,348
Cash and cash equivalents	<u>93,255</u>	<u>149,120</u>	<u>101,837</u>
	<u>199,937</u>	<u>281,089</u>	<u>325,549</u>
Current liabilities			
Trade and other payables	65,437	114,693	88,159
Loans and borrowings	—	59,727	70,052
Lease liabilities	5,398	4,064	4,664
Redemption liabilities	<u>1,387,473</u>	<u>1,515,107</u>	<u>1,566,192</u>
	<u>1,458,308</u>	<u>1,693,591</u>	<u>1,729,067</u>
Net current liabilities	<u>(1,258,371)</u>	<u>(1,412,502)</u>	<u>(1,403,518)</u>

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	As of December 31,		As of
	2023	2024	September 30,
	RMB'000	RMB'000	2025
			RMB'000
			(Unaudited)
Total assets less current liabilities	<u>(1,179,365)</u>	<u>(1,308,879)</u>	<u>(1,314,859)</u>
Non-current liabilities			
Lease liabilities	<u>—</u>	<u>7,243</u>	<u>5,434</u>
NET LIABILITIES	<u>(1,179,365)</u>	<u>(1,316,122)</u>	<u>(1,320,293)</u>
Capital and reserves			
Paid-in capital	27,182	27,182	27,182
Reserves	<u>(1,206,547)</u>	<u>(1,343,304)</u>	<u>(1,347,475)</u>
TOTAL DEFICIT	<u>(1,179,365)</u>	<u>(1,316,122)</u>	<u>(1,320,293)</u>

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) equipment and machinery, such as photomasks and emulation system, (ii) office equipment and furniture, (iii) construction in progress, and (iv) leasehold improvements. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of
	2023	2024	September 30,
	RMB'000	RMB'000	2025
			RMB'000
			(Unaudited)
Equipment and machinery	20,194	48,011	37,067
Office equipment and furniture	168	133	98
Construction in progress	12,383	947	8,148
Leasehold improvements	<u>7,248</u>	<u>3,495</u>	<u>1,416</u>
Total	<u>39,993</u>	<u>52,586</u>	<u>46,729</u>

Our property, plant and equipment increased from RMB40.0 million as of December 31, 2023 to RMB52.6 million as of December 31, 2024, primarily due to the increase in equipment and machinery, reflecting increase in asset relating to the photomasks. Our property, plant and equipment slightly decreased from RMB52.6 million as of December 31, 2024 to RMB46.7 million as of September 30, 2025, primarily due to a decrease in equipment and machinery, which in turn was due to the depreciation incurred associated with the photomasks equipment.

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Right-of-use Assets

Our right-of-use assets primarily relate to properties leased for own use carried at cost. Our right-of-use assets increased from RMB5.0 million as of December 31, 2023 to RMB11.5 million as of December 31, 2024, primarily due to (i) the renewal of property leases in Shanghai and Chengdu, and (ii) the amortization of leases. Our right-of-use assets decreased from RMB11.5 million as of December 31, 2024 to RMB9.8 million as of the nine months ended September 30, 2025, primarily due to the amortization of leases.

Intangible Assets

Our intangible assets primarily consisted of (i) intellectual properties, including licenses of third-party architectures, (ii) patents, and (iii) software, including office and electronic design automation (“EDA”) software. The following table sets out a breakdown of our intangible assets as of the dates indicated:

	As of December 31, 2023	2024	As of September 30, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Intellectual properties	28,343	29,828	23,496
Patents	310	265	526
Software	<u>2,735</u>	<u>7,471</u>	<u>6,055</u>
Total	<u><u>31,388</u></u>	<u><u>37,564</u></u>	<u><u>30,077</u></u>

Our intangible assets increased from RMB31.4 million as of December 31, 2023 to RMB37.6 million as of December 31, 2024, primarily due to the increase of software assets, which in turn was due to our procurement of EDA software and finance software. Our intangible assets decreased from RMB37.6 million as of December 31, 2024 to RMB30.1 million as of the nine months ended September 30, 2025, primarily due to the amortization of the intellectual properties we purchased.

Other Non-current Assets

Our other non-current assets primarily consisted of (i) prepayments for property, plant and equipment, and (ii) rental deposits. Our other non-current assets remained relatively stable at RMB2.6 million as of December 31, 2023, RMB2.0 million as of December 31, 2024, RMB2.0 million as of December 31, 2024 and as of September 30, 2025.

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Inventories

Our inventories primarily consisted of (i) raw materials, primarily wafers and electronic components, (ii) semi-finished products and work in progress ("WIP"), and (iii) finished products. Our inventories increased from RMB51.6 million as of December 31, 2023 to RMB69.7 million as of December 31, 2024, primarily due to the increase of raw materials of RMB14.9 million and of semi-finished products and WIP of RMB5.9 million, as we increased inventory levels to meet the demands of our growing business. Our inventories further increased from RMB69.7 million as of December 31, 2024 to RMB109.4 million as of the nine months ended September 30, 2025, mainly because of the increase of raw materials of RMB26.6 million, as we have shifted our supply chain and the inventory turnover is prolonged because we are in the engineering stage with such new suppliers.

The table below sets forth our inventories by nature as of the dates indicated.

	At December 31,		At
	2023	2024	September 30,
	RMB'000	RMB'000	2025
			RMB'000
			(Unaudited)
Raw materials	29,119	43,959	70,622
Semi-finished products and WIP ⁽¹⁾	1,178	7,098	14,012
Finished products	<u>21,325</u>	<u>18,688</u>	<u>24,730</u>
Total	<u><u>51,622</u></u>	<u><u>69,745</u></u>	<u><u>109,364</u></u>

Notes:

- (1) Semi-finished products refer to inventory items for which a specific processing step has been completed, but which, in the ordinary course of business, will undergo further processing to be manufactured into other products for sale. They primarily include chips before testing as well as externally purchased modules. WIP refers to products that are still undergoing processing on the production line.

The following table sets forth the analysis of the amount of inventories recognised as an expense and included in profit or loss as at the dates indicated.

	As of December 31,		As of September 30,	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	(Unaudited)
Carrying amount of inventories used	78,682	285,238	222,720	181,195
Write-down of inventories	<u>14,342</u>	<u>16,996</u>	<u>11,679</u>	<u>7,831</u>
	<u><u>93,024</u></u>	<u><u>302,234</u></u>	<u><u>234,399</u></u>	<u><u>189,026</u></u>

FINANCIAL INFORMATION

We fully provide for impairment on inventories aged over two years, and apply the specific identification method to assess and provide for impairment on inventories aged two years or less.

The following table sets forth a summary on the aging analysis of inventories as at the dates indicated.

	At December 31,		At
	2023	2024	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	2025
			<i>RMB'000</i>
			(Unaudited)
Within one year	22,599	61,278	97,848
One year to two years	29,023	8,467	11,516
Total	51,622	69,745	109,364

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

	Year ended December 31,		Nine months
	2023	2024	ended
			September 30,
			2025
Inventory turnover days ⁽¹⁾	219	73	127

Notes:

- (1) We calculate inventory turnover days using the average of the beginning and ending balances of total inventories for a period, divided by the corresponding total cost of sales for the same period, multiplied by the number of days in such period.

Our inventory turnover days decreased from 219 days in 2023 to 73 days in 2024 mainly because in 2023, we accumulated significant inventory to support future production and sales, while in 2024 we achieved a substantial increase in sales. Our inventory turnover days increased from 73 days in 2024 to 127 days in the nine months ended September 30, 2025 primarily due to the increase of raw materials of RMB26.6 million, as we adjusted our supply chain arrangements leading to a temporary build-up of inventory. Such increase in inventory was primarily due to our collaboration with a new supplier as we need to go through the engineering process with it.

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Trade and Other Receivables

Our trade and other receivables primarily arose from (i) trade receivables, net of loss allowance, (ii) prepayments, (iii) Value-Added Tax (“VAT”) recoverable and (iv) other receivables and deposits, net of loss allowance. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
			(Unaudited)
Trade receivables, net of loss allowance	12,846	12,898	15,818
Prepayments	42,030	47,867	95,346
Value-Added Tax (“VAT”) recoverable	125	1,389	—
Tax refund receivables	—	—	3,114
Other receivables and deposits, net of loss allowance	<u>59</u>	<u>70</u>	<u>70</u>
Total	<u><u>55,060</u></u>	<u><u>62,224</u></u>	<u><u>114,348</u></u>

Our trade and other receivables remained relatively stable at RMB55.1 million as of December 31, 2023 and RMB62.2 million as of December 31, 2024. Our trade and other receivables increased from RMB62.2 million as of December 31, 2024 to RMB114.3 million as of September 30, 2025, primarily due to the increase of prepayments of RMB47.4 million. The increase in prepayments reflect the payment terms as requested by our new packaging partner.

We require prepayments from most of our customers and provide typical credit terms ranging from one month to three months to strategic customers. The following table sets forth the aging analysis of our trade receivables based on the invoice date as of the dates indicated based and net of loss allowance.

	As of December 31,		As of September 30,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
			(Unaudited)
Within six months	9,911	12,326	12,734
Over six months but less than one year	2,024	173	2,880
Over one year but less than two years	<u>911</u>	<u>399</u>	<u>204</u>
	<u><u>12,846</u></u>	<u><u>12,898</u></u>	<u><u>15,818</u></u>

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

	Year ended December 31, 2023	2024	Nine months ended September 30, 2025
Trade receivables turnover days ⁽¹⁾	84	10	11

Notes:

- (1) We calculate trade receivables turnover days using the average of the beginning and ending balances of total trade receivables for a period, divided by the corresponding total revenue for the same period, multiplied by the number of days in such period.

Our trade receivables turnover days decreased from 84 days in 2023 to 10 days in 2024, primarily due to our requirement for prepayment of most of our new generation SoC products. Our trade receivables turnover days remained stable at 10 days in 2024 and in the nine months ended September 30, 2025.

As of November 30, 2025, RMB7.2 million, or 45.5%, of our trade receivables as of September 30, 2025 had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we did not have any material recoverability issue for our trade receivables.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash at bank and in hand. Our cash and cash equivalents were RMB93.3 million, RMB149.1 million, and RMB101.8 million as of December 31, 2023, 2024 and as of September 30, 2025, respectively.

	As of December 31, 2023	2024	As of September 30, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	<u>93,255</u>	<u>149,120</u>	<u>101,837</u>

Trade and Other Payables

Our trade and other payables primarily represented (i) trade payables, (ii) accrued payroll, (iii) tax payables, (iv) other payables and accruals, and (v) governments grants received with conditions. Our trade payables are normally settled on terms of within 30 to 90 days.

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The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)
Trade payables	18,007	17,250	14,166
Accrued payroll	9,475	8,809	12,818
Tax payables	1,496	2,743	6,094
Other payables and accruals	5,075	3,859	2,196
Governments grants received with conditions	4,050	14,418	14,418
Payables for purchase of property, plant and equipment and intangible assets	820	5,065	2,545
Contract liabilities	26,514	62,549	35,922
Total	65,437	114,693	88,159

Our trade and other payables increased from RMB65.4 million as of December 31, 2023 to RMB114.7 million as of December 31, 2024, primarily due to (i) the increase of contract liabilities of RMB36.0 million, which is generally in line with our sales growth, (ii) the increase of government grants received with conditions of RMB10.3 million, in relation to the subsidies from government to support the development and growth of the IC industry. Our trade and other payables decreased from RMB114.7 million as of December 31, 2024 to RMB88.2 million as of the nine months ended September 30, 2025, primarily due to (i) the decrease of contract liabilities of RMB26.6 million, as we delivered the goods and fulfilled the contracts, (ii) the decrease of trade payables of RMB3.1 million, mainly due to the settlement of outstanding payables in 2025 in relation to EDA software procured in 2024 under instalment payment arrangements, which resulted in a lower balance of trade payables as of September 30, 2025.

FINANCIAL INFORMATION

The following table sets forth the aging analysis of our trade payables (which are included in trade and other payables) based on the invoice date as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)
Within 1 year	12,153	11,005	8,218
Over 1 year but less than 2 years	1,783	898	1,154
Over 2 years but less than 3 years	3,593	1,286	319
Over 3 years	<u>478</u>	<u>4,061</u>	<u>4,475</u>
	<u>18,007</u>	<u>17,250</u>	<u>14,166</u>

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

	As of December 31,		As of
	2023	2024	September 30,
			2025
Trade payables turnover days ⁽¹⁾	69	21	22

Notes:

- (1) We calculate trade payables turnover days using the average of the beginning and ending balances of total trade payables for a period, divided by the corresponding cost of revenue for the same period, multiplied by the number of days in such period.

Our trade payables turnover days decreased from 69 days in 2023 to 21 days in 2024, mainly because a material increase in cost of sales in 2024, which in turn, was in line with our business growth. Our trade payables turnover days remained relatively stable at 21 days in 2024 and 22 days in the nine months ended September 30, 2025.

As of November 30, 2025, RMB2.7 million, or 19.1%, of our trade payables as of September 30, 2025 had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our trade payables.

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LIQUIDITY AND CAPITAL RESOURCES

Net Current Liabilities

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

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	(Unaudited)
Current assets				
Inventories	51,622	69,745	109,364	149,714
Trade and other receivables	55,060	62,224	114,348	102,904
Cash and cash equivalents	<u>93,255</u>	<u>149,120</u>	<u>101,837</u>	<u>45,537</u>
Sub-total	<u>199,937</u>	<u>281,089</u>	<u>325,549</u>	<u>298,155</u>
Current liabilities				
Trade and other payables	65,437	114,693	88,159	88,493
Loans and borrowings	—	59,727	70,052	30,149
Lease liabilities	5,398	4,064	4,664	4,701
Redemption liabilities	<u>1,387,473</u>	<u>1,515,107</u>	<u>1,566,192</u>	<u>1,583,283</u>
Sub-total	<u>1,458,308</u>	<u>1,693,591</u>	<u>1,729,067</u>	<u>1,706,626</u>
Net current liabilities	<u>(1,258,371)</u>	<u>(1,412,502)</u>	<u>(1,403,518)</u>	<u>(1,408,471)</u>

As of November 30, 2025, we had net current liabilities of RMB1,408.5 million, as compared to RMB1,403.5 million as of September 30, 2025, primarily due to (i) an increase of RMB17.1 million in carrying amount of redemption liabilities and (ii) a decrease of RMB56.3 million in cash and cash equivalents, partially offset by (i) an increase of RMB40.4 million of inventories, and (ii) a decrease of RMB39.9 million of loans and borrowings.

As of September 30, 2025, we had net current liabilities of RMB1,403.5 million, as compared to RMB1,412.5 million as of December 31, 2024, primarily due to (i) an increase of RMB51.1 million in the carrying amount of the redemption liabilities, and (ii) a decrease of RMB47.3 million of cash and cash equivalents, partially offset by (i) an increase of RMB39.6 million of inventories and (ii) an increase of RMB52.1 million of trade and other receivables.

As of December 31, 2024, we had net current liabilities of RMB1,412.5 million, as compared to RMB1,258.4 million as of December 31, 2023, primarily due to (i) an increase RMB127.6 million of the carrying amount of the redemption liabilities, (ii) an increase of RMB59.7 million of loans and borrowings, primarily to supplement cash flow in support of operations, and (iii) an increase of RMB49.3 million of trade and other payables. These increases were partially offset by an increase of RMB55.9 million of cash and cash equivalents.

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Our net current liabilities and net liabilities during the Track Record Period was largely attributable to changes in our redemption liabilities, as it constituted a major component of our current liabilities and net liabilities. As our redemption liabilities are tied to the ordinary shares with redemption rights issued to investors which shall be converted into equity of the Company upon [REDACTED], such item shall not affect our liquidity upon conversion of such shares.

Cash Flows

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from operating activities and bank borrowings. As of December 31, 2023, 2024 and the nine months ended September 30, 2025, we had cash and cash equivalents of RMB93.3 million, RMB149.1 million and RMB101.8 million, respectively.

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,		Nine months ended	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)	(unaudited)
Operating activities:				
Cash (used in)/generated from operations	(142,461)	45,453	3,691	(40,457)
Income tax paid	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (used in)/generated from operating activities	<u>(142,461)</u>	<u>45,453</u>	<u>3,691</u>	<u>(40,457)</u>
Net cash used in investing activities	<u>(43,105)</u>	<u>(41,659)</u>	<u>(26,022)</u>	<u>(12,433)</u>
Net cash (used in)/generated from financing activities	<u>(6,620)</u>	<u>51,970</u>	<u>33,807</u>	<u>5,534</u>
Net (decrease)/increase in cash and cash equivalents	(192,186)	55,764	11,476	(47,356)
Effect of foreign exchange rate changes	7	101	13	73
Cash and cash equivalents at beginning of the year/period	<u>285,434</u>	<u>93,255</u>	<u>93,255</u>	<u>149,120</u>
Cash and cash equivalents at end of the year/period	<u>93,255</u>	<u>149,120</u>	<u>104,744</u>	<u>101,837</u>

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Net Cash Generated from/(Used in) Operating Activities

In the nine months ended September 30, 2025, net cash used in operating activities was RMB40.5 million, primarily attributable to our loss before taxation of RMB2.3 million, as adjusted by changes in working capital, which primarily result from (i) an increase in trade and other receivables of RMB52.2 million and (ii) an increase in inventories of RMB47.5 million, partially offset by non-cash and non-operating items, which primarily consisted of (i) finance costs of RMB53.1 million and (ii) depreciation of property, plant and equipment of RMB18.6 million.

In 2024, net cash generated from operating activities was RMB45.5 million, primarily attributable to loss before taxation of RMB216.2 million, as adjusted changes in working capital, which primarily result from (i) an increase in inventories of RMB35.1 million, (ii) increase in trade and other payables of RMB45.0 million and (iii) increase in trade and other receivables of RMB5.9 million, partially offset by non-cash and non-operating items, which primarily consisted of (i) finance costs of RMB128.8 million and (ii) equity-settled share-based transactions of RMB79.5 million.

In 2023, net cash used in operating activities was RMB142.5 million, primarily attributable to loss before taxation of RMB308.3 million, adjusted changes in working capital, which primarily resulted from (i) an increase in inventories of RMB5.6 million and (ii) decrease in other non-current asset of RMB5.3 million partially offset by non-cash and non-operating items, which primarily consisted of (i) finance costs of RMB85.9 million and (ii) equity-settled share-based transactions of RMB38.0 million and (iii) depreciation of property, plant and equipment of RMB24.4 million.

Net Cash Used in Investing Activities

In the nine months ended September 30, 2025, net cash used in investing activities was RMB12.4 million, primarily attributable to (i) payments for the purchase of property, plant and equipment of RMB9.6 million and (ii) payments for the purchase of intangible assets of RMB2.8 million.

In 2024, net cash used in investing activities was RMB41.7 million, primarily attributable to (i) payments for the purchase of property, plant and equipment of RMB31.2 million, (ii) payments for the purchase of intangible assets of RMB10.5 million and (iii) payment for purchase of financial assets measured at fair value through profit or loss ("FVPL") of RMB10.0 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB10.0 million.

In 2023, net cash used in investing activities was RMB43.1 million, primarily attributable to (i) payment for purchase of financial assets measured at FVPL of RMB700.0 million, (ii) payments for the purchase of property, plant and equipment of RMB26.1 million and (iii) payments for the purchase of intangible assets of RMB19.7 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB702.7 million.

Net Cash Generated from/(Used in) Financing Activities

In the nine months ended September 30, 2025, net cash generated from financing activities was RMB5.5 million, primarily attributable to proceeds from loans and borrowings of RMB80.0 million, partially offset by (i) repayment of loans and borrowings of RMB69.7 million and (ii) rentals paid of RMB3.2 million.

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In 2024, net cash generated from financing activities was RMB52.0 million, primarily attributable to proceeds from loans and borrowings of RMB82.7 million, partially offset by (i) repayment of loans and borrowings of RMB23.0 million and (ii) rentals paid of RMB6.8 million.

In 2023, net cash used in financing activities was RMB6.6 million, primarily attributable to rentals paid of RMB6.6 million.

INDEBTEDNESS

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

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Current				
Loans and borrowings	—	59,727	70,052	30,149
Lease liabilities	<u>5,398</u>	<u>4,064</u>	<u>4,664</u>	<u>4,701</u>
Non-current				
Lease liabilities	<u>—</u>	<u>7,243</u>	<u>5,434</u>	<u>4,248</u>
Total	<u><u>5,398</u></u>	<u><u>71,034</u></u>	<u><u>80,150</u></u>	<u><u>39,098</u></u>

Loans and Borrowings

As of December 31, 2023, 2024 and September 30, 2025, we had bank loans of nil, RMB59.7 million, RMB70.0 million, respectively.

The following table sets out our borrowings as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2023	2024	2025	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Bank loans	<u>—</u>	<u>59,727</u>	<u>70,052</u>	<u>30,149</u>

Our bank loans represented loans provided by banks with interest rate ranging from 3.45% to 4.35% and 2.70% to 2.90%, guaranteed by the founders, at December 31, 2024 and September 30, 2025.

FINANCIAL INFORMATION

The following table sets forth the maturity profile of our borrowings as of the dates indicated based on contractual undiscounted payments.

	As of December 31,	September 30,	As of	As of
	2023	2024	2025	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Within 1 year or on demand	<u>—</u>	<u>59,727</u>	<u>70,052</u>	<u>30,149</u>

Our Directors confirm that as of the Latest Practicable Date, our outstanding bank borrowings were not subject to any material covenants, undertakings, guarantees, pledges of key assets or other contingent obligations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of covenants, default in payment of bank borrowings or other indebtedness, nor did we encounter any difficulty in obtaining bank borrowings.

Save as disclosed above, as of the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, bank overdrafts, loan capital, guarantees or other material contingent liabilities. Our Directors further confirm that there has been no material change in our indebtedness since the Latest Practicable Date and up to the date of this Document.

Lease Liabilities

As of December 31, 2023, 2024, the nine months ended September 30, 2025, we had lease liabilities of RMB5.4 million, RMB11.3 million, RMB10.1 million, respectively.

The following table sets out our lease liabilities as of the dates indicated.

	As of December 31,	September 30,	As of	As of
	2023	2024	2025	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Current liabilities				
Lease liabilities	<u>5,398</u>	<u>4,064</u>	<u>4,664</u>	<u>4,701</u>
Non-current liabilities				
Lease liabilities	<u>—</u>	<u>7,243</u>	<u>5,434</u>	<u>4,248</u>
Total	<u><u>5,398</u></u>	<u><u>11,307</u></u>	<u><u>10,098</u></u>	<u><u>8,949</u></u>

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Our lease liabilities increased from RMB5.4 million as of December 31, 2023 to RMB11.3 million as of December 31, 2024, primarily due to lease renewal for our offices in Shanghai and Chengdu. Our lease liabilities remained relatively stable at RMB11.3 million as of December 31, 2024 and at RMB10.1 million as of September 30, 2025.

The following table sets forth the maturity profile of our lease liabilities as of the dates indicated based on contractual undiscounted payments.

	As of December 31, 2023	As of December 31, 2024	As of September 30, 2025	As of November 30, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Within 1 year	5,398	4,064	4,664	4,701
After 1 year but within 2 years	—	4,207	4,890	3,491
After 2 years but within 5 years	—	3,036	544	757
	—	7,243	5,434	4,248
Total	<u>5,398</u>	<u>11,307</u>	<u>10,098</u>	<u>8,949</u>

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, our Shareholders provided guarantees for certain of our bank facilities. As of December 31, 2023, 2024 and the nine months ended September 30, 2025, guarantees issued by our Shareholders with respect to our loans and borrowings were nil, RMB59.7 million and RMB70.1 million. As of the Latest Practicable Date, the guarantees issued by our Shareholders amounted to RMB30.1 million. All such guarantees provided by our Shareholders will be fully discharged. We also provided compensation to our key management personnel in the ordinary course of our business. For more details about our related party transactions, see Note 26 to the Accountants' Report in Appendix I to this document.

Our Directors believe that each of the related party transactions set out in Note 26 to the Accountants' Report in Appendix I to this document was conducted on an arm's length basis and would not distort our track record results or make our historical results not reflective of our future performance.

For details about our related party transactions during the Track Record Period, see Note 26 to the Accountant's Report in Appendix I to this Document.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated.

	As of/for the years ended		As of/for the
	December 31, 2023	2024	nine months ended September 30, 2025
Gross profit margin ⁽¹⁾	11.2%	32.2%	44.3%
Current ratio ⁽²⁾	0.14	0.17	0.19
Current ratio (with redemption liabilities removed from current liabilities) ⁽³⁾	2.82	1.57	2.00

Notes:

- (1) Represents gross profit for the period divided by revenue for the same period, expressed as a percentage.
- (2) Current ratio is calculated based on the current assets divided by current liabilities.
- (3) Current ratio is calculated based on the current assets divided by current liabilities (with redemption liabilities removed from current liabilities).

Gross Profit Margin

In 2023, 2024 and the nine months ended September 30, 2025, our gross profit margin was 11.2%, 32.2% and 44.3%, respectively. See “— Key Components of Our Consolidated Statement of Profit or Loss” in this section for factors affecting our gross profit margin during the respective periods.

Current ratio

Our current ratio increased from 0.14 as of December 31, 2023 to 0.17 as of December 31, 2024 mainly because of the increase in cash and cash equivalents and also due to increases in our inventories and trade and other receivables as a result of our business expansion. In turn, the aforementioned increases were in line with our business growth in 2024. Our current ratio further increased to 0.19 as of September 30, 2025 mainly because of increases in inventories and trade and other receivables, which in turn, was a result of the increase in prepayments that reflect the payment terms as requested by our new packaging partner.

Current ratio (with redemption liabilities removed from current liabilities)

Our current ratio with redemption liabilities removed from current liabilities decreased from 2.82 as of December 31, 2023 to 1.57 as of December 31, 2024. This decline was mainly due to an increase in trade and other payables, as well as loans and borrowings, which primarily consist of bank loans. Our current ratio then increased to 2.00 as of September 30, 2025, primarily due to a decrease in trade and other payables.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily consisted of the purchase of property, plant and equipment and intangible assets for the purpose of expanding our operations. Our capital expenditures were RMB45.8 million, RMB41.7 million, and RMB12.4 million for the year ended December 31, 2023, 2024 and for the nine months ended September 30, 2025, respectively.

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See “Future Plans and [REDACTED] – [REDACTED]” in this Document. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities and [REDACTED] from the [REDACTED].

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including market risks (such as currency risk and interest rate risk), credit risk and liquidity risk. See Note 25 to the Accountants’ Report in Appendix I to this Document for a detailed description of our financial risk management.

Market Risks

Currency Risk

Our Group is exposed to currency risk primarily through purchases and sales which give rise to payables, receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars. For further details, see Note 25(d) of the Accountants’ Report in Appendix I to this Document.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group’s interest rate risk arises primarily from cash at bank. Our Group’s interest-bearing financial instruments at variable rates as at 31 December 2023, 2024 and 30 September 2025 primarily are the cash at bank, and the cash flow interest rate risk arising from the change of market interest rate on these balances is not considered significant. For further details, see Note 25(c) of the Accountants’ Report in Appendix I to this Document.

FINANCIAL INFORMATION

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables. Our Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which our Group considers to have low credit risk.

Liquidity Risk

Our Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For further details, see Note 25(b) of the Accountants' Report in Appendix I to this Document.

DIVIDENDS

During the Track Record Period, we did not declare any dividends or had a formal dividend policy or a fixed dividend payout ratio. After completion of the [REDACTED], our Shareholders will be entitled to receive any dividends we declare. We may distribute dividends by way of shares or cash, or a combination of both shares and cash. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders.

We intend to distribute cash dividends to our Shareholders at least on an annual basis, subject to the discretion of our Directors in accordance with our Articles of Association and the applicable laws and regulations in the PRC and Hong Kong.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval of our Shareholders. See "Risk Factors – Risks Relating to the [REDACTED] – We cannot ensure whether, when, or in what amount we will pay dividends in the future" in this Document.

DISTRIBUTABLE RESERVES

As of September 30, 2025, we did not have any distributable reserves.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our net operating cash flow, cash and cash equivalents on hand and loan and credit facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this Document.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Company did not have any material defaults on trade or non-trade payables, any defaults on borrowings, or any breaches of covenants.

The Directors also note that the Company recorded net current liabilities during certain periods of the Track Record Period, which were primarily attributable to increases in redemption liabilities, changes in loans and borrowings, and movements in working capital items, including cash and cash equivalents, inventories and trade and other receivables and payables. Such net current liabilities did not materially affect the Group’s liquidity position.

[REDACTED] EXPENSE

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] stated in this Document), the [REDACTED], [REDACTED], together with the [REDACTED], SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [REDACTED], which are payable by us are estimated to be approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]), of which RMB[REDACTED] are expected to be charged to our consolidated statements of comprehensive income and RMB[REDACTED] are expected to be deducted from equity following the [REDACTED]. The [REDACTED] expenses consist of [REDACTED] [REDACTED] expenses and RMB[REDACTED] [REDACTED] expenses (including fees and expenses of legal advisors and the reporting accountants of RMB[REDACTED] and other fees and expenses of RMB[REDACTED]), representing approximately [REDACTED] of our [REDACTED] from the [REDACTED]. The [REDACTED] above are the latest practicable estimate and are provided for reference only, and actual amounts may differ.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Part A of Appendix II to this Document for the unaudited [REDACTED] statement of adjusted net tangible assets of our Group, which is set out therein to illustrate the effect of the [REDACTED] on the consolidated net tangible liabilities attributable to equity shareholders of the Company as at September 30, 2025 as if the [REDACTED] had taken place on September 30, 2025.

RECENT DEVELOPMENT

See “Summary – Recent Development” in this Document for further details of the recent developments of our business, operations, financial performance and financial positions.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Summary – Recent Developments," our Directors confirm that, since September 30, 2025 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this Document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants' Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.