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

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

OVERVIEW

We are a globally leading fabless design house and supplier of vision AI SoCs. Under our core framework of "vision + AI" and core capabilities of "perception + computation + connectivity," we design and develop SoCs that enhance AI capabilities and enable visual intelligence of edge devices across industries. We have a diversified product portfolio. Our vision AI SoCs are integrated into and widely deployed across a broad spectrum of edge devices, including smart security, smart AIoT and smart automotive. During the Track Record Period, our accumulated shipment volume of SoCs reached 449.3 million units.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. We have early adopted all IFRS Accounting Policies effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, in the preparation of our historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information. Our historical financial information has been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. Our historical financial information is presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and financial performance are influenced by a variety of macroeconomic and industry-specific factors that affect the global economy and the semiconductor industry. These include macroeconomic conditions in China and globally, technological advancement in the industry in which we operate, development in AI technologies, geopolitical relations, regulatory oversight and government policies.

In addition, our business and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Industry Growth and Downstream Market Demand

A key driver to our growth is our ability to capture the vast industry opportunities, leveraging our deep insight into the demand from the dynamic downstream markets. Our financial performance is significantly influenced by the growth of the global vision AI SoC industry, which can be affected by the downstream market size and customer demand for vision AI SoC in China and globally. According to Frost & Sullivan, the global shipments of vision AI SoC grew from 54.3 million in 2020 to 246.0 million in 2024, reflecting a CAGR of 45.9%, and is projected to further increase to 954.3 million by 2029, with a CAGR of 31.1% from 2024 to 2029. This growth is driven by factors such as the proliferation of AI and the increasing downstream market demand driven by upgrades in smart security, automotive, robotics and IoTs. The demand for our products is closely linked to the industry's growth trajectory. We believe that our diverse product offering, proven track record of business growth, and our ability to constantly innovate and adapt to evolving technological advancements, combined with our strong R&D capabilities well-position us to capture the market opportunities in global and China's growing vision AI SoC industry.

Downstream markets developments, which can be affected by a number of factors including market conditions, technological advancements, and the evolving needs of customers across various sectors, could have a pronounced effect on the industry and therefore our financial performance. We leverage our strengths in technology, quality and services to meet varied needs from customers across different industries. As of December 31, 2025, our SoC solutions have been adopted by over 400 end customers globally. Our SoCs have not only reached mass production but also secured design wins with a number of Tier 1 automotive suppliers, effectively addressing the diverse needs of in-vehicle perception. Our business scale, results of operations and financial conditions will depend on our ability to maintain business relationships with existing customers and expand our customer base, especially for new products in line with downstream market demand.

Our Ability to Develop Products and Optimize Product Portfolio

Our financial performance relies on our ability to innovate and develop products that align with the latest technological trends and customer preferences and our ability to offer a comprehensive portfolio of products. Our products are designed for a wide spectrum of end applications, including consumer electronics, automobiles, and robotics, among others, which are characterized by intense competition and are largely driven by the evolving needs and preferences of downstream customers. To stay ahead in this dynamic environment, we must proactively develop and launch new or enhanced products that meet these emerging demands and maintain our competitive edge. During the Track Record Period, we primarily derived our revenue from the sale of our SoCs for smart security, smart AIoTs and smart automotive. Our products are well recognized by downstream customers for their performance and quality. In 2023, 2024 and 2025, the shipment volume of our SoCs reached 113.6 million, 141.5 million and 194.2 million, respectively.

We price each product based on a variety of factors, including costs, gross margin and market conditions. During the Track Record Period, we achieved a strong gross profit margin supported by the contribution of our core products. In 2023, 2024 and 2025, our gross profit margin remained above 34%. Specifically, sales of our SoCs for smart AIoTs and smart automotive maintained robust gross profit margins. However, our product mix may fluctuate in response to the technological changes in the industries and markets to which our products are sold. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product.

We aim to further enrich our product portfolio, and maintain a strong focus on high-margin product categories. By continuously refining our product mix and leveraging technological innovation, we are committed to sustaining robust financial performance and driving long-term growth. However, fluctuations in product demand, shifts in market dynamics, and evolving competitive pressures may impact our financial performance.

Our Continued Investment in R&D and Technological Advancements

During the Track Record Period, we continued to increase our R&D investment, particularly in emerging sectors, such as LiDAR, intelligent perception, and 3D perception applications, to build a differentiated competitive moat and ensure long-term sustainable profitability. Our ability to continue R&D activities, develop new technologies, design new products, enhance existing products, attract and retain R&D talent is critical to our success. We have invested, and plan to continue investing, significant resources in our R&D efforts. During the Track Record Period, our R&D expenses were RMB493.9 million, RMB602.4 million and RMB652.0 million in 2023, 2024 and 2025, respectively. Specifically, the progress of our technology and product development depends largely on our R&D talents. As of December 31, 2025, our R&D team consisted of 687 members, representing 75.4% of total employees as of the same date. Employee compensation for our R&D staff accounted for 60.9%, 58.3% and 65.2% of our R&D expenses in 2023, 2024 and 2025, respectively.

As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our peers.

Our Ability to Manage Supply Chain and Costs

Our ability to achieve profitability and sustainable growth depends in part on our management of cost of sales. In 2023, 2024 and 2025, our cost of sales amounted to RMB1,310.1 million, RMB1,504.6 million and RMB1,958.5 million, respectively, accounting for 64.8%, 64.0% and 65.9%, respectively, of our revenue in the corresponding periods. Our cost of sales primarily consists of raw materials, packaging and testing fees and other cost. Changes in any major component of our cost of sales and our overall cost structure could have an impact on our gross profit and gross profit margin. For instance, raw materials accounted for 71.1%, 74.1% and 73.0% of our total cost of sales in 2023, 2024 and 2025, respectively. The procurement costs for such raw materials may fluctuate due to a number of factors beyond our control, such as supply chain disruptions and inflation, and we are susceptible to significant changes in the availability, price and standard of key raw materials.

We have implemented cost management measures against potential disruptions to our supply chain. Since our establishment, we have formed long-term and stable partnerships with multiple globally leading wafer foundries as well as packaging and testing facilities. Building strong, long-term partnerships with key production partners is essential to securing stable capacity allocation and fostering close collaboration on the production end. This is particularly critical during periods of high industry demand, where capacity allocation, reservation, and production scheduling play a vital role. Accurate forecasting and communication of wafer demands are equally important in avoiding costly delays and supply bottlenecks. Effective coordination with production partners also allows us to optimize the production process, streamline back-end operations, reduce cycle times, and improve time-to-market. These efforts are crucial for capturing market opportunities and maintaining a competitive edge. By optimizing procurement lead times for critical materials and services, such as wafers, packaging, and testing services, we can minimize inventory holding costs while ensuring a continuous production flow. Looking ahead, we aim to further enhance the resilience of our supply chains by strengthening cooperation with top-tier suppliers worldwide and diversifying our suppliers. This approach will help us secure a stable supply of critical materials, improve operational efficiency, and better navigate an evolving market landscape.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of the historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. For our material accounting policies, see Note 2.3 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	2,020,426	2,352,510	2,969,827
Cost of sales	(1,310,098)	(1,504,620)	(1,958,541)
Gross profit	**710,328**	**847,890**	**1,011,286**
Other income and gains	136,097	176,414	172,980
R&D expenses	(493,916)	(602,350)	(651,951)
Selling and distribution expenses	(22,217)	(22,280)	(33,283)
Administrative expenses	(92,413)	(110,073)	(115,615)
Other expenses	(29,399)	(226)	(30,355)
Finance costs	(14,355)	(26,923)	(30,280)
Profit before tax	**194,125**	**262,452**	**322,782**
Income tax credit/(expense)	10,588	(6,192)	(15,043)
Profit for the year	**204,713**	**256,260**	**307,739**

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Attributable to:			
Owners of the parent	204,713	256,260	308,367
Non-controlling interests	–	–	(628)
Other comprehensive income:			
Exchange differences on translation of foreign operations	(103)	(220)	(106)
Other comprehensive income for the year, net of tax	(103)	(220)	(106)
Total comprehensive income for the year	**204,610**	**256,040**	**307,633**
Attributable to:			
Owners of the parent	204,610	256,040	308,261
Non-controlling interests	–	–	(628)

NON-IFRS FINANCIAL MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS. We define adjusted profit (non-IFRS measure) as profit for the year/period adjusted by adding back share-based payment expense and [**REDACTED**] for the [**REDACTED**]. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items. We believe that this measure provides useful information to [**REDACTED**] and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, such non-IFRS financial measure we presented may not be directly comparable to similar measures presented by other companies. The use of this non-IFRS measure should not be considered as substitute for analysis of, our results of operations or financial condition as reported under IFRS. The following table presents our non-IFRS financial measures for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Profit for the year	204,713	256,260	307,739
Add:			
Share-based payment expense[1]	32,435	36,758	32,708
[**REDACTED**]	–	–	[**REDACTED**]
Adjusted profit *(non-IFRS measure)*	**237,148**	**293,018**	[**REDACTED**]

Note:

(1) Non-cash in nature.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue Breakdown by Types of Goods or Services

During the Track Record Period, our revenue was primarily derived from the sale of products, mainly including SoCs with end applications in smart security, smart AIoT and smart automotive. The following table sets forth our revenue breakdown by types of goods or services in absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Sale of products:						
Smart Security	1,442,338	71.4	1,587,629	67.5	1,934,793	65.1
Smart AIoT	342,496	17.0	474,750	20.2	658,159	22.2
Display	*103,105*	*5.1*	*131,229*	*5.6*	*154,877*	*5.2*
USB camera	*156,113*	*7.8*	*221,067*	*9.4*	*215,928*	*7.3*
Visual computing	*38,272*	*1.9*	*40,570*	*1.7*	*61,370*	*2.1*
Smart office	*40,365*	*2.0*	*58,949*	*2.5*	*73,847*	*2.5*
Smart robot	*4,641*	*0.2*	*22,935*	*1.0*	*151,895*	*5.1*
AI glasses	–	–	–	–	*242*	–
Smart Automotive	186,973	9.3	244,960	10.4	317,606	10.7
Bluetooth SoC[(1)]	–	–	–	–	27,421	0.9
Others[(2)]	47,038	2.2	45,053	1.9	31,671	1.1
Provision of services[(3)]	1,581	0.1	118	–	177	–
Total	**2,020,426**	**100.0**	**2,352,510**	**100.0**	**2,969,827**	**100.0**

Notes:

(1) We consolidated revenue from Frequen which specialized in providing Bluetooth SoC chips, following the Frequen acquisition in October 2025.

(2) Primarily included sale of auxiliary IC products and evaluation board.

(3) Primarily represented technical services, including non-recurring engineering development and supply chain services.

Our revenue continued to increase during the Track Record Period, driven by the recovery across certain end markets that resulted in higher shipment volumes across all product lines. For instance, growing market demand for consumer products like home cameras and low-power solar cameras propelled the growth of our smart security business. Additionally, AIoT devices such as robots and industrial HMIs saw robust demand due to their innovation and practicality, leading to the increase in the sales of our smart AIoT products. Our smart automotive business also benefited from the gradual increase in the adoption of our automotive-grade chips in the automotive market.

During the Track Record Period, smart security, smart AIoT and smart automotive remained our major product lines by end applications:

- Smart security, as our primary product line, contributed the largest share of our total revenue during the Track Record Period, with a 71.4%, 67.5% and 65.1% revenue contribution for 2023, 2024 and 2025, respectively. Leveraging our strong foundation in ISP and AI, we have been optimizing product structure, applying new low-power technology, and rapidly expanding in overseas consumer markets, so as to further solidify the leading position of our smart security business.

- Smart AIoT, benefiting from our strategic focus on smart robots and industrial HMIs, became a new growth engine, with a 17.0%, 20.2% and 22.2% revenue contribution for 2023, 2024 and 2025, respectively.

- Smart automotive business also experienced rapid growth, primarily due to our increased efforts in engaging with leading Tier 1 suppliers. We have developed a mature product matrix that covers multiple scenarios within the automotive market. Smart automotive contributed to 9.3%, 10.4% and 10.7% of our total revenue for 2023, 2024 and 2025, respectively.

Revenue Breakdown by Sales Channel

We primarily promote and sell our SoCs through distributors, while direct sales to customers constitute a smaller portion of our sales strategy. 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:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Distributors	1,820,728	90.1	2,128,465	90.5	2,768,419	93.2
Direct sales	199,698	9.9	224,045	9.5	201,408	6.8
Total	**2,020,426**	**100.0**	**2,352,510**	**100.0**	**2,969,827**	**100.0**

Revenue by Geographic Markets

In terms of geographical markets, we generate a majority of our revenue from Chinese mainland during the Track Record Period. We also sold to other regions including (i) Hong Kong, (ii) Taiwan, China and (iii) Singapore, etc. The following table sets out a breakdown of our revenue by geographical location, in an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Chinese mainland	1,546,137	76.5	1,823,530	77.5	2,138,778	72.1
Taiwan, China	348,939	17.3	421,465	18.0	357,082	12.0
Hong Kong, China	103,567	5.1	14,239	0.6	66,636	2.2
Singapore	9,884	0.5	68,604	2.9	381,321	12.8
Other region	11,899	0.6	24,672	1.0	26,010	0.9
Total	**2,020,426**	**100.0**	**2,352,510**	**100.0**	**2,969,827**	**100.0**

Cost of Sales

Our cost of sales consists primarily of raw materials, packaging and testing fees and other cost. Raw materials mainly include controller chip wafers and memory wafers. Packaging and testing fees primarily relate to the packaging and testing of chips. Other costs mainly consist of IP fees and shipping costs, among others.

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

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Raw materials	931,055	71.1	1,114,343	74.1	1,429,246	73.0
Packaging and testing fees	296,447	22.6	319,024	21.2	420,870	21.5
Other cost	82,596	6.3	71,253	4.7	108,425	5.5
Total	**1,310,098**	**100.0**	**1,504,620**	**100.0**	**1,958,541**	**100.0**

Raw materials, as the largest component of our cost of sales, were RMB931.1 million, RMB1.1 billion and RMB1.4 billion, accounting for 71.1%, 74.1% and 73.0% of our cost of sales in 2023, 2024 and 2025, respectively. Total raw materials cost generally tracked our shipment volume during the Track Record Period, with minor effects from exchange-rate movements and product mix.

The following table sets forth our cost of sales breakdown by products by end applications in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Smart Security	950,186	72.5	1,061,434	70.5	1,312,886	67.2
Smart AIoT	188,039	14.4	265,478	17.7	412,045	21.0
Smart Automotive	107,840	8.2	148,549	9.9	188,636	9.6
Bluetooth SoC	–	–	–	–	22,121	1.1
Others[(1)]	43,541	3.3	41,991	2.8	27,908	1.4
Subtotal	1,289,606	98.4	1,517,452	100.9	1,963,596	100.3
Inventory write-down	20,492	1.6	(12,832)	(0.9)	(5,055)	(0.3)
Total	**1,310,098**	**100.0**	**1,504,620**	**100.0**	**1,958,541**	**100.0**

Note:

(1) Primarily included sale of auxiliary IC products and evaluation board.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross margin represents gross profit divided by our revenue, expressed as a percentage. The following table sets forth our gross profit and gross profit margin breakdown for sales of SoCs by end applications:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB in thousands, except for percentage)					
Smart Security	492,152	34.1	526,195	33.1	621,907	32.1
Smart AIoT	154,457	45.1	209,272	44.1	246,114	37.4
Display	*46,261*	*44.9*	*55,830*	*42.5*	*60,247*	*38.9*
USB camera	*77,040*	*49.3*	*111,945*	*50.6*	*107,330*	*49.7*
Visual computing	*14,384*	*37.6*	*14,664*	*36.1*	*23,025*	*37.5*
Smart office	*15,245*	*37.8*	*21,684*	*36.8*	*28,878*	*39.1*
Smart robot	*1,527*	*32.9*	*5,149*	*22.5*	*26,477*	*17.4*
AI glasses	–	–	–	–	*157*	*64.9*
Smart Automotive	79,133	42.3	96,411	39.4	128,970	40.6
Bluetooth SoC	–	–	–	–	5,300	19.3
Others[(1)]	3,497	7.4	3,062	6.8	3,763	11.9
Subtotal	**729,239**	**36.1**	**834,940**	**35.5**	**1,006,054**	**33.9**
Inventory write-down	(20,492)	N/A	12,832	N/A	5,055	N/A
Total	**708,747**	**35.1**	**847,772**	**36.0**	**1,011,109**	**34.0**

Note:

(1) Primarily included sale of auxiliary IC products and evaluation board.

Subject to the industry-wide fluctuations in the SoC chips markets, we are committed to enhancing and stabilizing our gross profit and gross margin over the long term by further enriching our product portfolio, broadening our customer base and maintaining a strong focus on high-margin product categories.

Other Income and Gains

The following table sets forth a breakdown of our other income and gains in absolute amount and as a percentage of our total other income and gains for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Government grants[(1)]	91,678	67.4	76,425	43.3	75,390	43.6
Bank interest income	29,315	21.5	25,986	14.7	23,701	13.7
Gain on disposal of financial assets[(2)]	–	–	38,816	22.0	69,483	40.2
Fair value gains, net:						
– Wealth management products	3,387	2.5	19,769	11.2	–	–
– Derivative financial instruments	–	–	4,379	2.5	–	–
– Equity investments	797	0.6	7,633	4.3	–	–
– Debt investments	267	0.2	–	–	–	–
Foreign exchange gains, net	9,853	7.2	2,214	1.3	–	–
Others[(3)]	800	0.6	1,192	0.7	4,406	2.5
Total	**136,097**	**100.0**	**176,414**	**100.0**	**172,980**	**100.0**

Note:

(1) Primarily included VAT levy-then-refund programs, special subsidies for the integrated circuit industry, and R&D expense subsidies provided by local government.

(2) Primarily included wealth management products, equity investments at fair value through profit or loss, and foreign exchange forward contracts.

(3) Primarily included rental income, gain on disposal of intangible assets, gain/(loss) on disposal of right-of-use assets, gain on disposal of items of property, plant and equipment.

R&D Expenses

During the Track Record Period, our R&D expenses primarily consisted of (i) employee compensation, (ii) depreciation and amortization, (iii) product development service expenses, and (iv) R&D materials expenses.

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

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	290,057	58.7	336,884	55.9	406,333	62.4
Depreciation and amortization	110,686	22.4	133,682	22.2	136,479	20.9
Product development service expenses[1]	24,677	5.0	56,677[4]	9.4	32,901	5.0
R&D materials[2]	38,250	7.7	42,413	7.0	39,138	6.0
Share-based payment	10,867	2.2	14,529	2.4	17,937	2.8
Travel expenses	2,566	0.5	2,752	0.5	2,313	0.4
Expense relating to short-term leases	366	0.1	1,039	0.2	275	–
Others[3]	16,447	3.4	14,374	2.4	16,575	2.5
Total	**493,916**	**100.0**	**602,350**	**100.0**	**651,951**	**100.0**

Notes:

(1) Primarily consisted of solution development services procured from Relevant MediaTek Group (see ″Connected Transactions″), as well as payments made to other service providers.

(2) Included R&D materials, R&D consumables and inspection fees.

(3) Primarily included communication and network expenses, patent application fees, property management fees and utilities fees.

(4) Product development service fees increased in 2024, resulting from our collaboration with an industry expert on ToF (SPAD) business.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) employee compensation, (ii) travel and business development expenses, and (iii) expense relating to short-term leases. The following table sets forth a breakdown of our selling and distribution expenses in absolute amount and as a percentage of our total selling and distribution expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	17,423	78.4	18,337	82.3	25,676	77.2
Travel and business development expenses	2,104	9.5	1,808	8.2	2,612	7.8
Share-based payment	1,251	5.6	834	3.7	1,852	5.6
Expense relating to short-term leases	27	0.1	24	0.1	26	0.1
Depreciation and amortization	17	0.1	11	0.0	180	0.5
Others[1]	1,395	6.3	1,266	5.7	2,937	8.8
Total	**22,217**	**100.0**	**22,280**	**100.0**	**33,283**	**100.0**

Note:

(1) Primarily included communication and network expenses, property management fees, utility fees, repairs and maintenance and exhibition expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee compensation, (ii) depreciation and amortization, (iii) professional service fees, and (iv) travel and business development expense. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Employee compensation	57,422	62.1	61,587	56.0	72,355	62.6
Share-based payment	20,317	22.0	21,395	19.4	12,919	11.2
Depreciation and amortization	2,920	3.2	3,519	3.2	5,988	5.2
Professional service fees	1,380	1.5	6,814	6.2	6,940	6.0
Travel and business development expenses	2,192	2.4	3,460	3.1	3,090	2.7
Expense relating to short-term leases	145	0.2	262	0.2	147	0.1
Taxes and surcharges	2,259	2.4	4,231	3.8	4,193	3.6
Others[1]	5,778	6.2	8,805	8.1	9,983	8.6
Total	**92,413**	**100.0**	**110,073**	**100.0**	**115,615**	**100.0**

Note:

(1) Primarily included communication and network expenses, property management fees, utilities fees, repairs and maintenance.

Other Expenses

The following table sets forth a breakdown of other expenses in absolute amounts and as a percentage of other expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
Foreign exchange losses	–	–	–	–	12,413	40.9
Losses on disposal of long-term assets	–	–	56	24.8	–	–
Fair value change losses[1]	–	–	–	–	15,596	51.4
Losses on disposal of financial assets	17,298	58.8	–	–	–	–
Non-operating expenses	12,101	41.2	170	75.2	2,346	7.7
Total	**29,399**	**100.0**	**226**	**100.0**	**30,355**	**100.0**

Note:

(1) We recorded significant fair value change losses in 2025, primarily due to fair value losses on wealth management products, structured deposits and derivative financial instruments arising from a decline in market interest rates.

Finance Costs

During the Track Record Period, our finance costs primarily included interest on bank borrowings, interest on lease liabilities, and interest on unrecognized financing expenses. Our finance costs amounted to RMB14.4 million, RMB26.9 million and RMB30.3 million in 2023, 2024 and 2025, respectively.

Income Tax Credit/(Expense)

During the Track Record Period, we recorded income tax credit of RMB10.6 million in 2023. We recorded income tax expense of RMB6.2 million and RMB15.0 million in 2024 and 2025, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate. Under the EIT Law and Implementation Regulation of the EIT Law, the EIT rate of our PRC subsidiaries is 25%, while our Company and some of our PRC subsidiaries are qualified as high and new technology enterprises or small and micro businesses and entitled to a preferential tax rate of 15% to 20% during the Track Record Period. See Note 10 to the Accountants' Report in Appendix I to this document for more details. Income tax for our Taiwan branch is levied at a rate of 20% on taxable income. SigmaStar Technology Singapore Pte. Ltd is subject to a rate of 17% on taxable income. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with any tax authority.

Profit for the Year

As a result of the foregoing, during the Track Record Period, our net profit for the year amounted to RMB204.7 million, RMB256.3 million and RMB307.7 million in 2023, 2024 and 2025, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 26.2% from RMB2,352.5 million in 2024 to RMB2,969.8 million in 2025, primarily driven by the increase in shipment volume across all main product lines.

Smart security continued to be our largest product line with relatively stable revenue growth, driven by our expansion in both domestic and global markets. Revenue from smart security increased by 21.9% from RMB1,587.6 million in 2024 to RMB1,934.8 million in 2025. The shipment volume of smart security SoCs grew by 18.6% from 102.6 million in 2024 to 121.6 million in 2025.

Smart AIoT became an increasingly important revenue driver, with revenue increasing by 38.6% from RMB474.8 million in 2024 to RMB658.2 million in 2025. The shipment volume of smart AIoT SoCs surged by 49.9% from 27.8 million in 2024 to 41.7 million in 2025, primarily driven by the sharp increase in smart robot SoC shipments, which surged by approximately 531% from 1.7 million to 11.0 million over the same period. The rapid growth primarily benefited from our strategic focus on smart robots, supported by continued onboarding of leading global brand clients and ongoing collaborations with several of them.

Smart automotive, although currently representing a smaller portion of our total revenue, has demonstrated consistent growth. Revenue from smart automotive surged by 29.7%, rising from RMB245.0 million in 2024, to RMB317.6 million in 2025. The shipment volume of smart automotive SoCs increased by 22.1% from 11.2 million in 2024 to 13.6 million in 2025, driven by our intensified efforts in engaging with leading Tier 1 suppliers and automakers.

Bluetooth SoC was a new addition to our product portfolio in 2025, following the Frequen acquisition in October 2025. Bluetooth SoC contributed RMB27.4 million in revenue, representing 0.9% of our total revenue, with a shipment volume of 17.3 million units in 2025.

Cost of Sales

Our cost of sales increased by 30.2% from RMB1,504.6 million in 2024 to RMB1,958.5 million in 2025, which was in line with our revenue growth. The percentage of our cost of sales to total revenue increased from 64.0% in 2024 to 65.9% in 2025.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 19.3% from RMB847.9 million in 2024 to RMB1,011.3 million in 2025. Our gross profit margin decreased from 36.0% in 2024 to 34.1% in 2025, primarily due to our strategic decision to introduce high-quality products to the market at more competitive prices, with the aim of addressing the pressure of market price competition, enhancing customer loyalty, and continuously increasing product shipment volume and market share. According to Frost & Sullivan, vision AI SoC market has witnessed intensified price competition in 2025, with peers lowering average selling prices by approximately 5% to 20%, which compressed our realized pricing and contributed to the contraction in gross profit margin.

Other Income and Gains

Our other income and gains decreased by 1.9% from RMB176.4 million in 2024 to RMB173.0 million in 2025.

R&D Expenses

Our R&D expenses increased by 8.2% from RMB602.4 million in 2024 to RMB652.0 million in 2025, primarily due to the increases in R&D employee compensation driven by our focus on the development of core IP and technology for new products, such as LiDAR and robotics. The percentage of our R&D expenses to total revenue was 25.6% in 2024 and 22.0% in 2025.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 49.4% from RMB22.3 million in 2024 to RMB33.3 million in 2025, primarily due to increases in sales employee compensation resulting from salary adjustments and headcount expansion, as well as the consolidation of Frequen and the expansion of our selling and distribution. The percentage of our selling and marketing expenses to total revenue was 0.9% in 2024 and 1.1% in 2025.

Administrative Expenses

Our administrative expenses slightly increased from RMB110.1 million in 2024 to RMB115.6 million in 2025, primarily due to increases in employee compensation and the consolidation of Frequen. The percentage of our administrative expenses to total revenue was 4.7% in 2024 and 3.9% in 2025.

Other Expenses

Our other expenses were RMB0.2 million in 2024 and RMB30.4 million in 2025. The increase was primarily due to (i) foreign exchange losses of RMB12.4 million resulting from US dollar net asset exposure amid currency fluctuations, (ii) fair value losses of RMB15.6 million on wealth management products, and (iii) charitable donations of RMB1.2 million.

Finance Costs

Our finance costs increased from RMB26.9 million in 2024 to RMB30.3 million in 2025, primarily due to the strategic increase in bank borrowings. We have leveraged our strong bargaining power to secure favorable rates for short-term loans, thereby enhancing our capital efficiency for daily operations. Additionally, we have utilized long-term borrowings to benefit from expanding interest-subsidized loan policies offered by local governments.

Income Tax Credit/(Expense)

Our income tax expense amounted to RMB15.0 million in 2025, as compared to income tax expense of RMB6.2 million in 2024, primarily due to the increase in taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB256.3 million in 2024 to RMB307.7 million in 2025.

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

Revenue

Our revenue increased by 16.4%, from RMB2,020.4 million in 2023 to RMB2,352.5 million in 2024, which was primarily driven by higher shipment volumes across all product lines, fuelled by a recovery in market demand, particularly in consumer demand. The shipment volume of our SoCs increased from 113.6 million in 2023 to 141.5 million in 2024. For instance, growing market demand for consumer products like home cameras and low-power solar cameras propelled the growth of our smart security business. Additionally, AIoT devices such as robots, and industrial HMIs saw robust demand due to their innovation and practicality, leading to the increase in the sales of our smart AIoT products.

Our smart security business capitalized on our extensive expertise in ISP and AI. By optimizing product structures and exploring new application scenarios centered around low-power technology, we expanded rapidly in overseas consumer markets, thereby reinforcing our leadership position. This strategy led to the smart security business generating approximately RMB1,587.6 million in revenue, a year-on-year increase of about 10.1%. The shipment volume of smart security SoCs grew from 84.9 million in 2023 to 102.6 million in 2024.

Our smart AIoT business emerged as a new growth engine, primarily driven by our strategic emphasis on smart robots and industrial HMIs. This focus allowed us to capture new market opportunities, resulting in approximately RMB474.8 million in revenue generated from smart AIoT, representing a year-on-year increase of about 38.6%. The shipment volume of smart AIoT SoCs grew from 20.2 million in 2023 to 27.8 million in 2024.

Our smart automotive business benefited from the gradual increase in the adoption of our automotive-grade chips within the automotive market which further unlocked potential, contributing to approximately RMB245.0 million in revenue generated from smart automotive, a year-on-year increase of about 31.0%. The shipment volume of smart automotive SoCs grew from 8.4 million in 2023 to 11.2 million in 2024.

Cost of Sales

Our cost of sales increased by 14.8% from RMB1,310.1 million in 2023 to RMB1,504.6 million in 2024, primarily driven by an increase in our shipment volume, which contributed to the increase in the raw materials purchased. The percentage of our cost of sales to total revenue slightly decreased from 64.8% in 2023 to 64.0% in 2024.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 19.4% from RMB710.3 million in 2023 to RMB847.9 million in 2024, and our gross profit margin increased from 35.2% for 2023 to 36.0% for 2024, as a result of the overall recovery of the industry and a rebound in market demand for our products starting from late 2023.

Other Income and Gains

Our other income and gains increased by 29.6% from RMB136.1 million in 2023 to RMB176.4 million in 2024, primarily due to increased returns from wealth management products as we strategically allocated idle funds towards cash management initiatives.

R&D Expenses

Our R&D expenses increased by 22.0% from RMB493.9 million in 2023 to RMB602.4 million in 2024, primarily driven by our intensified focus on innovation in areas including AI processor and smart robotics. The percentage of our R&D expenses to total revenue increased from 24.4% in 2023 to 25.6% in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses were stable at RMB22.2 million in 2023 and RMB22.3 million in 2024. The percentage of our selling and distribution expenses to total revenue was 1.1% in 2023 and 0.9% in 2024.

Administrative Expenses

Our administrative expenses increased by 19.1% from RMB92.4 million in 2023 to RMB110.1 million in 2024, primarily attributable to the increases in employee compensation, professional service fees and share-based payments associated with business growth. The percentage of our administrative expenses to total revenue remains relevantly stable at 4.6% in 2023 and 4.7% in 2024.

Other Expenses

Our other expenses were RMB29.4 million in 2023 and RMB0.2 million in 2024, primarily because we recorded (i) investment loss of RMB17.3 million in derivative financial instruments in 2023, primarily due to loss on foreign exchange forward settlement, and (ii) non-operating expenses of RMB 12.1 million, primarily arising from default losses on land transfer payments and losses from project termination.

Finance Costs

Our finance costs increased from RMB14.4 million in 2023 to RMB26.9 million in 2024, mainly due to higher interest expenses stemming from an increase in bank borrowings. We have leveraged our strong bargaining power to secure favourable rates for short-term loans, thereby enhancing our capital efficiency for daily operations. Additionally, we have utilized long-term borrowings to benefit from expanding interest-subsidized loan policies offered by local governments.

Income Tax Credit/(Expense)

Our income tax expense amounted to RMB6.2 million in 2024, as compared to income tax credit of RMB10.6 million in 2023. We recorded income tax credit in 2023 primarily due to tax losses and temporary differences between the carrying value and tax base of specific assets, such as financial assets, which increased deferred income tax expenses.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 25.2% from RMB204.7 million in 2023 to RMB256.3 million in 2024.

DISCUSSION OF 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, which has been extracted from our audited consolidated financial statements included in Appendix I to this document.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Total current assets	1,687,854	2,724,712	3,242,636
Total non-current assets	1,752,212	1,574,553	1,972,366
Total assets	**3,440,066**	**4,299,265**	**5,215,002**
Total current liabilities	889,159	871,509	1,465,580
Total non-current liabilities	461,081	459,335	450,576
Total liabilities	**1,350,240**	**1,330,844**	**1,916,156**
Net current assets	798,695	1,853,203	1,777,056
Total liabilities	**1,350,240**	**1,330,844**	**1,916,156**
Net assets	**2,089,826**	**2,968,421**	**3,298,846**
Share capital	378,947	421,060	421,715
Reserves	1,710,879	2,547,361	2,815,374
Non-controlling interests	–	–	61,757
Total equity	**2,089,826**	**2,968,421**	**3,298,846**
Total liabilities and equity	**3,440,066**	**4,299,265**	**5,215,002**

Net Current Assets/Liabilities

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
		(RMB in thousands)		
				(unaudited)
Current assets				
Inventories	742,987	770,855	930,310	1,035,251
Trade receivables	138,469	115,015	242,203	278,576
Debt investments at fair value through other comprehensive income	–	284,925	217,615	228,336
Prepayments, other receivables and other assets	104,501	121,550	164,174	181,730
Financial assets at fair value through profit or loss	231,964	1,116,966	1,365,495	1,521,590
Derivative financial instruments	–	4,486	–	–
Amounts due from related parties	480	365	365	363
Time deposits	233,270	78,052	31,608	31,675
Pledged deposits	475	463	11,120	1,066
Cash and cash equivalents	235,708	232,035	279,746	305,972
Total current assets	**1,687,854**	**2,724,712**	**3,242,636**	**3,584,559**
Current liabilities				
Trade and bills payables	214,686	183,191	368,413	475,118
Contract liabilities	21,216	30,649	30,137	37,378
Other payables and accruals	260,228	259,810	273,470	263,421
Interest-bearing bank borrowings	383,243	351,831	774,346	779,876
Derivative financial instruments	–	107	2,171	3,121
Lease liabilities	5,866	6,424	6,902	6,229
Amounts due to related parties	3,790	39,497	51	43
Income tax payable	130	–	10,090	10,090
Total current liabilities	**889,159**	**871,509**	**1,465,580**	**1,575,276**
Net current assets	**798,695**	**1,853,203**	**1,777,056**	**2,009,283**

Our net current assets increased by 13.1% from RMB1,777.1 million as of December 31, 2025 to RMB2,009.3 million as of January 31, 2026, primarily due to the growth in our total current assets, which exceeded the growth in our total current liabilities. Our total current liabilities increased by 7.5% from RMB1,465.6 million as of December 31, 2025 to RMB1,575.3 million as of January 31, 2026, primarily due to a RMB106.7 million increase in trade and bills payables, as a result of increased procurement in preparation for future orders. Our total current assets increased by 10.5% from RMB3,242.6 million as of December 31, 2025 to RMB3,584.6 million as of January 31, 2026.

Our net current assets decreased by 4.1% from RMB1,853.2 million as of December 31, 2024 to RMB1,777.1 million as of December 31, 2025 due to the increase of our total current liabilities, which outweighed the increase of our total current assets. Our total current assets increased from RMB2,724.7 million as of December 31, 2024 to RMB3,242.6 million as of December 31, 2025, primarily due to (i) the increase of our cash and cash equivalents of RMB47.7 million, (ii) the increase of our trade receivables of RMB127.2 million, (iii) the increase of our inventories of RMB159.5 million, (iv) the increase of financial assets at fair value through profit or loss of RMB248.5 million, partially offset by (i) the decrease of debt investments at fair value through other comprehensive income of RMB67.3 million and (ii) the decrease of time deposits of RMB46.4 million. Our total current liabilities increased from RMB871.5 million as of December 31, 2024 to RMB1,465.6 million as of December 31, 2025, primarily due to the increase in trade and bills payable of RMB185.2 million and increase in interest-bearing bank borrowings of RMB422.5 million, partially offset by the decrease in amounts due to related parties of RMB39.4 million.

Our net current assets increased by 132.0% from RMB798.7 million as of December 31, 2023 to RMB1,853.2 million as of December 31, 2024, primarily due to the increase of our total current assets as well as the decrease of our total current liabilities. Our total current assets increased from RMB1,687.9 million as of December 31, 2023 to RMB2,724.7 million as of December 31, 2024, primarily due to the increase of financial assets at fair value through profit or loss of RMB885.0 million and the increase in debt investments at fair value through other comprehensive income of RMB284.9 million, partially offset by the decrease in time deposits of RMB155.2 million. Our total current liabilities decreased from RMB889.2 million as of December 31, 2023 to RMB871.5 million as of December 31, 2024, primarily due to (i) the decrease of trade and bills payables of RMB31.5 million and (ii) the decrease in interest-bearing bank borrowings of RMB31.4 million, partially offset by the increase of amounts due to related parties of RMB35.7 million.

Inventories

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Raw materials	233,533	191,365	275,260
Finished goods	251,916	237,332	208,573
Materials consigned for processing and work in progress	306,410	371,233	478,394
Goods in transit	–	1,622	522
Subtotal	**791,859**	**801,552**	**962,749**
Provision	(48,872)	(30,697)	(32,439)
Total	**742,987**	**770,855**	**930,310**

Our inventories increased by 3.8% from RMB743.0 million as of December 31, 2023 to RMB770.9 million as of December 31, 2024, primarily due to the increase in work in progress, which was mainly attributable to increased sales in 2024. Our inventories increased by 20.7% from RMB770.9 million as of December 31, 2024 to RMB930.3 million as of December 31, 2025, primarily due to increased procurement of memory wafers in anticipation of raw material price increases in the second half of 2025, as well as higher inventory levels of materials consigned for processing and work in progress, driven by increased production arrangements to meet growing orders. Additionally, finished goods declined due to increased shipment volume.

The table below sets forth an aging analysis for our inventories, net of loss allowances as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	677,060	724,539	903,205
1 to 2 years	56,737	35,125	11,016
2 to 3 years	9,029	8,953	7,840
Over 3 years	161	2,238	8,249
Total	**742,987**	**770,855**	**930,310**

We adopt a relatively cautious policy for provisioning inventory write-downs, mainly due to the characteristics of the IC industry, as the rapid pace of updates and replacements in IC products means that the net realizable value of our inventory is easily affected by changes in supply and demand in the downstream market. In accordance with our inventory accounting policy, inventory is measured at the lower of cost and net realizable value, with estimates reassessed at each balance sheet date. These estimates are primarily based on current market conditions and past experience, and may vary significantly due to technological advancements, changes in customer preferences, and actions taken by competitors in response to market changes. During inventory impairment testing, we focus on products that have not been shipped at all, those with a significant decline in shipment volume compared to the previous year, and those with year-end inventory levels significantly lower than current shipment volumes. This assessment is further informed by factors such as inventory aging, existing orders, and post-period sales performance. For the year of 2023, 2024 and 2025, we made provision for inventory write-down of RMB48.9 million, RMB30.7 million and RMB32.4 million, respectively. Adhering to the principle of prudence, we made adequate write-down provisions for raw materials with slowed usage and finished products with sales performance below expectations. After conducting net realizable value tests, we found that, aside from inventory write-downs due to obsolescence, aging, or damage, there were no instances where the selling price of our main products, after deducting subsequent processing costs, selling expenses, and related taxes, fell below the cost of raw materials. This indicates that there is no devaluation of inventory under normal conditions. Our management believes that sufficient provision has been made for each of the Track Record Period.

We believe maintaining appropriate levels of inventories dynamically helps us fully address our customers' demand and achieve customer satisfaction without adversely affecting our liquidity. We have in place a set of policies and procedures to manage our inventories. For details, see "Business — Quality Control and Inventory Management — Inventory Management."

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

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days[1]	224.4	193.3	164.4

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventory turnover days decreased from 224.4 days in 2023 to 193.3 days in 2024, and further to 164.4 days in 2025, primarily due to a faster turnover fuelled by the increase in products sales.

As of January 31, 2026, RMB463.8 million, or 49.9% of our inventory as of December 31, 2025 had been utilized or sold.

Trade Receivables

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables	138,561	115,160	242,265
Impairment	(92)	(145)	(62)
Total	**138,469**	**115,015**	**242,203**

Our trade receivables decreased from RMB138.5 million as of December 31, 2023 to RMB115.0 million as of December 31, 2024, and then increased to RMB242.2 million as of December 31, 2025, primarily due to (i) a change in settlement arrangements with certain major customers from prepayment to credit terms of up to 30 days, and (ii) the increase in revenue during the same period.

We typically grant 30 to 40 days of credit period to our direct sales customers at request. For distributor customers, we generally adopt a cash-on-delivery or monthly settlement approach, with a 30-day credit term extended to a select few well-known distributors. We seek to maintain strict control over our outstanding receivables to minimize credit risk. During the Track Record Period, our credit policy for major customers remained stable, with timely payments and no occurrence of bad debts. Additionally, customers with credit terms usually provide us with full bank guarantees, resulting in a low risk of bad debts. We measure loss allowances for trade and bills receivables at an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix. Our ECL rates remained stable during the Track Record Period, at 0.0% for trade receivables within one month and 1.0% for trade receivables between one and six months, primarily because there were no significant historical credit losses within these aging bands and no material changes in the credit profiles of our customers. For further details, see Note 20 to the Accountants' Report in Appendix I to this document.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated, based on the revenue recognition date and net of allowance for expected credit losses:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 month	129,366	100,572	236,097
1 to 6 months	9,103	14,443	6,106
Total	**138,469**	**115,015**	**242,203**

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days(1)	21.3	19.7	22.0

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables (excluding provision for impairment) for a year divided by revenue for the relevant year and multiplied by 365 days.

We recorded trade receivable turnover days of 21.3, 19.7 and 22.0 days during the Track Record Period.

As of January 31, 2026, RMB234.4 million, or 96.8% of our trade receivables as of December 31, 2025 had been settled.

Debt investments at fair value through other comprehensive income

Our current debt investments at fair value through other comprehensive income primarily represented bank acceptance bills and certificates of deposit with maturity dates within one year. Our non-current debt investments at fair value through other comprehensive income primarily represented certificate of deposit with maturity over one year. Our current debt investments at fair value through other comprehensive income amounted to nil as of December 31, 2023, RMB284.9 million as of December 31, 2024, RMB217.6 million as of December 31, 2025 and RMB228.3 million as of January 31, 2026. Our non-current debt investments at fair value through other comprehensive income amounted to RMB478.7 million as of December 31, 2023, RMB292.4 million as of December 31, 2024 and RMB83.6 million as of December 31, 2025. The fluctuations were primarily attributable to new investment in debt instruments and the maturity of these instruments and corresponding changes in fair value.

Prepayments, Other Receivables and Other Assets

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Current			
Prepayments	41	208	13,010
Other receivables	20,422	12,342	5,590
Prepaid tax	5,941	11,516	12,941
Value-added tax and other taxes recoverable	78,097	97,484	113,952
[REDACTED]	–	–	**[REDACTED]**
Total	**104,501**	**121,550**	**[REDACTED]**
Non-current			
Time deposits over one year	82,417	30,814	–
Certificates of deposit	–	132,420	136,283
[REDACTED]	**[REDACTED]**	–	–
Prepayments for long-term assets	405	1,351	1,560
Capacity guarantee rights(1)	65,890	56,905	44,938
Capacity guarantee Deposit	304,950	318,899	319,570
Total	**[REDACTED]**	**540,389**	**502,351**

Note:

(1) To secure future wafer production capacity, we entered into a capacity supply agreement and paid a capacity guarantee deposit–recognized as a long-term receivable and discounted to present value with the resulting unrealized financing income recognized as capacity guarantee rights, which the supplier will refund upon contract expiration. For further details, please see "Business".

Our current prepayments, other receivables and other assets increased from RMB104.5 million as of December 31, 2023 to RMB121.6 million as of December 31, 2024, and then to RMB164.2 million as of December 31, 2025. As of January 31, 2026, RMB39.5 million, or 24.1% of current portion of prepayment, other receivables and other assets as of December 31, 2025 had been settled.

Our non-current prepayments, other receivables and other assets increased by 17.8% from RMB458.6 million as of December 31, 2023 to RMB540.4 million as of December 31, 2024, primarily attributable to the increase in certificates of deposit and capacity guarantee deposit. It then decreased to RMB502.4 million as of December 31, 2025, primarily due to the decrease in capacity guarantee rights and time deposits over one year. See Note 22 to the Accountants' Report in Appendix I to this document for more details.

Financial Assets at Fair Value Through Profit or Loss

The following table sets out a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current Portion			
Wealth management products	231,964	1,116,966	1,365,495
Non-current Portion			
Wealth management products	207,136	128,114	601,338
Debt investments, at fair value	51,724	21,724	25,291
Equity investments, at fair value	22,710	26,788	102,438
Subtotal	281,570	176,626	729,067
Total	**513,534**	**1,293,592**	**2,094,562**

Our financial assets at fair value through profit or loss grew significantly from RMB513.5 million as of December 31, 2023 to RMB1,293.6 million as of December 31, 2024, and then to RMB2,094.6 million as of December 31, 2025. This increase was primarily due to our strategic use of idle funds to purchase wealth management products for improved asset management.

The above debt and equity investments were classified and measured at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling. The wealth management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not SPPI.

We have established a comprehensive funds management framework centered around the financial product investment criteria, approval and authorization procedures and ongoing monitoring and management, as further outlined below:

Investment Criteria

Without affecting funds for daily operations, we seek returns above traditional deposits and may use futures and derivatives to hedge foreign exchange and interest rate risks and improve overall returns.

Entrusted Wealth Management: we may invest temporarily idle self-owned funds in high-safety, high-liquidity products from approval by the Shareholders' general meeting until the 2025 annual general meeting of Shareholders, on a rolling basis. Permitted products include structured deposits, bank and securities firms' wealth management products, and treasury reverse repurchases. High-risk investments are prohibited.

Derivatives: we may enter into futures and derivatives transactions with qualified financial institutions upon Shareholders' approval, with rollover allowed. The underlying assets of futures and derivatives may include securities, indices, interest rates, exchange rates, currencies, and commodities, as well as combinations of the foregoing.

Approval and Authorization Procedures

We maintain an Investment Management Policy, an Entrusted Wealth Management Policy, and a Futures and Derivatives Trading Management Policy. Within shareholder-authorized limits, the Board is authorized to delegate our legal representative to select qualified institutions, determine amounts and tenors, choose products, and execute contracts. Investments within Board authorization do not require prior Board approval; and investments beyond that scope require prior Board approval and, where applicable, submission to the Shareholders' meeting for approval.

We enforce a segregation of duties: treasury executes within authorizations and quotas, reports performance, and manages post-investment follow-up; and finance and accounting handle bookkeeping and correct financial statement presentation. The management team comprises experienced professionals with finance or accounting backgrounds and substantial market experience.

Ongoing Monitoring and Management

We comply with internal policies and corporate authorizations, emphasizing safety, liquidity, transparency, and disciplined execution. Our treasury personnel shall provide reconciliation statements and periodic performance and risk updates to finance and accounting, which verify accuracy and monitor returns and exposures, investigating discrepancies promptly. Our management shall periodically reassess market conditions, counterparty strength, and product risk relative to objectives, adjusting, hedging, or divesting as warranted. Our Board, notably the Audit Committee, regularly reviews management reports, evaluates performance and risk, and oversees conduct and may intervene during significant volatility or abnormal losses.

Upon Listing, we intend to continue our investments, such as wealth management products and structured deposits, strictly in accordance with our internal policies, and, to the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Pledged Deposits

Our pledged deposits primarily represent restricted cash held in designated bank accounts for customs bonds and bank guarantees. We had pledged deposits of RMB0.5 million, RMB0.5 million and RMB11.1 million as of December 31, 2023, 2024 and 2025, respectively.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB235.7 million, RMB232.0 million and RMB279.7 million as of December 31, 2023, 2024 and 2025, respectively. For details, see "— Liquidity and Capital Resources."

Property, Plant and Equipment

The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Buildings	112,439	238,496	232,384
Plant and machinery	19,826	22,172	12,958
Electronic and office equipment	15,579	14,901	22,222
Leasehold improvements	12,681	16,210	16,309
Construction in progress	127,062	104	223
Motor vehicles	438	460	836
Total	**288,025**	**292,343**	**284,932**

Our property, plant and equipment increased by 1.5% from RMB288.0 million as of December 31, 2023 to RMB292.3 million as of December 31, 2024, mainly attributable to the increase in buildings led by the purchase of our office building in Shanghai, along with the completion of our own property in Xiamen. Our property, plant and equipment then decreased slightly by 2.5% to RMB284.9 million as of December 31, 2025.

Right-of-Use Assets

Our right-of-use assets consisted of leasehold land and buildings. We have lease contracts for various items of office premises. Leases of office premises generally have lease terms between two and five years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value. Our right-of-use assets continued to decrease from RMB27.9 million as of December 31, 2023, RMB25.0 million as of December 31, 2024, to RMB22.3 million as of December 31, 2025.

Other Intangible Assets

Our other intangible assets consisted of patents, IP licensing and software. Our other intangible assets increased by 16.4% from RMB176.1 million as of December 31, 2023 to RMB205.3 million as of December 31, 2024, primarily because we acquired new IP licenses due to business development needs. Our intangible assets then decreased to RMB153.5 million as of December 31, 2025, primarily due to amortization.

Trade and Bills Payables

Our trade and bills payables primarily consisted of payments due to wafer foundries for goods and payments due to OSAT service providers for processing fees. The change in our trade and bills payables was generally in line with the changes in the market and the production and operation arrangements.

We recorded a relatively higher trade and bills payables of RMB214.7 million as of December 31, 2023, primarily due to increased procurement from suppliers with the anticipated recovery of the entire industry in 2023. Our trade and bills payables decreased to RMB183.2 million as of December 31, 2024, adjusting back to a normal level. Our trade and bills payables then increased to RMB368.4 million as of December 31, 2025, primarily because we anticipated an increase in the price of memory wafers and accordingly increased procurement.

Trade and bills payables are non-interest-bearing. The wafer foundries normally provide a payment term of 30 days after month-end, and the packaging and testing plants normally provide a payment term of 60 days after month-end. The following table sets forth the aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	214,503	181,836	365,655
Over 1 years	183	1,355	2,758
Total	**214,686**	**183,191**	**368,413**

The following table sets forth our trade and bills payables turnover days for the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days(1)	48.8	48.3	51.4

Note:

(1) Trade and bills payables turnover days are calculated using the average of opening balance and closing balance of trade and bills payables for a year divided by cost of sales used for the relevant year and multiplied by 365 days.

We recorded trade and bills payable turnover days of 48.8, 48.3 and 51.4 days during the Track Record Period, generally in line with credit terms granted from our suppliers.

As of January 31, 2026, RMB210.0 million, or 57.0% of our trade and bills payables as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities primarily represent (i) advance payments received from customers for goods and (ii) sales rebates. Consistent with industry-wide customary practices, we would provide sales rebates to certain high-quality customers, taking into account factors such as customer relationships, purchase amount, and cooperation stability.

Our contract liabilities increased from RMB21.2 million as of December 31, 2023 to RMB30.6 million as of December 2024 and remained relatively stable at RMB30.1 million as of December 31, 2025.

As of January 31, 2026, RMB5.4 million, or 18.1% of our contract liabilities as of December 31, 2025, had been subsequently recognized as revenue.

Other Payables and Accruals

The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
:	*(RMB in thousands)*		
Salaries and benefits payables	85,294	107,871	138,708
Payables for purchases of property and construction	67,334	4,300	1,550
Other payables	17,328	33,055	42,104
Other tax payables[1]	8,740	9,006	17,009
Long-term payables due within one year	81,532	105,578	74,099
Total	**260,228**	**259,810**	**273,470**

Note:

(1) Other taxes payable mainly consist of various surcharges, stamp duties, and other related taxes, which are positively correlated with revenue.

Our other payables and accruals decreased from RMB260.2 million as of December 31, 2023 to RMB259.8 million as of December 31, 2024, primarily due to the gradual decrease in payables for property and construction following the completion of our technology park and the repayment of remaining balance for the property purchase. Our other payables and accruals further increased to RMB273.5 million as of December 31, 2025, primarily due to increases in salaries and benefits payables, and other tax payables, partially offset by the decrease in long-term payables due within one year.

As of January 31, 2026, RMB91.4 million, or 33.4% of our other payables and accruals as of December 31, 2025, had been subsequently settled.

Long-term Payables

Our long-term payables, including current and non-current portions, are primarily IP/EDA licensing payable, which represent long-term installment payables for IP (general-purpose SoC modules licensed for embedding) and EDA tools (software used to design, simulate, and verify chips) purchased to support our R&D and production operations. The current portion of long-term payables was recorded in the other payables and accruals. The total long-term payables, including current and non-current portions, decreased from RMB175.6 million as of December 31, 2023 to RMB170.3 million as of December 31, 2024 and continued to decrease to RMB79.8 million as of December 31, 2025, primarily because we had made the relevant installment payments.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table sets forth a summary of our cash flow for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash from operating activities	434,519	418,782	446,420
Net cash used in investing activities	(1,213,556)	(906,952)	(641,667)
Net cash from financing activities	549,112	481,102	247,610
Net (decrease)/increase in cash and cash equivalents	**(229,925)**	**(7,068)**	**52,363**
Cash and cash equivalents at beginning of year	459,372	235,708	232,035
Effect of foreign exchange rate changes, net	6,261	3,395	(4,652)
Cash and cash equivalents at end of year	**235,708**	**232,035**	**279,746**

Net Cash from Operating Activities

In 2025, we had net cash generated from operating activities of RMB446.4 million, as compared to profit/loss before tax of RMB322.8 million. The principal items accounting for the difference were the adjustments for amortization of intangible assets of RMB102.3 million, depreciation of property, plant and equipment of RMB34.5 million, equity-settled share-based payments expenses of RMB32.7 million and finance costs of RMB30.3 million, partially offset by the adjustments for gain on disposal of financial assets of RMB69.5 million and bank interest income of RMB23.7 million. The amount was further adjusted by the changes in working capital, which primarily consisted of increase in trade and bills payables of RMB166.5 million and increase in other payables and accruals of RMB27.1 million, partially offset by increase in trade receivables of RMB120.7 million and increase in inventories of RMB83.8 million.

In 2024, we had net cash from operating activities of RMB418.8 million, as compared to profit before tax of RMB262.5 million. The principal items accounting for the difference were the adjustments for amortization of intangible assets of RMB95.8 million, equity-settled share-based payments expenses of RMB36.8 million, depreciation of property, plant and equipment of RMB34.4 million and finance costs of RMB26.9 million, partially offset by the adjustments for investment income from financial assets, net of RMB38.8 million and fair value gains of financial assets at fair value through profit or loss and fair value gains of derivative financial instruments of RMB31.8 million. The amount was further adjusted by the changes in working capital, which primarily consisted of increase in other payables and accruals of RMB86.0 million, increase in amounts due to related parties of RMB1.7 million and decrease in trade receivables and debt investments at fair value through other comprehensive income of RMB22.2 million, partially offset by decrease in trade and bills payables of RMB31.5 million.

In 2023, we had net cash from operating activities of RMB434.5 million, as compared to profit before tax of RMB194.1 million. The principal items accounting for the difference were the adjustments for amortization of intangible assets of RMB70.7 million, equity-settled share-based payments expenses of RMB32.4 million, depreciation of property, plant and equipment of RMB31.9 million and write-down of inventories to net realizable value of RMB20.5 million, partially offset by the adjustments for bank interest income of RMB29.3 million. The amount was further adjusted by the changes in working capital, which primarily consisted of increase in trade and bills payables of RMB79.3 million, partially offset by increase in trade receivables of RMB41.3 million.

Net Cash Flows Used in Investing Activities

In 2025, we had net cash used in investing activities of RMB641.7 million, which was primarily attributable to proceeds from sales of financial assets of RMB3,749.0 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB4,113.3 million and acquisition of a subsidiary of RMB188.9 million.

In 2024, we had net cash used in investing activities of RMB907.0 million, which was primarily due to purchase of financial assets of RMB3,199.6 million to strategically allocate and utilize net proceeds from the issue of our A-Share, partially offset by proceeds from sales of financial assets of RMB2,473.0 million.

In 2023, we had net cash used in investing activities of RMB1,213.6 million, which was primarily attributable to purchase of financial assets of RMB1,381.1 million, payment of capacity guarantee deposit of RMB243.6 million and purchases for items of property, plant and equipment of RMB201.7 million consisting of our property in Shanghai, partially offset by proceeds from sales of financial assets of RMB560.4 million.

Net Cash Flows from Financing Activities

In 2025, we had net cash used from financing activities of RMB247.6 million, which was primarily attributable to repayment of bank loans of RMB312.9 million, dividends paid of RMB84.2 million and payment of long-term payables of RMB96.2 million, partially offset by new bank borrowing of RMB780.0 million.

In 2024, we had net cash from financing activities of RMB481.1 million, which was primarily attributable to proceeds from issue of shares of RMB627.9 million and new bank borrowings of RMB425.0 million, partially offset by repayment of bank loans of RMB433.6 million.

In 2023, we had net cash from financing activities of RMB549.1 million, which was primarily attributable to new bank borrowings of RMB1,056.7 million, partially offset by repayment of bank loans of RMB424.2 million.

Working Capital Sufficiency

Our Directors are of the opinion that, taking into account the estimated [**REDACTED**] from the [**REDACTED**] and other financial resources available to us, including cash flow from operating activities and cash and cash equivalents, we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	(RMB in thousands)			*(unaudited)*
Interest-bearing bank borrowings				
Current				
Bank loans – secured	69,461	66,950	99,312	98,857
Bank loans – unsecured	312,331	263,937	312,856	311,904
Current portion of long-term bank loans – unsecured	1,451	20,944	362,178	369,115
Total current	383,243	351,831	774,346	779,876
Non-current				
Bank loans – unsecured	343,345	372,675	433,056	583,977
Total non-current	343,345	372,675	433,056	583,977
Subtotal	726,588	724,506	1,207,402	1,363,853
Lease liabilities				
Current	5,866	6,424	6,902	6,229
Non-current	6,941	3,956	892	1,557
Subtotal	12,807	10,380	7,794	7,786
Total	**739,395**	**734,886**	**1,215,196**	**1,371,639**

Interest-bearing Bank Borrowings

As of December 31, 2023, 2024, 2025 and January 31, 2026, our interest-bearing bank borrowings (including current and non-current portions) consisted primarily of unsecured bank loans. See Note 29 to the Accountants' Report in Appendix I to this document for details of the interest rates and the maturity.

Our interest-bearing bank borrowings remained relatively stable at RMB726.6 million as of December 31, 2023 and RMB724.5 million at December 31, 2024, and then increased significantly to RMB1,207.4 million as of December 31, 2025, primarily due to the drawdown of additional bank facilities to meet working capital needs for daily operations, and to utilize lower-cost bank facilities, including interest-subsidized loans available in Xiamen. We further recorded RMB1,363.9 million in interest-bearing bank borrowings as of January 31, 2026, primarily due to increase in current unsecured bank loans.

Except for the NT$300 million short-term working capital loan for our Taiwan branch, which is guaranteed by our Executive Director and General Manager, Mr. Lin Yongyu, all other loans are unsecured and based on credit. The principal amount of our bank borrowings guaranteed by Mr. Lin Yongyu are RMB69.4 million, RMB66.9 million and RMB66.9 million as of December 31, 2023, 2024 and 2025, respectively. The Directors are of the view that the guarantee is in the interest of the Group and the Shareholders as a whole, as such the Group have no current intention to discharge such guarantee prior to the [**REDACTED**] and expect that the guarantee will continue to be in effect immediately after the [**REDACTED**].

As of the Latest Practicable Date, we had unutilized banking facilities of RMB1.4 billion.

Lease Liabilities

Our total lease liabilities (including current and non-current portions) decreased from RMB12.8 million as of December 31, 2023 to RMB10.4 million as of December 31, 2024, primary due to the expiration of leases. Our total lease liabilities continued to decrease to RMB7.8 million as of December 31, 2025 and further decreased to RMB7.8 million as of January 31, 2026.

No Other Outstanding Indebtedness

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

Except as disclosed above, as of January 31, 2026, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has been no material change in our indebtedness from January 31, 2026 to the date of this document.

CAPITAL EXPENDITURES

The table below sets forth our capital expenditure for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Purchases for items of property, plant and equipment	(201,731)	(135,685)	(34,410)
Purchases for intangible assets	(7,884)	(62,864)	(57,504)
Total	**(209,615)**	**(198,549)**	**(91,914)**

We had capital expenditures of RMB209.6 million, RMB198.5 million and RMB91.9 million in 2023, 2024 and 2025, respectively. We funded the expenditure mainly with cash generated from business operations and financing activities. We plan to continue to make capital expenditures to support our business growth and expansion strategy. See "Future Plans and Use of [**REDACTED**]." We intend to fund these expenditures with available financial resources, including cash generated from operations, [**REDACTED**] from the [**REDACTED**], and potential future equity or debt financing. We may adjust our capital expenditure for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Commitments

Our commitments, including capital commitments and other commitments, are related to capital contributions payable and purchase of wafer. As of December 31, 2023, 2024 and 2025, our capital commitments were RMB4.3 million, nil and RMB251.9 million and our other commitments were US$249.3 million, US$215.7 million and US$171.0 million. We expect to satisfy our commitments using cash from operations.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and results of operations.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2023	**2024**	**2025**
Gross profit margin(1)	35.2%	36.0%	34.1%
R&D expense ratio(2)	24.4%	25.6%	22.0%
Current ratio(3)	1.9	3.1	2.2
Quick ratio(4)	1.1	2.2	1.6
Gearing ratio(5)	35.4%	24.8%	36.8%
Trade receivables turnover days (6)	21.3	19.7	22.0

Notes:

(1) Calculated by dividing gross profit by revenue for the year multiplied by 100%.

(2) Calculated by dividing R&D expense by revenue for the year multiplied by 100%.

(3) Calculated by dividing total current assets by total current liabilities as of the end of the year.

(4) Calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year.

(5) Calculated by dividing total interest-bearing bank and lease liabilities by total equity as of the end of the year multiplied by 100%.

(6) Calculated by dividing the average of opening balance and closing balance of trade receivables (excluding provision for impairment) for a year by revenue for the relevant year and multiplied by 365 days.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. At December 31, 2025, the balances with related parties mainly represented rental deposits, which were classified as non-trade in nature and will be returned upon the expiration of the lease term on March 31, 2026 and July 31, 2026, respectively. For details of our material related party transactions, see Note 38 to the Accountants' Report in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 38 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or R&D services with us.

FINANCIAL RISKS DISCLOSURE

We are exposed to various types of financial risks, including foreign currency risk, credit risk and liquidity risk.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. See Note 39 to the Accountants' Report in Appendix I to this document for details of the credit quality and the maximum exposure to credit risk based on our credit policy.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting its financial obligations. See Note 39 to the Accountants' Report in Appendix I to this document for details of the maturity profile of our financial liabilities.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales and purchases carried out in foreign currencies other than their functional currency. We take derivative financial instruments to alleviate the impact on exposure of foreign currency risk arising from foreign currency bank borrowings. See Note 39 to the Accountants' Report in Appendix I to this document for details of sensitivity.

DIVIDENDS

During the Track Record Period, we declared and paid final dividends in respect of the previous year of nil, RMB42.1 million and RMB84.2 million in 2023, 2024 and 2025, respectively.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have a formal standalone dividend policy or fixed dividend payout ratio. As set forth in our Articles of Association, we shall prioritize cash dividends for profit distribution. Specifically, where we achieve profitability in the current fiscal year and have positive accumulated undistributed profits, and there are distributable profits available after offsetting losses and making appropriations to various reserve funds and provisions, we shall distribute cash dividends. In the absence of any major external investment plans or significant cash expenditures, the cumulative profits distributed in cash within any three consecutive fiscal years shall be no less than 30% of the average annual distributable profits realized during such three-year period. Generally, our Board will make dividend proposals, taking into account factors including industry characteristics, stage of development, business model, profitability of relevant year/period, any significant capital expenditure plans and other factors that our Board deems to be appropriate. Our Shareholders in a general meeting may approve declaration of dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had distributable reserves of RMB1,318.4 million.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We estimate that our [**REDACTED**] will be approximately RMB[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and no exercise of the [**REDACTED**]), representing [**REDACTED**]% of the [**REDACTED**] (based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) of the [**REDACTED**]. We expect to incur [**REDACTED**] of RMB[**REDACTED**], of which RMB[**REDACTED**] has been recognized in the consolidated statements of profit or loss as administrative expenses as of December 31, 2025, and RMB[**REDACTED**] is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and RMB[**REDACTED**] is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. Our Directors do not expect such expenses to materially impact our results of operations in 2026. By nature, our [**REDACTED**] are composed of (i) [**REDACTED**] of RMB[**REDACTED**], and (ii) [**REDACTED**] related expenses of RMB[**REDACTED**], which consist of fees and expenses of legal advisors and reporting accountants of RMB[**REDACTED**] and other fees and expenses of RMB[**REDACTED**].

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

IMPACT OF COVID-19 PANDEMIC

During the Track Record Period and up to the Latest Practicable Date, the COVID-19 pandemic did not have any material impact on our business operation or financial performance, as (i) from our business operation perspective, COVID-19 containment measures had been generally lifted since late 2022; and (ii) industry-wide, according to Frost & Sullivan, the effects of COVID-19 have diminished since 2022, leading to a normalization in the supply of vision AI SoCs and the global semiconductor supply chain from 2023 onward.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, 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.