You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report set out in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance, which involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a leading domestic platform-based chip customization service provider in China, focusing on the research and development and commercialization of AI ASICs. Our chip customization services comprise chip design, chip delivery, and IP license. AI ASICs have been the largest application type contributing to our revenue, representing 51.7%, 90.6%, and 90.3% of our total revenue in 2023, 2024, and 2025, respectively.

Our revenue increased significantly from RMB74.8 million in 2023 to RMB347.6 million in 2024, and further increased by 39.3% to RMB484.2 million in 2025. Despite our revenue growth, we incurred net losses during the Track Record Period as we invested significantly in research and development to fuel our strategic growth in AI ASICs, with research and development expenses accounting for over 45% of our total revenue during each year of the Track Record Period. We aim to achieve profitability in the future by capitalizing on growing demand for AI computing, focusing on key accounts, optimizing service mix and expanding chip delivery, strengthening one-stop service capabilities, and enhancing operating efficiency. See "— Path to Profitability."

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Market Trend and Our Ability to Compete in the Global Market

Our results of operations could be significantly influenced by the trend of the chip customization service market and our ability to compete effectively in this market. The trend of the chip customization service market can be affected by the downstream market size and demand for our services. According to CIC, the size of the chip customization service market in China in terms of revenue is expected to increase to RMB274.47 billion in 2030, representing a CAGR of 32.0% from 2025 to 2030; in particular, the size of the AI ASIC customization service market in China in terms of revenue is expected to increase to RMB205.73 billion in 2030, representing a CAGR of 42.9% from 2025 to 2030. We have been capitalizing, and intend to continue to capitalize, on the growth of the AI ASIC customization services.

We operate in a highly competitive market and have to track customer preferences, demand cycles, technological advancement and product innovation, industrial policies, and geopolitical environment. We face competition from both international and domestic players with diverse capabilities, some of which may have longer operating histories, larger business scales and resources, higher market recognition, and more effective pricing strategies than we do. Success in such competition could bring pricing strengths and hence further revenue growth.

To ride the market trend towards AI ASICs and maintain our competitiveness, we focus on research and development to continually enhance our chip customization service capabilities.

Our Proprietary IP Portfolio

Our ability to continually enrich our proprietary IP portfolio to facilitate chip customization services is crucial to our gross profit margin and results of operations. Our proprietary IP portfolio and ability to license our IPs differentiate our services and enhance our overall margin profile. On the other hand, development of proprietary IPs requires continued investment in research and development, which we need to balance against our revenue growth. We expect to maintain a balanced growth of our proprietary IP portfolio to stay competitive amid evolving needs and preferences of customers during the rapidly changing era of AI ASICs.

Our Service Mix and Development Stages

Our overall gross profit margin is affected by our service mix and development stages. In 2023, 2024, and 2025, our gross profit margin was 34.9%, 46.1%, and 27.7%. The gross profit margins of our business lines fluctuated during the Track Record Period. The gross profit margin of IP license is generally higher than that of chip design and chip delivery, respectively. The gross profit margin of chip delivery was lower than that of chip design in 2023 and 2024 because our chip delivery was ramping up with a substantially smaller scale in 2023 and 2024. The gross profit margin of chip delivery was higher than that of chip design in 2025 because (i) our chip delivery scaled up significantly in 2025 enhancing its margin profile and (ii) the gross profit margin of chip design decreased in 2025 as our chip design mandates under advanced process nodes increased, for which we incurred disproportionately more material costs for wafer runs. Our overall gross profit margin increased from 34.9% in 2023 to 46.1% in 2024, primarily due to (i) an increase in revenue contribution by chip design and IP license combined from 71.2% in 2023 to 93.3% in 2024 and (ii) an increase in gross profit margin of chip design from 28.9% in 2023 to 40.8% in 2024. Our overall gross profit margin normalized from 46.1% in 2024 to 27.7% in 2025, primarily due to a decrease in gross profit margin of chip design from 40.8% in 2024 to 16.0% in 2025, partially offset by an increase in gross profit margin of chip delivery from 18.8% in 2024 to 27.6% in 2025. Accordingly, our service mix and development stages could affect our overall margin profile. We intend to dynamically adjust strategies for our service mix in an effort to maintain an appropriate level of gross profit margin.

Our Ability to Manage Costs

Our ability to achieve profitability and sustainable growth depends in part on our management of costs. In 2023, 2024, and 2025, our cost of sales was RMB48.7 million, RMB187.3 million, and RMB349.9 million, respectively, accounting for 65.1%, 53.9%, and 72.3% of our revenue, respectively. Our cost of sales primarily consists of staff costs and material costs. Staff costs are mainly incurred in connection with chip design and are affected by the technical complexity of different projects and the experience of technical personnel. Material costs primarily consist of procurement costs relating to chip delivery, which are affected by semiconductor material pricing, supply-demand dynamics, and economies of scale. We aim to deepen our collaborations with suppliers and technical personnel to enhance the stability and affordability of supply and optimize our cost structure.

PATH TO PROFITABILITY

We had net loss of RMB98.4 million, RMB48.5 million, and RMB163.5 million in 2023, 2024, and 2025, respectively, because we had been making significant investments to establish and maintain our market position in AI ASICs. During the Track Record Period, we had been ramping up the scale of, and migrating to advanced process nodes for, our chip design and chip delivery. As of December 31, 2025, our research and technical team consisted of 317 engineers and other technicians, accounting for 81.7% of our total employees. In 2023, 2024, and 2025, our research and development expenses were RMB90.9 million, RMB175.5 million, and RMB239.0 million, respectively, representing 121.5%, 50.5%, and 49.4% of our respective total revenue. We have continually developed and maintained a proprietary high-speed interface IP portfolio, including 112/224 Gbps SerDes, HBM3/HBM3e, LPDDR5x/LPDDR6, and chiplet interconnect technologies, which requires sustained funding to attract top-tier talent and acquire advanced EDA tools and prototyping resources. In addition, we have invested in building a modular, intelligent, and automated IC technology platform through (i) the development of proprietary design methodologies, and (ii) accumulation of reusable IP libraries. These investments are crucial for keeping our chip customization services competitive but also result in higher initial operating expenses during the relatively early stage of our development.

Despite our historical net losses during the Track Record Period, as our IC technology platform continues to iterate and mature, our gross profit has improved. As our revenue increased significantly from RMB74.8 million in 2023 to RMB347.6 million in 2024, our gross profit increased significantly from RMB26.1 million in 2023 to RMB160.3 million in 2024. Although our gross profit decreased from RMB160.3 million in 2024 to RMB134.3 million in 2025 despite revenue growth from RMB347.6 million in 2024 to RMB484.2 million in 2025, this mismatch between revenue growth and gross profit growth was primarily due to (i) a decrease in gross profit of chip design from RMB94.4 million in 2024 to RMB32.5 million in 2025 and an increase in gross profit of chip delivery from RMB4.4 million in 2024 to RMB65.7 million in 2025, resulting in stable gross profit of chip design and chip delivery combined in 2024 and 2025, and (ii) a decrease in gross profit of IP license from RMB61.5 million in 2024 to RMB36.2 million in 2025. The historical net losses during the Track Record Period reflect the deliberate strategies that we adopted to gain share in a rapidly expanding market rather than inefficiency in operations.

We intend to establish a clear, sustainable path to profitability primarily through the following measures.

Capitalize on Growing Demand for AI Computing

AI ASICs are instrumental to the continued expansion of AI computing. According to CIC, the size of the AI ASIC customization service market in China in terms of revenue increased from RMB4.42 billion in 2020 to RMB34.58 billion in 2025, and is expected to reach RMB205.73 billion in 2030, representing a CAGR of 42.9% from 2025 to 2030. We ranked second among domestic chip customization service providers in China in terms of chip design and delivery revenue in 2025, according to CIC. During the Track Record Period, our combined chip design and chip delivery revenue increased significantly from RMB62.8 million in 2023 to RMB254.9 million in 2024 and further increased by 73.0% to RMB440.8 million in 2025.

We intend to capitalize on our market position in the market's growth potential and leverage our technological advantages in ASIC design under advanced process nodes, 2.5D/3D advanced packaging designs, and licensing of proprietary high-speed interface IPs and development opportunities in data center AI, edge AI, and high-performance computing markets, which will facilitate the continued growth of our revenue.

Focus on Key Accounts

We have been focusing on key accounts to expand our revenue base and increase our chance to expand gross profit. We refer to a customer from which we generate revenue of RMB10 million or more in a year as a key account. According to CIC, customer concentration is common within the chip customization service industry, particularly when it relates to AI ASICs. Our revenue and gross profit growth during the Track Record Period validates the preliminary success of our focus on key accounts. As we further step into the next development stage, we will increase our focus on key accounts and enhance the monetization depth and breadth with respect to each key account, aiming to build our profitability model based on our scalability around key accounts.

During the Track Record Period, our key accounts demonstrated a stepwise increase in number, dominating the revenue and gross profit contributions. In 2023, we had 1 key account, from whom we generated revenue of RMB24.1 million accounting for 32.2% of total revenue for the year, and from whom we generated gross profit of RMB7.7 million accounting for 29.4% of total gross profit for the year, laying a solid foundation for our profitability model. In 2024, the number of our key accounts increased to 4, from whom we generated revenue of RMB324.2 million accounting for 93.3% of total revenue for the year, and from whom we generated gross profit of RMB162.2 million accounting for 101.2% of total gross profit for the year, preliminarily highlighting the scale effect and promoting our leapfrog growth in profitability. In 2025, the number of our key accounts increased to 9, from whom we generated revenue of RMB438.5

million accounting for 90.6% of total revenue for the year, and from whom we generated gross profit of RMB141.3 million accounting for 105.2% of total gross profit for the year, continually enriching our core key account matrix and significantly enhancing the stability, sustainability, and risk-resistance of profit contributions.

Going forward, we will continue with our proven strategy to focus on key accounts. First of all, we will explore the needs of, and grow with, our existing key accounts, continually carry out technology iteration and service upgrade around the needs of key accounts. Through expanding chip customization services from each key account, we are looking to increase revenue and gross profit contribution from each key account and hence to solidify the foundation for future profitability. In addition, we will leverage our accumulated technical capabilities, service experience, and industry reputation to continually expand our key account portfolio and further optimize our customer structure. Furthermore, by copiloting with key accounts, we will leverage their cutting edge needs to timely guide the direction of our technology innovation and iteration, which we believe could render our research and development more efficient and effective, thus leading us toward high-quality, profitability-aware growth.

Optimize Service Mix and Expand Chip Delivery

Our chip customization services comprise three arms: chip design, chip delivery, and IP license. While these services are all instrumental to our overall business, we will gradually expand our chip delivery to help us achieve profitability.

Benefiting from the close collaborative relationships and customer loyalty established during chip design, chip delivery typically does not require additional sales and marketing resources to generate orders or large-scale new investment in research and development. This margin profile enables chip delivery to become our core growth engine and source of high-quality profit potentials. During the Track Record Period, our chip delivery revenue increased from RMB21.5 million in 2023 to RMB237.6 million in 2025, with its gross profit margin steadily increasing from 9.9% to 27.6% and gross profit contribution increasing from 8.2% to 48.9%.

Looking ahead, as we continue to improve our layout in high-growth areas such as AI, we will further implement a dual-track expansion through front-end IP and design empowerment and back-end delivery scale-up and monetization.

Strengthen One-Stop Service Capabilities

We have a chip customization service team with outstanding capabilities and mature, comprehensive supply chain resources, enabling us to provide one-stop services from chip design to chip delivery. We can meet the diverse and multi-level business needs of customers, providing high value-added services to enhance operating stability and risk resistance. Meanwhile, we continually accumulate and iterate our technology strengths leveraging our IC technology platform. The long-term accumulation of design and supply chain resources, combined with the continued chip customization service mandates in the future, will significantly improve our overall cost efficiency and comprehensive competitiveness.

For example, during the Track Record Period, we successfully implemented one-stop services for Customer B, from IP license, chip definition, front-end design, back-end design, tape-out, post-silicon support, customer productization enablement, wafer run, wafer-level silicon validation, advanced packaging and testing, to supply chain coordination. This not only helped enhance customer loyalty but also increased our revenue. Customer B has continually contributed to our revenue, with RMB9.7 million, RMB283.3 million, and RMB181.2 million in 2023, 2024, and 2025, respectively.

In addition, we will continue to strengthen long-term collaborations with core suppliers to build a stable and reliable supply system. By strengthening the synergy between supply and demand, we will improve procurement scale and bargaining power, ensure stable, efficient, and cost-effective supply of key materials, and promote a steady decline in unit costs. Meanwhile, we will further optimize inventory turnover and full-cycle supply chain management, enhance supply chain responsiveness and operating efficiency, and ensure the continued optimization of chip delivery capabilities.

Enhance Operating Efficiency

We will strictly control operating expenses, optimize the structure of resource allocation, continually optimize technological infrastructure, and implement comprehensive digitalization. In light of the rapid iteration of the AI industry, we adopt an active expansion strategy, leveraging synergies between core functions such as research and development, project execution, and sales and marketing to build efficient operations.

Research and Development Expenses

In 2023, 2024, and 2025, our research and development expenses were RMB90.9 million, RMB175.5 million, and RMB239.0 million, accounting for 121.5%, 50.5%, and 49.4% of total revenue, respectively. We expect that our research and development expenses in an absolute amount will continue to increase as our business expands, and that our research and development expenses as a percentage of revenue will continue to decrease. Our research and technical team supports the development of AI ASIC platforms and design methodologies, laying a solid foundation for our technological innovation. The prior achievements in proprietary high-speed interface IPs and related chip customization services already have generated significant economic benefits, laying the foundation for future development at a relatively low additional cost. Meanwhile, our one-stop services for existing and new customers allow us to continually accumulate experience to amplify the economies of scale of technology and strengthen our core competitiveness and sustainable development capabilities.

Selling Expenses

In 2023, 2024, and 2025, our selling expenses were RMB3.9 million, RMB11.2 million, and RMB26.3 million, accounting for 5.2%, 3.2%, and 5.4% of total revenue, respectively. We expect that our selling expenses in an absolute amount will increase as our business expands, and that our selling expenses as a percentage of revenue remain relatively stable. Leveraging long-established relationships and efficient communication channels with customers and suppliers, our sales team accurately identifies customer needs, continually expands key account resources, and consolidates the foundation for market cooperation.

Administrative Expenses

In 2023, 2024, and 2025, our administrative expenses were RMB35.6 million, RMB40.4 million, and RMB48.6 million, accounting for 47.5%, 11.6%, and 10.0% of total revenue, respectively. We expect that our administrative expenses in an absolute amount will remain relatively stable in the future, and that our administrative expenses as a percentage of revenue will continue to decline. Our administrative staff efficiently perform supervisory and service functions, ensuring the standardized and efficient advancement of our daily operations, providing solid logistical support for the development of all business activities.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements in accordance with IFRS Accounting Standards. Our material accounting policies, which are important for understanding our financial position and results of operations, are set forth in note 2.3 to the Accountants' Report in Appendix I to this document. We have applied these material accounting policies consistently throughout all periods presented in the historical financial information.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates or assumptions in the foreseeable future. Our critical accounting judgments and estimates that were used in the preparation of the consolidated financial information are set forth in note 3 to the Accountants' Report in Appendix I to this document.

The following discussion of critical accounting policies, judgments, and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this document. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies in the consolidated statements of profit or loss, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Chip Design

We recognize chip design revenue at a point in time upon completion of the provision of services as none of the following criteria are met: (i) the customer simultaneously receives and consumes the benefits as we perform; (ii) our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the asset delivered has no alternative use and we have an enforceable right to payment for performance completed to date.

Chip Delivery

We recognize chip delivery revenue at the point in time when control of the chips is transferred to the customer, generally on acceptance of the delivered chips.

IP License

We recognize IP license revenue at the point in time when the license is formally accepted by the customer in accordance with the agreements. We recognize IP technical service revenue over time on a straight-line basis.

Other Income

We recognize interest income on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-Based Payments

We operate a share option scheme. Our employees (including directors) receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments, which we refer to as equity-settled transactions. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they were granted. The fair value is determined by an external valuer using a binomial model. For further details, see note 2.3 and note 27 of the Accountants' Report in Appendix I to this document.

Fair Value Measurement

We measure our structured deposits and certain debt at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. For further details, see note 2.3 of the Accountants' Report in Appendix I to this document.

Impairment of Financial Assets

We recognize an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For further details, see note 2.3 of the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss in absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our consolidated financial statements and related notes included in Appendix I to this document. The results of operations in any period do not necessarily indicate our future trends.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Revenue	74,802	100.0	347,556	100.0	484,196	100.0
Cost of sales	(48,705)	(65.1)	(187,264)	(53.9)	(349,853)	(72.3)
Gross profit	**26,097**	**34.9**	**160,292**	**46.1**	**134,343**	**27.7**
Other income and gains	7,220	9.5	19,600	5.6	16,573	3.3
Selling expenses	(3,907)	(5.2)	(11,158)	(3.2)	(26,264)	(5.4)
Administrative expenses	(35,563)	(47.5)	(40,382)	(11.6)	(48,626)	(10.0)
Research and development expenses	(90,868)	(121.5)	(175,536)	(50.5)	(239,033)	(49.4)
Impairment gain/(losses) on financial assets, net	512	0.7	(314)	(0.1)	(194)	(0.0)
Other expenses	(109)	(0.1)	(689)	(0.2)	(113)	(0.0)
Finance costs	(1,812)	(2.4)	(239)	(0.1)	(196)	(0.0)
Loss before tax	**(98,430)**	**(131.6)**	**(48,426)**	**(13.9)**	**(163,510)**	**(33.8)**
Income tax expense	—	—	(33)	(0.0)	—	—
Loss for the year	**(98,430)**	**(131.6)**	**(48,459)**	**(13.9)**	**(163,510)**	**(33.8)**
Attributable to:						
Owners of the parent	**(98,430)**	**(131.6)**	**(48,459)**	**(13.9)**	**(163,510)**	**(33.8)**
Loss for the year	**(98,430)**	**(131.6)**	**(48,459)**	**(13.9)**	**(163,510)**	**(33.8)**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by Business Line

Our chip customization services comprise chip design, chip delivery, and IP license. A chip customization service mandate may begin with chip design, with or without IP license, and may be followed by chip delivery. Chip design and chip delivery represent our main sources of revenue, with combined revenue contribution of 83.9%, 73.3%, and 91.0% in 2023, 2024, and 2025, respectively.

The following table sets forth a breakdown of our revenue by business line both in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Chip Design	41,259	55.1	231,505	66.6	203,228	42.0
Chip Delivery	21,525	28.8	23,353	6.7	237,597	49.0
IP License	12,018	16.1	92,698	26.7	43,371	9.0
Total	**74,802**	**100.0**	**347,556**	**100.0**	**484,196**	**100.0**

Our revenue increased significantly from RMB74.8 million in 2023 to RMB347.6 million in 2024 and further by 39.3% to RMB484.2 million in 2025. However, revenue from each business line fluctuated during the Track Record Period, as affected by the service combination in, and the actual progress of, chip customization service mandates in any given year. From 2023 to 2024, both chip design revenue and IP license revenue increased significantly while chip delivery revenue increased by 8.5%, primarily due to multiple new projects completing the design stage and not yet reaching or completing the delivery stage in 2024. From 2024 to 2025, chip delivery revenue increased significantly and became the largest revenue contributor in 2025 while both chip design revenue and IP license revenue decreased, primarily due to multiple existing projects entering the delivery stage in 2025.

Revenue by Service Application Type

The following table sets forth a breakdown of our revenue by service application type both in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
AI ASIC	38,658	51.7	314,932	90.6	437,262	90.3
Communication ASIC	35,421	47.4	32,624	9.4	46,934	9.7
Others	723	0.9	—	—	—	—
Total	**74,802**	**100.0**	**347,556**	**100.0**	**484,196**	**100.0**

Our AI ASIC revenue increased significantly from RMB38.7 million in 2023 to RMB314.9 million in 2024, and further increased by 38.8% to RMB437.3 million in 2025. Our AI ASIC revenue accounted for 51.7%, 90.6%, and 90.3% of our total revenue in 2023, 2024, and 2025, respectively. The increase in AI ASIC revenue both in an absolute amount and as a percentage of total revenue during the Track Record Period reflected our focus and commitment in AI ASIC customization services.

Revenue by Geographical Region

During the Track Record Period, we generated revenue primarily from the Chinese mainland, which accounted for 98.6%, 100.0%, and 97.1% of our total revenue in 2023, 2024, and 2025, respectively.

The following table sets forth a breakdown of our revenue by geographical location both in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Chinese Mainland	73,752	98.6	347,475	100.0	469,925	97.1
Hong Kong	1,050	1.4	81	0.0	14,271	2.9
Total	**74,802**	**100.0**	**347,556**	**100.0**	**484,196**	**100.0**

Cost of Sales

Our cost of sales primarily consists of (i) material costs, (ii) staff costs, (iii) third-party IP costs, and (iv) provision for impairment loss of inventories.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Material costs	38,907	79.9	49,905	26.6	264,807	75.7
Staff costs	9,064	18.6	82,166	43.9	66,920	19.1
Third-party IP costs	—	—	38,517	20.6	1,453	0.4
Provision for impairment loss of inventories	—	—	10,017	5.3	9,088	2.6
Others(1)	734	1.5	6,659	3.6	7,585	2.2
Total	**48,705**	**100.0**	**187,264**	**100.0**	**349,853**	**100.0**

Note:

(1) Primarily include amortization of EDA software licenses and depreciation of servers.

Our cost of sales increased significantly during the Track Record Period, consistent with our revenue growth. Specifically, material costs were mainly incurred for chip delivery, while staff costs and third-party IP costs were mainly incurred for chip design. Our cost of sales increased from RMB48.7 million in 2023 to RMB187.3 million in 2024, primarily due to an increase in staff costs from RMB9.1 million in 2023 to RMB82.2 million in 2024 and an increase in third-party IP costs from nil in 2023 to RMB38.5 million in 2024, consistent with chip design being a main driver of our revenue growth in 2024. Our cost of sales further increased to RMB349.9 million in 2025, primarily due to an increase in material costs from RMB49.9 million in 2024 to RMB264.8 million in 2025, consistent with chip delivery being a main driver of our revenue growth in 2025.

Gross Profit and Gross Profit Margin

Gross profit represents the difference between revenue and cost of sales. Gross profit margin represents gross profit as a percentage of total revenue.

The following table sets forth a breakdown of our gross profit and gross profit margins by business line for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Chip Design	11,940	28.9	94,448	40.8	32,477	16.0
Chip Delivery	2,139	9.9	4,380	18.8	65,657	27.6
IP License	12,018	100.0	61,464	66.3	36,209	83.5
Total	**26,097**	**34.9**	**160,292**	**46.1**	**134,343**	**27.7**

Our gross profit increased significantly from RMB26.1 million in 2023 to RMB160.3 million in 2024, primarily due to (i) a significant increase in gross profit of chip design from RMB11.9 million in 2023 to RMB94.4 million in 2024 and (ii) a significant increase in gross profit of IP license from RMB12.0 million in 2023 to RMB61.5 million in 2024, which were consistent with our revenue growth driven by chip design and IP license from 2023 to 2024. Our gross profit decreased from RMB160.3 million in 2024 to RMB134.3 million in 2025, primarily due to (i) a decrease in gross profit of chip design from RMB94.4 million in 2024 to RMB32.5 million in 2025 and an increase in gross profit of chip delivery from RMB4.4 million in 2024 to RMB65.7 million in 2025, resulting in stable gross profit of chip design and chip delivery combined in 2024 and 2025, and (ii) a decrease in gross profit of IP license from RMB61.5 million in 2024 to RMB36.2 million in 2025.

The gross profit margin of IP license is generally higher than that of chip design and chip delivery, respectively. The gross profit margin of IP license was 100% in 2023 because the IPs licensed were existing IPs in our IP library whose development expenditures were booked under research and development expenses in prior years. The gross profit margin of IP license was 66.3% in 2024 and 83.5% in 2025, primarily due to licensing of more customized IPs whose development expenditures were booked under cost of sales in 2024 and 2025. The gross profit margin of chip delivery was lower than that of chip design in 2023 and 2024 because our chip delivery was ramping up with a substantially smaller scale in 2023 and 2024. The gross profit margin of chip delivery was higher than that of chip design in 2025 because (i) our chip delivery scaled up significantly in 2025 enhancing its margin profile and (ii) the gross profit margin of chip design decreased in 2025 as our chip design mandates under advanced process nodes increased, for which we incurred disproportionately more material costs for wafer runs. Our overall gross profit margin increased from 34.9% in 2023 to 46.1% in 2024, primarily due to (i) an increase in revenue contribution by chip design and IP license combined from 71.2% in 2023 to 93.3% in 2024 and (ii) an increase in gross profit margin of chip design from 28.9% in 2023 to 40.8% in 2024. Our overall gross profit margin normalized from 46.1% in 2024 to 27.7% in 2025, primarily due to a decrease in gross profit margin of chip design from 40.8% in 2024 to 16.0% in 2025, partially offset by an increase in gross profit margin of chip delivery from 18.8% in 2024 to 27.6% in 2025.

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, (ii) value-added tax additional deduction, (iii) other interest income from financial assets at fair value through profit or loss, and (iv) interest income.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Other income						
Government grants	1,196	16.6	9,860	50.3	8,416	50.8
Value-added tax additional deduction	1,303	18.0	1,653	8.4	3,339	20.1
Other interest income from financial assets at fair value through profit or loss	2,422	33.5	5,675	29.0	2,204	13.3
Interest income	1,379	19.2	1,860	9.5	1,537	9.3
Others	80	1.1	229	1.2	1,077	6.5
Total other income	6,380	88.4	19,277	98.4	16,573	100.0
Gains						
Fair value gains, net: Investments measured at fair value through profit or loss, net	840	11.6	323	1.6	—	—
Total gains	840	11.6	323	1.6	—	—
Total	**7,220**	**100.0**	**19,600**	**100.0**	**16,573**	**100.0**

Selling Expenses

Our selling expenses primarily consist of (i) employee benefit expenses, (ii) share-based payment expenses, (iii) market promotion expenses, and (iv) travel expenses.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Employee benefit expenses	2,247	57.5	7,737	69.4	19,111	72.8
Share-based payment expenses	511	13.1	1,794	16.1	5,049	19.2
Market promotion expenses	766	19.6	1,074	9.6	1,127	4.3
Travel expenses	304	7.8	315	2.8	495	1.9
Others	79	2.0	238	2.1	482	1.8
Total	**3,907**	**100.0**	**11,158**	**100.0**	**26,264**	**100.0**

Our selling expenses increased from RMB3.9 million in 2023 to RMB11.2 million in 2024 and further to RMB26.3 million in 2025, primarily due to increases in employee benefit expenses and share-based payment expenses mainly attributable to an expansion of our sales team to support our business growth.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) professional service fees, (iii) share-based payment expenses, (iv) depreciation and amortization, (v) recruitment expenses, (vi) travel expenses, (vii) hospitality expenses, and (viii) office expenses.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Employee benefit expenses	22,865	64.3	25,493	63.2	31,138	64.1
Professional service fees	1,691	4.8	2,281	5.6	4,332	8.9
Share-based payment expenses	1,236	3.5	1,537	3.8	3,436	7.1
Depreciation and amortization	777	2.2	2,379	5.9	2,688	5.5
Recruitment expenses	4,695	13.2	3,195	7.9	1,619	3.3
Travel expenses	1,015	2.9	1,533	3.8	1,327	2.7
Hospitality expenses	629	1.8	691	1.7	1,266	2.6
Office expenses	1,132	3.2	1,150	2.8	767	1.6
Others[(1)]	1,523	4.1	2,123	5.3	2,053	4.2
Total	**35,563**	**100.0**	**40,382**	**100.0**	**48,626**	**100.0**

Note:

(1) Primarily include rental expenses, property management and utilities expenses, and labor service expenses.

Our administrative expenses increased from RMB35.6 million in 2023 to RMB40.4 million in 2024 and further to RMB48.6 million in 2025, primarily due to increases in employee benefit expenses, which was mainly attributable to workforce expansion across departments in line with our business growth.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses, (ii) depreciation and amortization, (iii) share-based payment expenses, (iv) outsourced research and development expenses, and (v) research and development material expenses.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Employee benefit expenses	53,424	58.8	113,947	64.9	164,451	68.8
Depreciation and amortization	7,303	8.0	22,275	12.7	24,154	10.1
Share-based payment expenses	5,477	6.0	15,408	8.8	18,299	7.7
Outsourced research and development expenses[(1)]	19,845	21.8	17,078	9.7	16,362	6.8

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Research and development material expenses	2,600	2.9	3,373	1.9	11,671	4.9
Others	2,219	2.5	3,455	2.0	4,096	1.7
Total	**90,868**	**100.0**	**175,536**	**100.0**	**239,033**	**100.0**

Note:

(1) Primarily relate to non-core, labor-intensive IC layout design.

Our research and development expenses increased from RMB90.9 million in 2023 to RMB175.5 million in 2024 and further to RMB239.0 million in 2025, primarily due to increases in employee benefit expenses from RMB53.4 million in 2023 to RMB113.9 million in 2024 and further to RMB164.5 million in 2025, which were mainly attributable to our continued expansion in research and development team focusing on AI ASIC and proprietary IP development.

Finance Costs

Our finance costs primarily comprise interest on bank borrowings and interest on lease liabilities. In 2023, 2024, and 2025, our finance costs were RMB1.8 million, RMB0.2 million, and RMB0.2 million, respectively.

TAXATION

Chinese Mainland

Our Company was qualified as a high-tech enterprise under the tax regulations in November 2024, thereby entitled to a preferential corporate income tax rate of 15% in 2024 and 2025. This qualification is subject to triennial review by PRC tax authorities.

Our subsidiary, Boyue Microelectronics (Jiangsu) Co., Ltd., was qualified as a high-tech enterprise under the tax regulations in November 2025, thereby entitled to a preferential corporate income tax rate of 15% in 2025. This qualification is subject to triennial review by PRC tax authorities.

Our subsidiaries, BoYin Microelectronics (Beijing) Co., Ltd., Joinsilicon Microelectronics (Taizhou) Co., Ltd. (other than in 2023), Joinsilicon Microelectronics (Chengdu) Co., Ltd., Joinsilicon Microelectronics (Hefei) Co., Ltd., Shanghai BoYin Microelectronics Co., Ltd., and Nanjing BoYin Microelectronics Co., Ltd., were qualified for the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy, pursuant to which the portion of annual taxable income not exceeding RMB3.0 million would be computed at a reduced rate of 25% as taxable income and would be levied at a reduced tax rate of 20% in 2023, 2024, and 2025.

Other than the aforementioned tax incentives, the Company and PRC subsidiaries not qualifying for preferential treatment are subject to the statutory corporate income tax rate of 25%.

Hong Kong

Our Hong Kong subsidiary is subject to Hong Kong profits tax at the maximum rate of 16.5% on the estimated assessable profits arising in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unsolved tax issues with tax authorities that may have a material adverse impact on our business, financial condition, and results of operations.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 39.3% from RMB347.6 million in 2024 to RMB484.2 million in 2025, primarily due to a significant increase in chip delivery revenue from RMB23.4 million in 2024 to RMB237.6 million in 2025, partially offset by (i) a decrease in chip design revenue from RMB231.5 million in 2024 to RMB203.2 million in 2025 and (ii) a decrease in IP license revenue from RMB92.7 million in 2024 to RMB43.4 million in 2025.

Our chip design revenue decreased from RMB231.5 million in 2024 to RMB203.2 million in 2025, primarily due to multiple existing projects completing design and entering the delivery stage in 2025, partially offset by higher design fees for projects under advanced process nodes in 2025.

Our chip delivery revenue increased significantly from RMB23.4 million in 2024 to RMB237.6 million in 2025, primarily due to multiple existing projects entering the delivery stage with high volume supported by market demand in 2025.

Our IP license revenue decreased from RMB92.7 million in 2024 to RMB43.4 million in 2025, primarily due to multiple existing projects completing the license relating to chip design in 2024 and entering the delivery stage in 2025.

Cost of Sales

Our cost of sales increased by 86.8% from RMB187.3 million in 2024 to RMB349.9 million in 2025, primarily due to an increase in material costs from RMB49.9 million in 2024 to RMB264.8 million in 2025 in connection with (i) the growth of chip delivery and (ii) the wafer runs under advanced process nodes for chip design.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 16.2% from RMB160.3 million in 2024 to RMB134.3 million in 2025, primarily due to (i) a decrease in gross profit of chip design from RMB94.4 million in 2024 to RMB32.5 million in 2025 and an increase in gross profit of chip delivery from RMB4.4 million in 2024 to RMB65.7 million in 2025, resulting in stable gross profit of chip design and chip delivery combined, and (ii) a decrease in gross profit of IP license from RMB61.5 million in 2024 to RMB36.2 million in 2025, which were consistent with our revenue growth driven by chip delivery from 2024 to 2025. Our gross profit margin decreased from 46.1% in 2024 to 27.7% in 2025, primarily due to a decrease in gross profit margin of chip design from 40.8% in 2024 to 16.0% in 2025, partially offset by an increase in gross profit margin of chip delivery from 18.8% in 2024 to 27.6% in 2025.

Other Income and Gains

Our other income and gains decreased by 15.4% from RMB19.6 million in 2024 to RMB16.6 million in 2025, primarily due to (i) higher government grants received in 2024 and (ii) a decrease in other interest income from financial assets at fair value through profit or loss as a result of the reduction in our wealth management product holdings, which in turn was due to the allocation of more funds on operating expenditures to support our business growth in 2025.

Selling Expenses

Our selling expenses increased significantly from RMB11.2 million in 2024 to RMB26.3 million in 2025, primarily due to (i) an increase in employee benefit expenses from RMB7.7 million in 2024 to RMB19.1 million in 2025 and (ii) an increase in share-based payment expenses from RMB1.8 million in 2024 to RMB5.0 million in 2025, mainly attributable to an expansion of our sales team to support our business growth.

Administrative Expenses

Our administrative expenses increased by 20.4% from RMB40.4 million in 2024 to RMB48.6 million in 2025, primarily due to an increase in employee benefit expenses from RMB25.5 million in 2024 to RMB31.1 million in 2025, which was mainly attributable to workforce expansion across departments in line with our business growth.

Research and Development Expenses

Our research and development expenses increased by 36.2% from RMB175.5 million in 2024 to RMB239.0 million in 2025, primarily due to (i) an increase in employee benefit expenses from RMB113.9 million in 2024 to RMB164.5 million in 2025, mainly attributable to our continued expansion in research and development team focusing on AI ASIC and proprietary IP development, and (ii) an increase in research and development material expenses from RMB3.4 million in 2024 to RMB11.7 million in 2025, mainly attributable to higher wafer runs and test validation activities.

Impairment Losses on Financial Assets

Our impairment losses on financial assets remained relatively stable at RMB0.3 million and RMB0.2 million in 2024 and 2025, respectively.

Other Expenses

Our other expenses decreased from RMB0.7 million in 2024 to RMB0.1 million in 2025, primarily due to one-off asset disposal losses relating to an early termination of our office lease in 2024.

Finance Costs

Our finance costs remained stable at RMB0.2 million and RMB0.2 million in 2024 and 2025, respectively.

Income Tax Expense

Our income tax expense was RMB33,000 in 2024. We did not have income tax expense in 2025.

Loss for the Year

As a result of foregoing, our loss for the year increased significantly from RMB48.5 million in 2024 to RMB163.5 million in 2025.

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

Revenue

Our revenue increased significantly from RMB74.8 million in 2023 to RMB347.6 million in 2024, primarily due to (i) a significant increase in chip design revenue from RMB41.3 million in 2023 to RMB231.5 million in 2024 and (ii) a significant increase in IP license revenue from RMB12.0 million in 2023 to RMB92.7 million in 2024.

Our chip design revenue increased significantly from RMB41.3 million in 2023 to RMB231.5 million in 2024, primarily due to multiple new projects completing the design stage in 2024.

Our chip delivery revenue increased by 8.5% from RMB21.5 million in 2023 to RMB23.4 million in 2024, primarily due to multiple new projects completing the design stage and not yet reaching or completing the delivery stage in 2024.

Our IP license revenue increased significantly from RMB12.0 million in 2023 to RMB92.7 million in 2024, primarily due to multiple new projects completing the license relating to chip design in 2024.

Cost of Sales

Our cost of sales increased significantly from RMB48.7 million in 2023 to RMB187.3 million in 2024, primarily due to an increase in staff costs from RMB9.1 million in 2023 to RMB82.2 million in 2024 and an increase in third-party IP costs from nil in 2023 to RMB38.5 million in 2024, in connection with the growth in chip design.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB26.1 million in 2023 to RMB160.3 million in 2024, primarily due to (i) a significant increase in gross profit of chip design from RMB11.9 million in 2023 to RMB94.4 million in 2024 and (ii) a significant increase in gross profit of IP license from RMB12.0 million in 2023 to RMB61.5 million in 2024, which were consistent with our revenue growth driven by chip design and IP license from 2023 to 2024. Our gross profit margin increased from 34.9% in 2023 to 46.1% in 2024, primarily due to (i) an increase in revenue contribution by chip design and IP license combined from 71.2% in 2023 to 93.3% in 2024 and (ii) an increase in gross profit margin of chip design from 28.9% in 2023 to 40.8% in 2024.

Other Income and Gains

Our other income and gains increased significantly from RMB7.2 million in 2023 to RMB19.6 million in 2024, primarily due to an increase in government grants to support the implementation of IC design projects.

Selling Expenses

Our selling expenses increased significantly from RMB3.9 million in 2023 to RMB11.2 million in 2024, primarily due to (i) an increase in employee benefit expenses from RMB2.2 million in 2023 to RMB7.7 million in 2024 and (ii) an increase in share-based payment expenses from RMB0.5 million in 2023 to RMB1.8 million in 2024, mainly attributable to an expansion of our sales team to support our business growth.

Administrative Expenses

Our administrative expenses increased from RMB35.6 million in 2023 to RMB40.4 million in 2024, primarily due to an increase in employee benefit expenses from RMB22.9 million in 2023 to RMB25.5 million in 2024, which was mainly attributable to workforce expansion across departments in line with our business growth.

Research and Development Expenses

Our research and development expenses increased by 93.2% from RMB90.9 million in 2023 to RMB175.5 million in 2024, primarily due to (i) an increase in employee benefit expenses from RMB53.4 million in 2023 to RMB113.9 million in 2024 and an increase in share-based payment expenses from RMB5.5 million in 2023 to RMB15.4 million in 2024, mainly attributable to our expansion in research and development team focusing on AI ASIC and proprietary IP development, and (ii) an increase in depreciation and amortization from RMB7.3 million in 2023 to RMB22.3 million in 2024, mainly attributable to higher amortization of EDA software purchased in 2024 for research and development purposes.

Impairment Losses or Gains on Financial Assets

We had impairment gains on financial assets of RMB0.5 million in 2023 while we had impairment losses on financial assets of RMB0.3 million in 2024, primarily due to additional specific impairment provisions and the increase in our trade receivables balance, leading to higher expected credit losses provisions.

Other Expenses

Our other expenses increased from RMB0.1 million in 2023 to RMB0.7 million in 2024, primarily due to one-off asset disposal losses relating to an early termination of our office lease in 2024.

Finance Costs

Our finance costs decreased by 86.8% from RMB1.8 million in 2023 to RMB0.2 million in 2024, primarily due to a significant reduction in our borrowings in 2024, which led to lower interest costs.

Income Tax Expense

Our income tax expense was RMB33,000 in 2024. We did not have income tax expense in 2023.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 50.8% from RMB98.4 million in 2023 to RMB48.5 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Total current assets	600,980	601,897	370,442
Total non-current assets	77,666	79,195	83,075
Total assets	**678,646**	**681,092**	**453,517**
Total current liabilities	413,244	437,505	307,573
Total non-current liabilities	1,488	808	1,377
Total liabilities	**414,732**	**438,313**	**308,950**
Net current assets	187,736	164,392	62,869
Net assets	263,914	242,779	144,567
Paid-in capital	10,168	11,518	14,860
Reserves	253,746	231,261	129,707
Total equity	**263,914**	**242,779**	**144,567**

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
				(Unaudited)
Current assets:				
Prepayments, other receivables, and other assets	75,883	145,931	137,229	146,948
Cash and cash equivalents	73,491	112,287	114,776	192,616
Inventories	88,223	183,047	95,464	106,447
Trade receivables	7,632	10,309	21,971	15,237
Time deposits	—	—	—	100,000
Restricted bank deposits	—	—	1,002	1,002
Investments measured at fair value through profit or loss	355,751	150,323	—	100,053
Total current assets	**600,980**	**601,897**	**370,442**	**662,303**
Current liabilities:				
Contract liabilities	333,147	327,681	192,172	225,137
Other payables and accruals	57,517	94,864	81,365	98,515
Trade payables	4,609	12,805	15,685	12,666
Interest-bearing bank and other borrowings	15,017	—	15,009	15,005
Lease liabilities	2,720	2,122	3,342	2,594
Tax payable	234	33	—	—
Total current liabilities	**413,244**	**437,505**	**307,573**	**353,917**
Net current assets	**187,736**	**164,392**	**62,869**	**308,386**

We had net current assets of RMB187.7 million, RMB164.4 million, RMB62.9 million, and RMB308.4 million as of December 31, 2023, 2024, and 2025, and February 28, 2026, respectively. Our net current assets positions as of each of these dates were primarily attributable to prepayments, other receivables, and other assets, cash and cash equivalents, inventories, and investments measured at fair value through profit or loss, partially offset by our contract liabilities.

Our net current assets increased from RMB62.9 million as of December 31, 2025 to RMB308.4 million as of February 28, 2026, primarily due to (i) an increase in investments measured at fair value through profit or loss of RMB100.1 million, (ii) an increase in time deposits of RMB100.0 million, and (iii) an increase in cash and cash equivalents of RMB77.8 million, partially offset by (i) an increase in contract liabilities of RMB33.0 million, and (ii) an increase in other payables and accruals of RMB17.2 million.

Our net current assets decreased from RMB164.4 million as of December 31, 2024 to RMB62.9 million as of December 31, 2025, primarily due to (i) a decrease in investments measured at fair value through profit or loss of RMB150.3 million and (ii) a decrease in inventories of RMB87.6 million, partially offset by a decrease in contract liabilities of RMB135.5 million.

Our net current assets decreased from RMB187.7 million as of December 31, 2023 to RMB164.4 million as of December 31, 2024, primarily due to (i) a decrease in investments measured at fair value through profit or loss of RMB205.4 million, (ii) an increase in other payables and accruals of RMB37.3 million, partially offset by (i) an increase in inventories of RMB94.8 million, (ii) an increase in prepayments, other receivables, and other assets of RMB70.0 million, and (iii) an increase in cash and cash equivalents of RMB38.8 million.

Inventories

Our inventories consist of contract fulfillment costs, finished goods, work in progress, and raw materials. Contract fulfillment costs primarily consists of accumulated labor costs and amortized expenses for chip design. Finished goods consist of photomasks, finished wafers, and finished chips. Work in progress primarily consists of wafers manufactured by foundries, chips processed by subcontractors for assembly and packaging. Raw materials primarily consist of consumables procured for research and development purposes.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Contract fulfillment costs	85,754	46,637	63,698
Finished goods	2,469	105,113	46,053
Work in progress	—	41,305	3,262
Raw materials	—	9	—
Subtotal	88,223	193,064	113,013
Less: Provision for impairment losses on inventories	—	(10,017)	(17,549)
Total	**88,223**	**183,047**	**95,464**

Our inventories increased from RMB88.2 million as of December 31, 2023 to RMB183.0 million as of December 31, 2024, primarily due to an increase in finished goods from RMB2.5 million as of December 31, 2023 to RMB105.1 million as of December 31, 2024 as we continued to build up inventory in anticipation of deliveries to fulfill chip customization mandates. Our inventories decreased from RMB183.0 million as of December 31, 2024 to RMB95.5 million as of December 31, 2025, primarily due to a decrease in finished goods from RMB105.1 million as of December 31, 2024 to RMB46.1 million as of December 31, 2025, consistent with our delivery growth.

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

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days(1)	350	274	160

Note:

(1) Inventory turnover days are calculated as the average of the beginning and ending balances of inventories divided by cost of sales for the year or period and multiplied by 365 days.

We seek to maintain strict control over inventory turnover days through demand-driven production planning and enhanced inventory lifecycle management.

The following table sets forth an aging analysis of our inventories.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	88,223	183,047	95,464
Over 1 year and within 2 years	—	—	—
Total	**88,223**	**183,047**	**95,464**

As of February 28, 2026, RMB12.3 million, or 12.9% of our inventories as of December 31, 2025, had been subsequently utilized or sold.

Investments Measured at Fair Value Through Profit or Loss

Our investments measured at fair value through profit or loss primarily consisted of structured deposits and wealth management products. The structured deposits were issued by banks and securities companies, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Our investments measured at fair value through profit or loss decreased from RMB355.8 million as of December 31, 2023 to RMB150.3 million as of December 31, 2024 and further to nil as of December 31, 2025, primarily due to our strategic allocation of funding to support our business growth.

Prepayments, Other Receivables, and Other Assets

Our prepayments, other receivables, and other assets primarily consisted of prepayments to suppliers, capacity guarantee deposit, and certificates of deposit.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current portion:			
Prepayments to suppliers	51,057	116,054	111,348
Capacity guarantee deposit	14,300	14,300	14,300
Prepaid software licenses	4,545	5,526	8,110
Deposits and other receivables	1,409	2,281	2,879
[**REDACTED**] expense	—	—	227
Prepaid insurance	277	512	206
Other tax recoverable	3,893	7,120	37
Prepaid rent	328	94	10
Others	84	60	133
Impairment allowance	(10)	(16)	(21)
	75,883	145,931	137,229
Non-current portion:			
Certificates of deposit	20,143	—	20,478
Capacity guarantee deposit	46,475	32,175	17,876
Prepayments for long-term assets	24	666	12,131
	66,642	32,841	50,485
Total	**142,525**	**178,772**	**187,714**

Our prepayments, other receivables, and other assets increased from RMB142.5 million as of December 31, 2023 to RMB178.8 million as of December 31, 2024, primarily due to the increase in prepayments to certain suppliers for the procurement of chips and wafers to support projects in 2024, partially offset by a decrease in certificates of deposit from RMB20.1 million as of December 31, 2023 to nil as of December 31, 2024. Our prepayments, other receivables, and other assets increased from RMB178.8 million as of December 31, 2024 to RMB187.7 million as of December 31, 2025, primarily due to an increase in certificates of deposit from nil as of December 31, 2024 to RMB20.5 million as of December 31, 2025, partially offset by a decrease in capacity guarantee deposit from RMB32.2 million as of December 31, 2024 to RMB17.9 million as of December 31, 2025.

As of February 28, 2026, RMB17.8 million, or 16.0% of our prepayments to suppliers as of December 31, 2025 had been subsequently recognized.

Trade Receivables

Our trade receivables increased from RMB7.6 million as of December 31, 2023 to RMB10.3 million as of December 31, 2024 and further to RMB22.0 million as of December 31, 2025, primarily due to our business growth. Our trading terms with our customers involve both prepayment and on credit. The credit period is generally 10 to 30 days.

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	7,753	10,737	22,592
Less: Impairment losses	(121)	(428)	(621)
Net carrying amount	**7,632**	**10,309**	**21,971**

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

	For the Year Ended December 31,		
	2023	2024	2025
Trade receivables turnover days(1)	60	10	13

Note:

(1) Trade receivables turnover days are calculated as the average of the beginning and ending balances of trade receivables divided by revenue for the year or period and multiplied by 365 days.

Our trade receivables turnover days decreased significantly from 60 days in 2023 to 10 days in 2024, primarily due to substantial revenue growth with disproportionate increase in trade receivables resulting from a higher proportion of customer prepayments during the year. We seek to maintain strict control over trade receivables turnover days through disciplined credit control policies, enhanced payment term management, and real-time monitoring and proactive collection procedures. Our trade receivables turnover days remained relatively stable in 2024 and 2025.

The following table sets forth an aging analysis of our trade receivables.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	4,804	10,251	20,030
Over 1 year and within 2 years	2,828	58	1,883
Over 2 years	—	—	58
Total	**7,632**	**10,309**	**21,971**

As of February 28, 2026, RMB12.7 million, or 57.8% of our trade receivables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent the advance payments received from customers. We had contract liabilities of RMB333.1 million, RMB327.7 million, and RMB192.2 million as of December 31, 2023, 2024, and 2025, respectively. Our contract liabilities remained relatively stable as of December 31, 2023 and 2024. Our contract liabilities decreased from RMB327.7 million in 2024 to RMB192.2 million in 2025, primarily due to the decrease in advance payments from customers as of December 31, 2025.

As of February 28, 2026, RMB23.4 million, or 12.2% of our contract liabilities as of December 31, 2025, had been subsequently recognized as revenue.

Trade Payables

Our trade payables increased from RMB4.6 million as of December 31, 2023 to RMB12.8 million as of December 31, 2024 and further to RMB15.7 million as of December 31, 2025, primarily due to higher payables for packaging and testing services and other procurement activities as our business volume expanded.

Our trade payables are non-interest-bearing and are normally settled within 30 to 60 days upon receipt of invoices.

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

	For the Year Ended December 31,		
	2023	2024	2025
Trade payables turnover days[1]	61	17	15

Note:

(1) Trade payables turnover days are calculated as the average of the beginning and ending balances of trade payables divided by cost of sales for the year or period and multiplied by 365 days.

Our trade payables turnover days decreased from 61 days in 2023 to 17 days in 2024, primarily because our major procurement activities were conducted on a prepayment basis, leading to relatively lower trade payables balances, coupled with a significant increase in cost of sales in 2024. Our trade payables turnover days remained relatively stable in 2024 and 2025.

The following table sets forth an aging analysis of our trade payables based on the purchase date as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	4,273	12,784	9,106
Over 1 year and within 2 years	336	—	6,579
Over 2 years	—	21	—
Total	**4,609**	**12,805**	**15,685**

As of February 28, 2026, RMB2.3 million, or 14.4% of our trade payables as of December 31, 2025 had been subsequently settled.

Other Payables and Accruals

Our payables and accruals consisted of payroll and welfare payable, other tax payables, and deposits and other payables. All of other payables during the Track Record Period were interest-free and unsecured. Our other tax payables were reclassified from value-added tax associated with contract liabilities.

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

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Payroll and welfare payable	32,444	50,349	59,693
Other tax payables	21,936	43,690	20,434
Deposits and other payables	3,137	825	1,238
Total	**57,517**	**94,864**	**81,365**

Our payables and accruals increased from RMB57.5 million as of December 31, 2023 to RMB94.9 million as of December 31, 2024, primarily due to an increase in other tax payables from RMB21.9 million as of December 31, 2023 to RMB43.7 million as of December 31, 2024, primarily due to advance payments for chip delivery subject to higher value-added tax. Our payables and accruals decreased from RMB94.9 million as of December 31, 2024 to RMB81.4 million as of December 31, 2025, primarily due to a decrease in other tax payables from RMB43.7 million as of December 31, 2024 to RMB20.4 million as of December 31, 2025, in line with our lower contract liabilities as of December 31, 2025 resulting from the decrease in advance payments from customers.

As of February 28, 2026, RMB21.4 million, or 26.3% of other payables and accruals of December 31, 2025 had been settled.

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of interest-bearing bank and other borrowings and lease liabilities. February 28, 2026 is the latest practicable date for the purpose of this statement of indebtedness in this document.

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

	As of December 31,			As of February 28, 2026
	2023	2024	2025	
		(RMB in thousands)		*(Unaudited)*
Current:				
Interest-bearing bank and other borrowings	15,017	—	15,009	15,005
Lease liabilities	2,720	2,122	3,342	2,594
	17,737	2,122	18,351	17,599
Non-current:				
Lease liabilities	1,488	808	1,377	1,144
	1,488	808	1,377	1,144
Total	**19,225**	**2,930**	**19,728**	**18,743**

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings consist of short-term interest-bearing borrowings. As of December 31, 2023, we had interest-bearing bank borrowings of RMB15.0 million, which were fully repaid during 2024, and we did not incur any new bank borrowings in 2024. In 2025, we obtained new interest-bearing bank borrowings of RMB15.0 million based on our funding needs. As of February 28, 2026, we had interest-bearing bank borrowings of RMB15.0 million.

Our bank borrowings bore interest at 3.65%, 2.30%, and 2.30% per annum, as of December 31, 2023 and 2025, and as of February 28, 2026, respectively. All of our bank borrowings during the Track Record Period were unsecured.

Lease Liabilities

Lease liabilities consist of office leases. Our lease liabilities decreased from RMB4.2 million as of December 31, 2023 to RMB2.9 million as of December 31, 2024, primarily due to the payments of rent in 2024. Our lease liabilities increased from RMB2.9 million as of December 31, 2024 to RMB4.7 million as of December 31, 2025, primarily due to new office leases with a term of over 12 months entered into during 2025. Our lease liabilities decreased from RMB4.7 million as of December 31, 2025 to RMB3.7 million as of February 28, 2026, primarily due to the payments of rent.

The following table sets forth our lease liabilities as of the date indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			*(Unaudited)*
Lease liabilities:				
Current	2,720	2,122	3,342	2,594
Non-current	1,488	808	1,377	1,144
Total	**4,208**	**2,930**	**4,719**	**3,738**

Statement of Indebtedness

Saved as disclosed above, as of February 28, 2026, we had no bank loans, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees, or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary uses of cash are to fund our working capital requirements and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through [**REDACTED**] investments and cash flows generated from operations.

Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities, the estimated net [**REDACTED**] from the [**REDACTED**], bank loans, and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital and diligently review future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view, and the Sole Sponsor concurs, that our available cash and cash equivalents, anticipated cash flow from operations, bank loans, and the estimated net [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and borrowings during the Track Record Period.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash flows generated from/(used in) operating activities	139,954	(128,506)	(158,317)
Net cash flows (used in)/generated from investing activities	(353,156)	183,943	116,144
Net cash flows generated from/(used in) financing activities	264,009	(16,606)	44,647
Net increase in cash and cash equivalents	50,807	38,831	2,474
Cash and cash equivalents at the beginning of the year	22,712	73,491	112,287
Effect of foreign exchange rate changes, net	(28)	(35)	15
Cash and cash equivalents at the end of the year	**73,491**	**112,287**	**114,776**

Net Cash Used in or Generated from Operating Activities

In 2025, we had net cash used in operating activities of RMB158.3 million, primarily due to loss before tax of RMB163.5 million, as adjusted by certain non-cash and non-operating items, mainly including depreciation of property, plant and equipment of RMB12.7 million, share-based payment of RMB32.1 million, impairment of inventories of RMB9.1 million, and changes in working capital that negatively affected our cash flows, mainly including a decrease in contract liabilities of RMB135.5 million, an increase in trade receivables of RMB11.9 million, and a decrease in other payables and accruals of RMB13.5 million, partially offset by a decrease in inventories of RMB78.5 million and a decrease in prepayments, other receivables, and other assets of RMB23.0 million.

In 2024, we had net cash used in operating activities of RMB128.5 million, primarily due to loss before tax of RMB48.4 million, as adjusted by certain non-cash and non-operating items, mainly including share based payment of RMB26.0 million, impairment of inventories of RMB10.0 million, and depreciation of property, plant and equipment of RMB7.7 million, and changes in working capital that negatively affected our cash flows, mainly including an increase in inventories of RMB104.8 million and an increase in prepayments, other receivables and other assets of RMB55.8 million, partially offset by an increase in other payables and accruals of RMB37.3 million.

In 2023, we had net cash generated from operating activities of RMB140.0 million, primarily due to loss before tax of RMB98.4 million, as adjusted by certain non-cash and non-operating items, mainly including share based payment of RMB10.4 million, and changes in working capital that positively affected our cash flows, mainly including an increase in contract liabilities of RMB333.1 million and an increase in other payables and accruals of RMB15.8 million, partially offset by an increase in inventories of RMB80.5 million and an increase of prepayments, other receivables and other assets of RMB37.9 million.

Net Cash Generated from or Used in Investing Activities

In 2025, our net cash generated from investing activities was RMB116.1 million, primarily due to proceeds from disposal of investments measured at fair value through profit or loss of RMB150.3 million, partially offset by purchases of items of property, plant and equipment of RMB14.6 million, and purchase of certificates of deposit of RMB20.5 million.

In 2024, our net cash generated from investing activities was RMB183.9 million, primarily due to proceeds from disposal of investments measured at fair value through profit or loss of RMB1.60 billion, partially offset by purchases of investments measured at fair value through profit or loss of RMB1.37 billion.

In 2023, our net cash used in investing activities was RMB353.2 million, primarily due to purchases of investments measured at fair value through profit or loss of RMB1.58 billion, partially offset by proceeds from disposal of investments measured at fair value through profit or loss of RMB1.25 billion.

Net Cash Generated from or Used in Financing Activities

In 2025, our net cash generated from financing activities was RMB44.6 million, primarily due to proceeds from shareholders' contribution of RMB33.2 million and new bank loans of RMB15.0 million, partially offset by principal portion of lease payments of RMB3.4 million.

In 2024, our net cash used in financing activities was RMB16.6 million, primarily due to repayment of bank loans of RMB15.0 million and principal portion of lease payments of RMB2.8 million, partially offset by proceeds from shareholders' contribution of RMB1.4 million.

In 2023, our net cash generated from financing activities was RMB264.0 million, primarily due to proceeds from shareholders' contribution of RMB288.2 million and new bank loans of RMB15.0 million, partially offset by repayment of bank loans of RMB30.0 million.

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of (i) property and equipment such as servers and office equipment, (ii) intangible assets such as long-term EDA software and other software, and (iii) other assets such as short-term EDA software.

Our capital expenditures were RMB16.8 million in 2023, RMB66.0 million in 2024, and RMB29.2 million in 2025.

We expect that our capital expenditures in 2026 will primarily consist of purchases of (i) property and equipment such as servers and office equipment, (ii) intangible assets such as EDA software and other software, and (iii) other assets such as short-term EDA software. We intend to fund our future capital expenditures with the [**REDACTED**] from the [**REDACTED**], cash generated from our operating activities, bank borrowings, and other funds raised from the capital markets from time to time. See "Future Plans and Use of [**REDACTED**]" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

[REDACTED] EXPENSES

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] is HK$[**REDACTED**] million assuming no new Shares are issued under the [**REDACTED**]. Such estimated total [**REDACTED**] expenses include (i) [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million; (ii) fees and expenses of our legal advisors and reporting accountant of approximately HK$[**REDACTED**] million; and (iii) other fees and expenses of HK$[**REDACTED**] million.

Up to December 31, 2025, [**REDACTED**] expenses of HK$[**REDACTED**] million were charged to our consolidated statement of profit or loss, while as of December 31, 2025, HK$[**REDACTED**] million was recognized as [**REDACTED**] expenses to be capitalized in prepayments, and such amount is expected to be recognized directly as a deduction from equity upon the [**REDACTED**].

We expect to incur additional [**REDACTED**] expenses of HK$[**REDACTED**] million, of which HK$[**REDACTED**] million is expected to be charged to our consolidated statement of profit or loss and HK$[**REDACTED**] million will be deducted from equity.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, our related party transactions only comprised compensation to our key management personnel. For more details about our related party transactions, see note 31 to the Accountants' Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	For the Year Ended December 31,		
	2023	**2024**	**2025**
Gross profit margin (%)	34.9	46.1	27.7
Net loss margin (%)	(131.6)	(13.9)	(33.8)

	As of December 31,		
	2023	**2024**	**2025**
Current ratio(1) (times)	1.5	1.4	1.2
Quick ratio(2) (times)	1.2	1.0	0.9
Gearing ratio(3) (%)	7.3	1.2	13.6

Notes:

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

(2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(3) Gearing ratio is calculated based on total indebtedness (including interest-bearing bank and other borrowings and lease liabilities) divided by total equity.

Our current ratio and quick ratio remained relatively stable as of December 31, 2023, 2024 and 2025, respectively.

Our gearing ratio decreased from 7.3% as of December 31, 2023 to 1.2% as of December 31, 2024, primarily due to a decrease in total indebtedness as of December 31, 2024 attributable to repayment of bank loans. Our gearing ratio further increased to 13.6% as of December 31, 2025, primarily due to a decrease in total equity attributable to our net loss in 2025.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks arising from our financial instruments, including interest rate risk, foreign currency risk, credit risk, and liquidity risk.

Interest Rate Risk

As of December 31, 2023, 2024, and 2025, we had no significant interest risk as we did not have long-term debt obligations with a floating interest rate.

Foreign Currency Risk

We have no significant foreign currency risk because our business is principally conducted in Chinese mainland and most of the transactions are denominated in our Company's functional currency. Since we hold small amount of dollar, our exposure to foreign currency risk in respect of the bank balances denominated in United States dollars is considered to be minimal.

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 review procedures. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

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

Our objective is to maintain a balance between funding availability and flexibility through the use of interest-bearing bank borrowings.

DIVIDEND POLICY

We are a joint stock limited liability company incorporated under PRC laws. According to the PRC Company Law, a PRC-incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, determined under PRC GAAP, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, no dividend will be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, if any, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

During the Track Record Period, we did not declare any dividend and currently do not have a formal dividend policy. The dividend policy for the next three years will be determined by our Directors based on our profitability, cash flow position, future capital expenditure requirements, and operational development needs.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our distributable reserves were RMB129.7 million.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, except as otherwise disclosed in this section, there have been no material adverse changes in our financial, operational, or trading position or prospects since December 31, 2025, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountants' Report 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 included in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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