The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountants' Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us 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. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, reference to the years of 2023, 2024 and 2025 refer to the fiscal years ended December 31, 2023, 2024 and 2025, respectively.

OVERVIEW

We are a leading public company that provides custom silicon solutions, leveraging our comprehensive, proprietary portfolio of semiconductor IPs. Founded in 2001 and headquartered in Shanghai, we operate on a unique "Silicon Platform as a Service" ("**SiPaaS**") business model, offering custom silicon solution service and semiconductor IP licensing service. We are well-positioned as one of the most important ecosystem player at the intersection of semiconductor IP, design service, and industry collaboration, enabling customers across the globe to innovate efficiently in the era of AI.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall performance of the industry in which we operate. These factors include macroeconomic trends, industry development and the market's competitive landscape.

In addition to these general factors, our results of operations are affected by the following specific factors:

Development of end products across cloud AI and edge AI

Our services are designed to support a wide range of applications across numerous end markets, and the development of these end products play a critical role in shaping our business and financial performance. As AI becomes pervasive, our foundational SiPaaS model naturally extends into AI-specific platforms — which we refer to as AiPaaS — to address the evolving needs of these markets. We are strategically positioned to capture the cloud AI and emerging edge AI opportunities across multiple high-growth application domains. To achieve superior energy efficiency and lower latency than general-purpose processors, system vendors worldwide are increasingly pivoting to proprietary AI-ASICs. Our ability to provide high-quality services to these emerging markets and ends products will directly impact our result of operation.

- **Cloud AI**: the shift toward structured tensor and matrix operations has made data movement the primary bottleneck. To address this, we provide a competitive portfolio of high-performance and power-efficient GPU and GPGPU services.
- **Edge AI**: we address the critical need for power-efficient, on-device processing across a diverse range of applications. We provide a portfolio of IPs and custom silicon solutions that enable advanced visual processing, spatial computing, and functional-safety in devices from AI smartphones and AI/AR glasses to intelligent vehicles and robotics. Our technical capabilities are validated by the mass-production deployment of our IP in flagship mobile devices and our successful delivery of custom automotive-grade SoCs for leading manufacturers.

Mix of services offerings

We generate revenue primarily from offering (i) custom silicon solution service (including design service and turnkey service) and (ii) semiconductor IP licensing service (comprising IP licensing and IP royalties). The margin profiles of our different services vary due to factors such as the complexity of the IP or design, the R&D investment required, the scope of mass production management, and market demand for specific technologies. The relative contribution of these services will affect our profit margin and results of operations.

Our semiconductor IP licensing service carries higher gross margin than our custom silicon solution service. This is the result of the different cost structures inherent to each business line. The substantial costs required to create our IP portfolio are incurred upfront and recognized as R&D expenses, which are recorded as operating expenses. Once an IP is developed, the direct, incremental cost of delivering it to a customer (the cost of sales) is minimal. For IP royalties revenue, there is no direct cost of sales, resulting in a gross margin of 100.0%.

Our custom silicon solution service, particularly our turnkey service, involves significant and direct costs for every unit produced — such as payments for wafer fabrication and OSAT services — which are recorded as cost of sales and therefore result in a lower gross margin. Despite the cost structure of our customer silicon services, we are able to manage growing mass production volumes with a relatively fixed scale of turnkey service management team. The substantial R&D expenses associated with a chip's design are primarily incurred as operating expenses during the initial design service phase. Once a chip transitions to the mass production stage, we can generate significant, high-volume revenue without a corresponding increase in R&D expenses for that specific project. Therefore, a significant portion of the absolute gross profit dollars generated from our turnkey services contributes directly to our operating profit and, ultimately, our net profit, demonstrating how our profitability is designed to scale effectively as our clients' production volumes increase.

While our overall gross margin may fluctuate depending on the revenue mix between our business lines, we do not believe it is the sole indicator of our underlying profitability. We view bottom line, rather than gross profit, as the more representative indicator of our operating results.

Our operating efficiency

Our operating expenses, which include R&D expenses, administrative expenses, and selling and marketing expenses, play an important role in determining our profitability and overall financial performance.

R&D is at the core of our business strategy, enabling us to sustain growth and maintain a competitive edge by addressing the evolving needs of downstream markets. Correspondingly, our R&D expenses represented the largest component of our operating expenses during the Track Record Period. Our R&D expenses amounted to RMB947.2 million, RMB1,247.3 million and RMB1,312.7 million in 2023, 2024 and 2025, respectively, representing 40.7%, 53.8% and 41.7% of our total revenue in the respective years. As our revenue growth accelerates, we expect economies of scale to further enhance our operating efficiency as our operating expenses, particularly our front-loaded R&D investments, are spread over a larger revenue base.

We have built a high-quality and cost-efficient talent pool over many years by focusing on campus recruitment of fresh graduates and internal training and maintaining low voluntary attrition rates, thanks to our leading position in the industry, strong brand value and corporate culture. This allows us to effectively manage our employee costs as our business grows. In addition, our ability to leverage artificial intelligence and the latest technologies helps to increase the overall productivity and utilization rate of our R&D team, leading to further improvements in our operating efficiency.

Our ability to navigate industry cycles

The semiconductor industry is inherently cyclical, typically moving through recurring phases of expansion, peak, downturn, and recovery, driven by various factors such as macroeconomic conditions, capital expenditure trends, technological advancements, inventory adjustments, and shifts in end-market demand and supply dynamics.

Our business model is less prone to the volatility of semiconductor industry cycles, as we focus on providing services rather than manufacturing and selling products. As a result, we minimize exposure to inventory risk and market risk and are generally not subject to cyclical fluctuations in product pricing or destocking pressures. Furthermore, our IPs and design service can be widely deployed across diverse end markets. This broad, cross-industry and cross-scenario application means that we can reduce exposure to volatility in any single sector.

Crucially, our SiPaaS model demonstrates strong counter-cyclical resilience. In line with our "design-lite" model, during industry downturns, traditional chip companies increasingly outsource design work and production management and make greater use of third-party IPs due to their own budget constraints. In addition, industry downturns present strategic windows for us to invest in and acquire IP assets at attractive prices. Supported by our SiPaaS model, we are well-positioned to not only navigate industry cycles but also to capitalize on them to strengthen our market position and accelerate our growth.

Supply chain management

As a custom silicon solution service provider, particularly for our turnkey service, we manage and coordinate the outsourced manufacturing processes for our customers' semiconductor products. This involves engaging third-party wafer foundries for fabrication and OSAT partners for packaging and testing. Establishing and maintaining strong, long-term partnerships with these key production partners is essential to ensuring stable capacity allocation and fostering close collaboration for our customers' production needs. During periods of high industry demand, our ability to secure capacity and effectively schedule production for our customers is particularly vital for meeting their product timelines.

Our SiPaaS business model largely insulates us from the end-market sales risks, inventory holding costs and extensive end-user support overhead that are typically borne by traditional chip companies (including fabless companies and IDMs). Furthermore, we are foundry- and OSAT-neutral, which enables collaboration with all major global foundries and OSAT partners rather than being constrained by any single partner's roadmap. This flexibility helps us to meet diverse customer needs across different technologies and verticals. Effective coordination with our production partners allows us to optimize production processes for our customers, leading to improved time-to-market for their products. Through strategic supply chain management, we strive to balance production flexibility with cost efficiency, ensuring our ability to facilitate customer demands and capitalize on growth opportunities in the competitive semiconductor market.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with the IFRSs. All IFRSs that are effective for the accounting period beginning on January 1, 2023, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Note 4 to "Appendix I — Accountants' Report" to this document sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations.

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 we use and the judgments 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 experiences and other factors, including industry practices and expectations of future events that are believed 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 and assumptions in the foreseeable future. See note 5 to "Appendix I — Accountants' Report."

RESULTS OF OPERATIONS

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue	**2,328,953**	**100.0**	**2,316,976**	**100.0**	**3,148,403**	**100.0**
Cost of sales	(1,289,294)	(55.4)	(1,392,953)	(60.1)	(2,074,688)	(65.9)
Gross profit	**1,039,659**	**44.6**	**924,023**	**39.9**	**1,073,715**	**34.1**
Other income	66,859	2.9	61,380	2.6	63,997	2.0
Other gains and losses	(405)	(0.0)	19,586	0.8	12,239	0.4
Research and development ("**R&D**") expenses	(947,223)	(40.7)	(1,247,302)	(53.8)	(1,312,692)	(41.7)
Administrative expenses	(121,771)	(5.2)	(125,381)	(5.4)	(147,006)	(4.7)
Selling and marketing expenses	(114,853)	(4.9)	(119,983)	(5.2)	(127,208)	(4.0)
Other expense	(10,079)	(0.4)	(8,727)	(0.4)	(7,929)	(0.3)
Impairment losses under expected credit loss ("**ECL**") model, net reversal	(125,475)	(5.4)	(43,627)	(1.9)	(27,144)	(0.9)
Share of results of associates	(32,757)	(1.4)	(5,686)	(0.2)	113	0.0
Finance costs	(23,179)	(1.0)	(36,166)	(1.6)	(41,355)	(1.3)
Loss before tax	**(269,224)**	**(11.5)**	**(581,883)**	**(25.2)**	**(513,270)**	**(16.4)**
Income tax expenses	(27,243)	(1.2)	(18,996)	(0.8)	(14,543)	(0.5)
Loss for the year	**(296,467)**	**(12.7)**	**(600,879)**	**(26.0)**	**(527,813)**	**(16.9)**

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use certain non-IFRS measures, including adjusted loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with, the IFRS. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they are aligned with how our management evaluates our operating performance and formulates business plans. However, our adjusted loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for analysis of, our results of operations or financial position as reported under the IFRS.

Adjusted loss for the year (a non-IFRS measure) is defined as loss for the year, as adjusted to add back the effect of share-based compensation. Adjusted EBITDA (a non-IFRS measure) is defined as loss for the year, as adjusted to add back the effects of (i) share-based compensation; (ii) interest expenses; (iii) depreciation & amortization; and (iv) income tax expenses.

The following table sets forth the reconciliations of adjusted loss for the year (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) from the IFRS measure loss for the year in absolute amount and as percentage of revenue.

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Adjusted loss for the year						
Loss for the year	**(296,467)**	**(12.7)**	**(600,879)**	**(26.0)**	**(527,813)**	**(16.9)**
Adjusted for:						
Share-based compensation	3,605	0.2	7,290	0.3	41,613	1.3
Adjusted loss for the year	**(292,862)**	**(12.5)**	**(593,589)**	**(25.7)**	**(486,200)**	**(15.6)**
Adjusted EBITDA						
Loss for the year	**(296,467)**	**(12.7)**	**(600,879)**	**(26.0)**	**(527,813)**	**(16.9)**
Adjusted for:						
Share-based compensation	3,605	0.2	7,290	0.3	41,613	1.3
Interest expenses	23,179	1.0	36,166	1.6	41,355	1.3
Depreciation & amortization	185,989	8.0	239,841	10.4	266,350	8.5
Income tax expenses	27,243	1.2	18,996	0.8	14,543	0.5
Adjusted EBITDA	**(56,451)**	**(2.3)**	**(298,586)**	**(12.9)**	**(163,952)**	**(5.3)**

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We offer custom silicon solution service and semiconductor IP licensing service. Under our custom silicon solution service, we undertake all or part of the process from chip design to mass production and provide related software design services. Leveraging our semiconductor IP resources and chip R&D capabilities, we provide customers with customized chip solutions that help reduce design risks, shorten design cycles and accelerate time-to-market. The semiconductor IPs used in our custom silicon solution service can also be licensed to customers on a standalone basis under our semiconductor IP licensing service. Under our custom silicon solution service, we categorize our offerings into (i) design service and (ii) turnkey service.

We provide semiconductor IP licensing service by licensing our IPs to customers on a standalone basis, either as individual IPs or as IP platforms. Under our semiconductor IP licensing service, we license to customers: processor IPs, including GPU IP, NPU IP, VPU IP, DSP IP, ISP IP and Display Processing IP; analog & mixed-signal IPs (including RF IPs and interface IPs); IP subsystems and IP platforms and customized IPs. We also continuously collect IP royalties based on the volume of shipped chips integrating our IPs, forming a scalable revenue stream that grows alongside our customers' success.

By Service

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Custom silicon solution service						
Design service	492,470	21.1	724,794	31.2	876,558	27.9
Turnkey service	1,071,416	46.0	856,214	37.0	1,489,681	47.3
Subtotal	**1,563,886**	**67.1**	**1,581,008**	**68.2**	**2,366,239**	**75.2**
Semiconductor IP licensing service						
IP licensing	655,375	28.2	632,859	27.3	671,253	21.3
IP royalties	109,692	4.7	103,109	4.5	110,911	3.5
Subtotal	**765,067**	**32.9**	**735,968**	**31.8**	**782,164**	**24.8**
Total	**2,328,953**	**100.0**	**2,316,976**	**100.0**	**3,148,403**	**100.0**

By End Application

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Data processing	314,718	13.5	552,201	23.8	1,078,735	34.3
Consumer electronics	513,007	22.0	484,939	20.9	676,157	21.5
IoT	961,432	41.3	642,553	27.7	659,092	20.9
Computers and peripherals	197,413	8.5	323,891	14.0	308,406	9.8
Industrial	185,718	8.0	98,254	4.3	216,705	6.9
Automotive electronics	156,665	6.7	215,138	9.3	209,308	6.6
Total	**2,328,953**	**100.0**	**2,316,976**	**100.0**	**3,148,403**	**100.0**

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
AI	1,007,075	43.2	1,295,363	55.9	2,030,989	64.5
Non-AI	1,321,878	56.8	1,021,613	44.1	1,117,414	35.5
Total	**2,328,953**	**100.0**	**2,316,976**	**100.0**	**3,148,403**	**100.0**

By Geographical Location

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Chinese Mainland	1,797,683	77.2	1,447,858	62.5	2,123,396	67.4
Outside of Chinese mainland[(1)]	531,270	22.8	869,118	37.5	1,025,007	32.6
Total	**2,328,953**	**100.0**	**2,316,976**	**100.0**	**3,148,403**	**100.0**

Note:

(1) Mainly including North America and Europe.

During the Track Record Period, we derived the majority of our revenue from the Chinese mainland. The geographical breakdown of our revenue is presented based on our customers' place of incorporation.

During the Track Record Period, revenue from outside of the Chinese mainland continued to increase, primarily driven by the growth of our custom silicon solution service. We expect that revenue contribution from overseas markets will sustain its growth going forward, as we continue to expand our international customer base and strengthen our presence in key global markets.

Cost of Sales

Our cost of sales primarily consists of costs incurred in delivering our services. The principal components are as follows:

- **direct materials:** the costs of materials and third-party services directly incorporated into our services. It primarily consists of (i) the costs of wafers procured from foundries and the associated costs of packaging and testing services provided by our OSAT partners for our turnkey service, and (ii) the licensing fees we pay to third-party IP providers when we incorporate external IP into the custom silicon solution service we deliver.

- **direct labor:** the costs directly attributable to the personnel engaged in delivering our services. It primarily includes the employee compensation and benefits for engineering teams involved in design service and other technical support activities for specific customer projects.

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Direct materials	974,771	75.6	1,076,608	77.3	1,703,456	82.1
Direct labor	262,320	20.3	263,072	18.9	299,497	14.4
Others(1)	44,554	3.5	47,917	3.4	63,895	3.1
Inventory provision included in cost of sales	3,548	0.3	1,747	0.1	3,451	0.2
Surcharge and other tax included in cost of sales	4,101	0.3	3,609	0.3	4,389	0.2
Total	**1,289,294**	**100.0**	**1,392,953**	**100.0**	**2,074,688**	**100.0**
as % of total revenue		*55.4*		*60.1*		*65.9*

Note:

(1) Mainly including other miscellaneous production-related overhead.

Gross Profit and Gross Margin

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	**Gross margin(1)**	**Gross profit**	**Gross margin(1)**	**Gross profit**	**Gross margin(1)**
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Custom silicon solution service						
Design service	70,720	14.4	93,298	12.9	124,652	14.2
Turnkey service	293,939	27.4	165,209	19.3	270,248	18.1
Subtotal	**364,659**	**23.3**	**258,507**	**16.4**	**394,900**	**16.7**
Semiconductor IP licensing service						
IP licensing	572,957	87.4	567,763	89.7	575,744	85.8
IP royalties	109,692	100.0	103,109	100.0	110,911	100.0
Subtotal	**682,649**	**89.2**	**670,872**	**91.2**	**686,655**	**87.8**
Inventory provision included in cost of sales	(3,548)		(1,747)		(3,451)	
Surcharge and other tax included in cost of sales	(4,101)		(3,609)		(4,389)	
Total/average	**1,039,659**	**44.6**	**924,023**	**39.9**	**1,073,715**	**34.1**

Note:

(1) The overall gross margin is calculated as gross profit for the year divided by revenue for the corresponding year and multiplied by 100%.

Other Income

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Interest income from bank deposits	11,886	17.8	15,827	25.8	11,238	17.6
Government grants	36,968	55.3	33,725	54.9	33,705	52.7
Rental income	9,043	13.5	4,910	8.0	4,042	6.3
Input VAT additional deduction	8,962	13.4	6,918	11.3	15,012	23.5
Total	**66,859**	**100.0**	**61,380**	**100.0**	**63,997**	**100.0**
as % of total revenue		*2.9*		*2.6*		*2.0*

Other Gains and Losses

	Year ended December 31,		
	2023	2024	2025
	RMB	*RMB*	*RMB*
	(in thousands, except for percentages)		
Gains/(losses) from changes in fair value of FVTPL	(20,545)	(366)	32,898
Net foreign exchange gains/(losses)	16,481	13,573	(22,518)
Investment income from unlisted financial products at FVTPL	2,246	5,157	8,479
(Losses)/gains on disposal of property and equipment	(80)	1	4
Accrual of late tax payment charges	–	–	(7,539)
Others	1,493	1,221	915
Total	**(405)**	**19,586**	**12,239**
as % of total revenue	*(0.0)*	*0.8*	*0.4*

Research and Development Expenses

Our R&D expenses primarily comprise (i) staff costs, representing salaries, wages, and benefits for our R&D personnel, reflecting our continued investment in expanding, cultivating and retaining a strong, high-quality personnel base; this allows us to support our technology development and efficiently deploy our resources as new projects arise, which helps improve long-term operating efficiency; (ii) depreciation and amortization, including depreciation of R&D equipment and amortization of intangible assets related to research and development activities; (iii) testing and services, which are costs incurred for external testing, research services, and other third-party services directly supporting R&D projects; (iv) share-based payment, representing non-cash compensation expenses related to equity instruments granted to R&D employees; and (v) others, encompassing various other miscellaneous expenditures essential for R&D operations.

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Staff costs	711,481	75.1	893,999	71.7	937,624	71.4
Depreciation and amortization[(1)]	125,540	13.3	170,132	13.6	192,923	14.7
Testing and services	20,863	2.2	69,468	5.6	61,600	4.6
Share-based payment	4,322	0.5	4,366	0.4	18,503	1.4
Others	85,017	8.9	109,338	8.9	102,643	7.9
Total	**947,223**	**100.0**	**1,247,302**	**100.0**	**1,312,692**	**100.0**
as % of total revenue		*40.7*		*53.8*		*41.7*

Note:

(1) Excluding depreciation of right-of-use assets.

Administrative Expenses

Our administrative expenses are primarily composed of (i) staff costs, including salaries, wages, and benefits for our general administrative personnel; (ii) professional service fees, encompassing fees for legal, audit, tax advisory, and other consulting services; (iii) share-based payment, representing non-cash compensation expenses related to equity instruments granted to administrative staff; (iv) office expenses, covering costs such as office rent, utilities, supplies, and general maintenance; and (v) others, including various other general and administrative expenditures (e.g., travel expenses, rental expenses, depreciation and amortization, amortization of right-of-use assets, tax and surcharges, bank charges).

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Staff costs	82,712	67.9	82,744	66.0	92,813	63.1
Professional service fees	19,211	15.8	17,747	14.2	18,728	12.7
Share-based payment	(499)	(0.4)	1,852	1.5	13,250	9.0
Office expenses	8,903	7.3	10,424	8.3	11,337	7.7
Others	11,444	9.4	12,614	10.1	10,878	7.4
Total	**121,771**	**100.0**	**125,381**	**100.0**	**147,006**	**100.0**
as % of total revenue		*5.2*		*5.4*		*4.7*

Selling and Marketing Expenses

Our selling and marketing expenses primarily include (i) staff costs, covering salaries, wages, and benefits for our sales and marketing teams; (ii) conference and marketing expenses, which are expenses associated with attending and organizing conferences, advertising campaigns, promotional activities, and other brand-building initiatives; (iii) service fees, being fees paid to external consultants, agencies, and other professionals for services supporting sales and marketing efforts; (iv) share-based payment, representing non-cash compensation expenses related to equity instruments granted to sales and marketing employees; and (v) others, consisting of miscellaneous selling and marketing expenditures (such as travel expenses, short-term lease expense, office expenses, depreciation and amortization, amortization of right-of-use assets).

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Staff costs	80,287	69.9	83,531	69.6	86,305	67.8
Conference and marketing expenses	14,797	12.9	17,142	14.3	16,828	13.2
Service fees	5,400	4.7	5,220	4.4	7,678	6.0
Share-based payment	(871)	(0.8)	121	0.1	3,529	2.8
Others	15,240	13.3	13,969	11.6	12,868	10.2
Total	**114,853**	**100.0**	**119,983**	**100.0**	**127,208**	**100.0**
as % of total revenue		*4.9*		*5.2*		*4.0*

Finance Costs

	Year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Interest expenses on borrowings	17,114	73.8	27,591	76.3	34,380	83.1
Interest expenses on long-term payables	4,164	18.0	5,485	15.2	4,476	10.8
Interest expenses on lease liabilities	1,901	8.2	3,090	8.5	2,499	6.0
Total	**23,179**	**100.0**	**36,166**	**100.0**	**41,355**	**100.0**
as % of total revenue		*1.0*		*1.6*		*1.3*

Impairment Losses under ECL Model, Net of Reversal

Our impairment of financial assets under ECL model, net of reversal represents our net impairment losses recognized on trade receivables, notes receivables, other receivables and contract assets. In 2023, 2024 and 2025, our impairment of losses under ECL model, net reversal, amounted to RMB125.5 million, RMB43.6 million and RMB27.1 million, representing 5.4%, 1.9% and 0.9% of our total revenue, respectively.

Income Tax Expense

In 2023, 2024 and 2025, we recorded income tax expense of RMB27.2 million, RMB19.0 million and RMB14.5 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we fulfilled all our tax obligations and did not have any unresolved tax disputes. For the statutory tax rate and preferential income tax rates applicable to our Company and our subsidiaries, see Note 12 to "Appendix I — Accountants' Report" in this document.

Loss for the Year

As a result of the foregoing, our loss for the year amounted to RMB296.5 million, RMB600.9 million and RMB527.8 million in 2023, 2024 and 2025, respectively. Our adjusted loss for the year (non-IFRS measure) amounted to RMB292.9 million, RMB593.6 million and RMB486.2 million in 2023, 2024 and 2025, respectively. Our adjusted EBITDA loss (non-IFRS measure) amounted to RMB56.5 million, RMB298.6 million and RMB164.0 million in 2023, 2024 and 2025, respectively. See "— Non-IFRS Measures."

YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

	Year ended December 31,		
	2024	2025	% Change
	(in RMB thousands, except for percentages)		
Custom silicon solution services			
Design service	724,794	876,558	20.9
Turnkey service	856,214	1,489,681	74.0
Subtotal	**1,581,008**	**2,366,239**	**49.7**
IP licensing service			
IP licensing	632,859	671,253	6.1
IP royalties	103,109	110,911	7.6
Subtotal	**735,968**	**782,164**	**6.3**
Total	**2,316,976**	**3,148,403**	**35.9**

Revenue

Our revenue increased by 35.9% from RMB2,317.0 million in 2024 to RMB3,148.4 million in 2025. This growth was primarily driven by a substantial increase in our custom silicon solution service, particularly a strong rebound in turnkey service, complemented by steady growth in our design service and semiconductor IP licensing service.

Our technical capabilities and leading market position are reflected in our strong booking growth. Our new bookings in 2025 grew by 103.4% year-over-year to nearly RMB6.0 billion.

Custom Silicon Solution Service

Our revenue from custom silicon solution service increased by 49.7% from RMB1,581.0 million in 2024 to RMB2,366.2 million in 2025, primarily due to a significant increase in revenue from our turnkey service.

Design Service

Our revenue from design service increased by 20.9% from RMB724.8 million in 2024 to RMB876.6 million in 2025. This increase was primarily driven by revenue recognition based on the progress of our ongoing design projects during the year, as more projects advanced into later execution stages. In addition, there was stronger customer demand for our design service focusing on advanced process node, with the number of design projects in execution increasing from 85 as of December 31, 2024 to 104 as of December 31, 2025. In 2025, 94.3% of our design service revenue derived from 28nm to 4nm process nodes, 78.2% from 14nm to 4nm process nodes, and 69.4% from 7nm to 4nm process nodes in 2025 respectively, as compared to 96.5%, 85.0% and 58.2% in 2024, respectively and AI-related projects accounted for 73.0% of this sector's revenue.

Turnkey Service

Our revenue from turnkey service increased by 74.0% from RMB856.2 million in 2024 to RMB1,489.7 million in 2025. This growth was primarily due to the strong execution and delivery of the significant volume of new bookings secured in 2024. As the semiconductor industry recovered from the destocking cycle, our customers ramped up mass production. In 2025, we provided turnkey service for 114 chip projects, increased from 98 chip projects in 2024, and new bookings for our turnkey service grew by 194.3% year-over-year, indicating a strong pipeline for future revenue.

Semiconductor IP Licensing Service

Our revenue from semiconductor IP licensing service increased by 6.3% from RMB736.0 million in 2024 to RMB782.2 million in 2025, attributable to growth in both IP licensing and IP royalties, with particularly strong demand from consumer electronics sector.

IP Licensing

Our revenue from IP licensing increased by 6.1% from RMB632.9 million in 2024 to RMB671.3 million in 2025. This increase was primarily due to continued demand for our advanced IP portfolio, particularly our GPU, NPU, and VPU IPs. This growth reflects our success in attracting new customers, with 19 new customers added for our IP licensing service during the year.

IP Royalties

Our revenue from IP royalties increased by 7.6% from RMB103.1 million in 2024 to RMB110.9 million in 2025. This growth was primarily attributable to the ramp-up in shipments of customers' end products that incorporate our IP, such as our NPU IP which has been integrated into nearly 200 million AI chips shipped globally, reflecting the commercial success of chips designed in prior year and the recovery in the broader market.

Cost of Sales

	Year ended December 31,		
	2024	**2025**	**% change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Direct materials	1,076,608	1,703,456	58.2
Direct labor	263,072	299,497	13.8
Others	47,917	63,895	33.3
Inventory provision included in cost of sales	1,747	3,451	97.5
Surcharge and other tax included in cost of sales	3,609	4,389	21.6
Total	**1,392,953**	**2,074,688**	**48.9**
as % of total revenue	*60.1*	*65.9*	

Our cost of sales increased by 48.9% from RMB1,393.0 million in 2024 to RMB2,074.7 million in 2025, which was generally in line with our business expansion.

Gross Profit and Gross Margin

	Year ended December 31,			
	2024		2025	
	Gross profit	**Gross margin**	**Gross profit**	**Gross margin**
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Custom silicon solution service				
Design service	93,298	12.9	124,652	14.2
Turnkey service	165,209	19.3	270,248	18.1
Subtotal	**258,507**	**16.4**	**394,900**	**16.7**
Semiconductor IP licensing service				
IP licensing	567,763	89.7	575,744	85.8
IP royalties	103,109	100.0	110,911	100.0
Subtotal	**670,872**	**91.2**	**686,655**	**87.8**
Inventory provision included in cost of sales	(1,747)		(3,451)	
Surcharge and other tax included in cost of sales	(3,609)		(4,389)	
Total/average	**924,023**	**39.9**	**1,073,715**	**34.1**

Our gross profit increased by 16.2% from RMB924.0 million in 2024 to RMB1,073.7 million in 2025, driven by the strong growth in our overall business. Our overall gross margin decreased from 39.9% in 2024 to 34.1% in 2025. This margin decrease was primarily due to a shift in our revenue mix towards a higher proportion of custom silicon solution service, particularly turnkey service, which inherently have a lower gross margin compared to our high-margin semiconductor IP licensing service.

Custom Silicon Solution Service

Our gross profit from custom silicon solution service increased by 52.8% from RMB258.5 million in 2024 to RMB394.9 million in 2025, primarily due to an increase in gross profit from both our turnkey and design service. Gross margin remained stable at 16.4% in 2024 and 16.7% in 2025.

Design Service

Our gross profit from design service increased by 33.6% from RMB93.3 million in 2024 to RMB124.7 million in 2025. Gross margin increased from 12.9% in 2024 to 14.2% in 2025, driven by a favorable change in service mix.

Turnkey Service

Our gross profit from turnkey service increased by 63.6% from RMB165.2 million in 2024 to RMB270.2 million in 2025, primarily due to a 74.0% increase in revenue from this service. This was partially offset by a decrease in gross margin from 19.3% in 2024 to 18.1% in 2025, driven by a change in the mix of our turnkey projects and more favorable pricings offered to our certain customers.

Semiconductor IP Licensing Service

Our gross profit from semiconductor IP licensing service increased by 2.4% from RMB670.9 million in 2024 to RMB686.7 million in 2025, primarily due to an increase in gross profit from both IP licensing and IP royalties. The overall gross margin of our semiconductor IP licensing service decreased from 91.2% in 2024 to 87.8% in 2025, mainly due to a decrease in the gross margin of IP licensing.

IP Licensing

Our gross profit from IP licensing increased by 1.4% from RMB567.8 million in 2024 to RMB575.7 million in 2025. This was achieved despite a decrease in gross margin from 89.7% in 2024 to 85.8% in 2025, which was mainly attributable to a change in the mix of licenses granted, with a higher proportion of licenses that involved greater associated costs, such as the use of third-party IP that carries lower margin.

IP Royalties

Our gross profit from IP royalties increased by 7.6% from RMB103.1 million in 2024 to RMB110.9 million in 2025. As there are no direct costs of sales associated with our IP royalties revenue, the gross margin remained at 100.0% for both years.

Other Income

Other income increased by 4.3% from RMB61.4 million in 2024 to RMB64.0 million in 2025, primarily due to an increase of RMB8.1 million in input VAT deduction, partially offset by a decrease of RMB4.6 million in interest income from bank deposits.

Other Gains and Losses

Other gains and losses decreased by 37.5% from RMB19.6 million in 2024 to RMB12.2 million in 2025, primarily due to (i) a RMB36.1 million change from net foreign exchange gains to net foreign exchange losses and (ii) an increase of RMB7.5 million in accrual of late tax payment charges, partially offset by an increase of RMB33.3 million in gains from changes in fair value of FVTPL.

Research and Development Expenses

	Year ended December 31,		
	2024	**2025**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Research and development expenses	1,247,302	1,312,692	5.2
as % of total revenue	*53.8*	*41.7*	

Our research and development expenses increased by 5.2% from RMB1,247.3 million in 2024 to RMB1,312.7 million in 2025. Consistent with the long investment cycles and high R&D intensity that characterize the IC design industry, this sustained investment is a strategic imperative to maintain our technological leadership and build a competitive barrier in both custom silicon solution and semiconductor IP licensing services. In 2025, our R&D expenses constituted 82.7% of our total operating expenses, underscoring its central role in our strategy.

The increase in research and development expenses was primarily attributable to: (i) an increase in staff costs from RMB894.0 million in 2024 to RMB937.6 million in 2025, reflecting our continued investment in attracting and retaining top-tier engineering talent; (ii) an increase in depreciation and amortization excluding depreciation of right-of-use assets from RMB170.1 million in 2024 to RMB192.9 million in 2025, due to additional purchase of software; and (iii) an increase in share-based payment expenses from RMB4.4 million in 2024 to RMB18.5 million in 2025, primarily attributable to the new Restricted A Share Incentive Scheme we established to align employee interests with our long-term growth.

As a percentage of total revenue, research and development expenses decreased from 53.8% in 2024 to 41.7% in 2025. This decrease demonstrates the operating leverage in our business model: as revenue grew, a larger portion of our staff costs were allocated to revenue-generating customer projects, leading to a favorable decline in our R&D expenses as a percentage of total revenue.

Administrative Expenses

	Year ended December 31,		
	2024	**2025**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Administrative expenses	125,381	147,006	17.2
as % of total revenue	*5.4*	*4.7*	

Our administrative expenses increased by 17.2% from RMB125.4 million in 2024 to RMB147.0 million in 2025. This increase was primarily driven by: (i) a substantial increase in share-based payment expenses from RMB1.9 million in 2024 to RMB13.2 million in 2025, primarily attributable to the new Restricted A Share Incentive Scheme we established to align employee interests with our long-term growth; and (ii) an increase in staff costs from RMB82.7 million in 2024 to RMB92.8 million in 2025, primarily due to an expansion in administrative headcount and salary adjustments.

As a percentage of total revenue, administrative expenses decreased from 5.4% in 2024 to 4.7% in 2025. This represents improved operational leverage, where the growth in total revenue outpaced the increase in administrative expenditures, leading to greater efficiency.

Selling and Marketing Expenses

	Year ended December 31,		
	2024	**2025**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Selling and marketing expenses	119,983	127,208	6.0
as % of total revenue	*5.2*	*4.0*	

Our selling and marketing expenses increased by 6.0% from RMB120.0 million in 2024 to RMB127.2 million in 2025. This increase was primarily driven by: (i) an increase in staff costs from RMB83.5 million in 2024 to RMB86.3 million in 2025, largely attributable to an increase in salaries and other compensation; (ii) a significant increase in share-based payment expenses from RMB0.1 million in 2024 to RMB3.5 million in 2025, primarily attributable to the new Restricted A Share Incentive Scheme we established to align employee interests with our long-term growth; and (iii) an increase in service fees from RMB5.2 million in 2024 to RMB7.7 million in 2025, mainly due to increased engagement with external agencies or consultants for expanded marketing initiatives. These increases were partially offset by a decrease in conference and marketing expenses from RMB17.1 million in 2024 to RMB16.8 million in 2025, due to our strategic optimization of marketing activities with lower promotional expenses.

As a percentage of total revenue, selling and marketing expenses decreased from 5.2% in 2024 to 4.0% in 2025. This decrease represents an improved operational efficiency where our revenue growth outpaced the increase in selling and marketing expenditures during the year.

Impairment Losses under ECL Model, Net of Reversal

Our impairment of financial assets under ECL model, net of reversal decreased from RMB43.6 million in 2024 to RMB27.1 million in 2025, primarily due to a decrease of RMB17.2 million in impairment losses recognized on trade receivables and (ii) a change from impairment losses recognized on other receivables of RMB4.7 million in 2024 to RMB5.0 million in 2025.

Finance Costs

Finance costs increased by 14.3% from RMB36.2 million in 2024 to RMB41.4 million in 2025, primarily due to an increase of RMB6.8 million in interest expenses on borrowings, partially offset by a decrease of RMB1.0 million in interest expenses on long-term payables for purchase of intangible assets.

Income Tax Expenses

Income tax expenses decreased from RMB19.0 million in 2024 to RMB14.5 million in 2025, due to periodic fluctuations in withholding income tax provisions relating to semiconductor IP licensing service.

Loss for the Year

As result of the foregoing, loss for the year decreased from RMB600.9 million in 2024 to RMB527.8 million in 2025. Loss margin decreased from 26.0% in 2024 to 16.9% in 2025.

Adjusted loss for the year (non-IFRS measure) decreased from RMB593.6 million in 2024 to RMB486.2 million in 2025. Adjusted loss margin (non-IFRS measure) decreased from 25.7% in 2024 to 15.6% in 2025. Adjusted EBITDA loss (non-IFRS measure) decreased from RMB298.6 million in 2024 to RMB164.0 million in 2025. Adjusted EBITDA loss margin (non-IFRS measure) decreased from 12.9% in 2024 to 5.3% in 2025. See "— Non-IFRS Measures."

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

Revenue

	Year ended December 31,		
	2023	**2024**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Custom Silicon Solution Service			
Design service	492,470	724,794	47.2
Turnkey service	1,071,416	856,214	(20.1)
Subtotal	**1,563,886**	**1,581,008**	**1.1**
Semiconductor IP licensing service			
IP licensing	655,375	632,859	(3.4)
IP royalties	109,692	103,109	(6.0)
Subtotal	**765,067**	**735,968**	**(3.8)**
Total	**2,328,953**	**2,316,976**	**(0.5)**

Our revenue remained stable at RMB2,329.0 million in 2023 and RMB2,317.0 million in 2024.

Custom Silicon Solution Service

Our revenue from custom silicon solution service remained stable at RMB1,563.9 million in 2023 and RMB1,581.0 million in 2024, respectively.

Design Service

Our revenue from design service increased by 47.2% from RMB492.5 million in 2023 to RMB724.8 million in 2024. This increase was primarily driven by revenue we recognized based on the progress of our ongoing design projects during the year, as more projects moved into execution stages. In addition, we experienced strong customer demand for our design services, particularly for high-performance AI-related custom SoCs. Furthermore, a significant portion of our design projects utilized advanced process nodes, with 96.5% of our design service revenue derived from 28nm to 4nm process nodes, 85.0% from 14nm to 4nm process nodes, and 58.2% from 7nm to 4nm process nodes in 2024, respectively, as compared to 86.7%, 56.4% and 31.6% in 2023, respectively.

Turnkey Service

Our revenue from turnkey service decreased by 20.1% from RMB1,071.4 million in 2023 to RMB856.2 million in 2024. This was primarily due to the impact of the industry-wide destocking cycle on certain downstream customers in 2023, which led to fewer new bookings being signed in the first half of 2023 and subsequently led to the lower revenue in 2024.

Semiconductor IP Licensing Service

Our revenue from semiconductor IP licensing service remained stable at RMB765.1 million in 2023 and RMB736.0 million in 2024, respectively.

IP Licensing

Our revenue from IP licensing remained relatively stable at RMB655.4 million in 2023 and RMB632.9 million in 2024.

IP Royalties

Our revenue from IP royalties decreased by 6.0% from RMB109.7 million in 2023 to RMB103.1 million in 2024. This decrease was primarily attributable to a shift in our customers' product mix towards end products that carry lower IP royalties rates, which more than offset the impact of higher overall shipment volumes of chips incorporating our IP during the year.

Cost of Sales

	Year ended December 31,		
	2023	2024	% change
	RMB	*RMB*	
	(in thousands, except for percentages)		
Direct materials	974,771	1,076,608	10.4
Direct labor	262,320	263,072	0.3
Others	44,554	47,917	7.5
Inventory provision included in cost of sales	3,548	1,747	(50.8)
Surcharge and other tax included in cost of sales	4,101	3,609	(12.0)
Total	**1,289,294**	**1,392,953**	**8.0**
as % of total revenue	*55.4*	*60.1*	

Our cost of sales increased by 8.0% from RMB1,289.3 million in 2023 to RMB1,393.0 million in 2024. This increase was primarily driven by an increase in direct materials from RMB974.8 million in 2023 to RMB1,076.6 million in 2024, reflecting the growth in our design service which involve increased utilization of direct components including third-party IP licenses and other essential materials.

Gross Profit and Gross Margin

	Year ended December 31,			
	2023		2024	
	Gross profit	**Gross margin**	**Gross profit**	**Gross margin**
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentages)			
Custom silicon solution service				
Design service	70,720	14.4	93,298	12.9
Turnkey service	293,939	27.4	165,209	19.3
Subtotal	**364,659**	**23.3**	**258,507**	**16.4**
Semiconductor IP licensing service				
IP licensing	572,957	87.4	567,763	89.7
IP royalties	109,692	100.0	103,109	100.0
Subtotal	**682,649**	**89.2**	**670,872**	**91.2**
Inventory provision included in cost of sales	(3,548)		(1,747)	
Surcharge and other tax included in cost of sales	(4,101)		(3,609)	
Total/average	**1,039,659**	**44.6**	**924,023**	**39.9**

Our gross profit decreased by 11.1% from RMB1,039.7 million in 2023 to RMB924.0 million in 2024. Our overall gross margin decreased from 44.6% in 2023 to 39.9% in 2024.

Custom Silicon Solution Service

Our gross profit from custom silicon solution service decreased by 29.1% from RMB364.7 million in 2023 to RMB258.5 million in 2024. This was primarily due to a decrease in the gross profit from our turnkey service. The gross margin of our custom silicon solution service decreased from 23.3% in 2023 to 16.4% in 2024 primarily due to a decrease in gross margin of turnkey service.

Design Service

Our gross profit from design service increased by 31.9% from RMB70.7 million in 2023 to RMB93.3 million in 2024. Gross margin decreased from 14.4% in 2023 to 12.9% in 2024, due to changes in service mix.

Turnkey Service

Our gross profit from turnkey service decreased by 43.8% from RMB293.9 million in 2023 to RMB165.2 million in 2024, as a result of the impact of the industry-wide destocking cycle, which led to lower production volumes. The gross margin from turnkey service decreased from 27.4% in 2023 to 19.3% in 2024, primarily due to a change in the mix of our turnkey projects to certain of our customers and more favorable pricing offered to our certain customers.

Semiconductor IP Licensing Service

Our gross profit from semiconductor IP licensing service decreased by 1.7% from RMB682.6 million in 2023 to RMB670.9 million in 2024, primarily due to a decrease in gross profit from IP royalties. The gross margin of our semiconductor IP licensing service increased from 89.2% in 2023 to 91.2% in 2024 due to an increase in gross margin of IP licensing.

IP Licensing

Our gross profit from IP licensing decreased by 0.9% from RMB573.0 million in 2023 to RMB567.8 million in 2024. The gross margin from IP licensing increased from 87.4% in 2023 to 89.7% in 2024. The increase in gross margin was primarily due to a change in the mix of licenses granted, with a lower proportion of licenses that involved greater associated costs, such as the use of third-party IP that carries lower margin.

IP Royalties

Our gross profit from IP royalties decreased by 6.0% from RMB109.7 million in 2023 to RMB103.1 million in 2024. The decrease in gross profit was directly in line with the decrease in IP royalties revenue. As there are no direct costs of sales associated with our IP royalties revenue, the gross margin remained at 100.0% for both years.

Other Income

Other income decreased by 8.2% from RMB66.9 million in 2023 to RMB61.4 million in 2024, primarily due to (i) a decrease of RMB3.2 million in government grants and (ii) a decrease of RMB2.0 million in input VAT deduction, partially offset by an increase of RMB3.9 million in interest income from bank deposits.

Other Gains and Losses

We recorded other losses of RMB0.4 million in 2023 and other gains of RMB19.6 million in 2024. The change was mainly due to (i) a decrease of RMB20.2 million in losses from changes in fair value of FVTPL and (ii) an increase of RMB2.9 million in investment income from unlisted financial products at FVTPL, partially offset by a decrease of RMB2.9 million in net foreign exchange gains.

Research and Development Expenses

	Year ended December 31,		
	2023	**2024**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Research and development expenses	947,223	1,247,302	31.7
as % of total revenue	*40.7*	*53.8*	

Our research and development expenses increased by 31.7% from RMB947.2 million in 2023 to RMB1,247.3 million in 2024. This was primarily a result of our deliberate, counter-cyclical investment in talent and strategic R&D projects during an industry downturn, a strategic imperative to build a competitive barrier and prepare for the next phase of growth.

A significant portion of this investment was directed towards expanding our talent pool. In a period when many industry players were reducing headcount, we executed a large-scale campus recruitment program, receiving nearly 10,000 applications and ultimately hiring over 200 high-caliber graduates. These new engineers, who have now completed their internal training, have provided the necessary human resources for the multiple large-scale chip projects we are undertaking and will be critical to supporting our future growth as the industry recovers. This forward-looking investment in a high-quality talent reserve is key to our long-term success.

This strategic expansion was reflected in our research and development expenses: (i) an increase in staff costs from RMB711.5 million in 2023 to RMB894.0 million in 2024, largely reflecting the expansion of our R&D team; and (ii) an increase in depreciation and amortization from RMB125.5 million in 2023 to RMB170.1 million in 2024, attributable to increased investment in R&D equipment and intangible assets to support our growing team and R&D projects.

As a percentage of total revenue, research and development expenses increased from 40.7% in 2023 to 53.8% in 2024. This increase was a direct consequence of our counter-cyclical investment strategy, which saw us accelerate R&D spending while our revenue remained stable due to the industry-wide downturn.

Administrative Expenses

	Year ended December 31,		
	2023	**2024**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Administrative expenses	121,771	125,381	3.0
as % of total revenue	*5.2*	*5.4*	

Our administrative expenses remained stable at RMB121.8 million in 2023 and RMB125.4 million in 2024.

Selling and Marketing Expenses

	Year ended December 31,		
	2023	**2024**	**% Change**
	RMB	*RMB*	
	(in thousands, except for percentages)		
Selling and marketing expenses	114,853	119,983	4.5
as % of total revenue	*4.9*	*5.2*	

Our selling and marketing expenses remained stable at RMB114.9 million in 2023 and RMB120.0 million in 2024.

Impairment Losses under ECL Model, Net of Reversal

Our impairment of financial assets under ECL model, net of reversal decreased from RMB125.5 million in 2023 to RMB43.6 million in 2024, primarily due to (i) a decrease of RMB70.3 million in impairment losses recognized on trade receivables and (ii) a decrease of RMB11.2 million in impairment losses recognized on contract assets.

Finance Costs

Finance costs increased by 56.0% from RMB23.2 million in 2023 to RMB36.2 million in 2024, primarily due to (i) an increase of RMB10.5 million in interest expenses on borrowings and (ii) an increase of RMB1.2 million in interest expenses on lease liabilities.

Income Tax Expenses

Income tax expenses decreased from RMB27.2 million in 2023 to RMB19.0 million in 2024, due to periodic fluctuations in withholding income tax provisions relating to semiconductor IP licensing service.

Loss for the Year

As result of the foregoing, loss for the year increased from RMB296.5 million in 2023 to RMB600.9 million in 2024. Loss margin increased from 12.7% in 2023 to 26.0% in 2024.

Adjusted loss for the year (non-IFRS measure) increased from RMB292.9 million in 2023 to RMB593.6 million in 2024. Adjusted loss margin (non-IFRS measure) increased from 12.5% in 2023 to 25.7% in 2024. Adjusted EBITDA loss (non-IFRS measure) increased from RMB56.5 million in 2023 to RMB298.6 million in 2024. Adjusted EBITDA loss margin (non-IFRS measure) changed from 2.3% in 2023 to 12.9% in 2024. See "— Non-IFRS Measures."

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from our principal business operations and changes in operating working capital. As of February 28, 2026, we had cash and cash equivalents of RMB822.8 million. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net [**REDACTED**] from the [**REDACTED**].

Taking into account the net [**REDACTED**] from the [**REDACTED**] and cash generated from operations, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this document.

Net Current Assets/Liabilities

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

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
	RMB	*RMB*	*RMB*	*RMB* *(unaudited)*
		(in thousands)		
Current assets				
Inventories	278,623	395,515	497,983	575,809
Trade and other receivables and prepayment	1,230,080	1,055,933	1,721,933	1,944,080
Contract assets	95,979	245,161	353,328	383,093
Tax recoverable	24,352	82,375	131,277	161,438
Financial assets at FVTPL	400,130	112,276	923,813	957,535
Restricted bank balances	3,527	104,101	1,089	10,113
Time deposits	–	–	50,287	70,075
Cash and cash equivalents	685,253	642,835	2,006,425	822,848
Total current assets	**2,717,944**	**2,638,196**	**5,686,135**	**4,924,991**
Current liabilities				
Trade and other payables	360,489	550,630	770,545	605,709
Borrowings	94,754	311,694	442,886	458,635
Lease liabilities	20,393	37,351	35,430	30,800
Provisions	13,434	12,724	12,063	11,830
Contract liabilities	453,522	606,777	1,258,496	1,641,853
Deferred income	4,118	20,584	2,291	3,657
Income tax payable	3,286	7,479	4,983	6,042
Total current liabilities	**949,996**	**1,547,239**	**2,526,694**	**2,758,526**
Net current assets	**1,767,948**	**1,090,957**	**3,159,441**	**2,166,465**

Comparison between February 28, 2026 and December 31, 2025

Our net current assets decreased from RMB3,159.4 million as of December 31, 2025 to RMB2,166.5 million as of February 28, 2026, primarily due to (i) a decrease in cash and cash equivalents from RMB2,006.4 million to RMB822.8 million due to the payment in connection with the acquisition of a controlling interest in Pixelworks Semiconductor, (ii) an increase in contract liabilities from RMB1,258.5 million to RMB1,641.9 million, partially offset by an increase in trade and other receivables and prepayment from RMB1,721.9 million to RMB1,944.1 million.

Comparison between December 31, 2025 and December 31, 2024

Our net current assets increased from RMB1,091.0 million as of December 31, 2024 to RMB3,159.4 million as of December 31, 2025, primarily due to (i) an increase in cash and cash equivalents from RMB642.8 million to RMB2,006.4 million, (ii) an increase in trade and other receivables and prepayment from RMB1,055.9 million to RMB1,721.9 million, (iii) an increase in financial assets at FVTPL from RMB112.3 million to RMB923.8 million, partially offset by an increase in contract liabilities from RMB606.8 million to RMB1,258.5 million.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets decreased from RMB1,767.9 million as of December 31, 2023 to RMB1,091.0 million as of December 31, 2024, primarily due to (i) a decrease in trade and other receivables and prepayment from RMB1,230.1 million to RMB1,055.9 million, (ii) an increase in trade and other payables from RMB360.5 million to RMB550.6 million, partially offset by an increase in contract assets from RMB96.0 million to RMB245.2 million.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories include work-in-progress and finished goods. Given our SiPaaS business model, we do not hold chip products for resale. Instead, production activities are typically arranged in response to specific customer orders and project requirements. As a result, our inventory levels are primarily driven by project progress and customer delivery schedules and we generally maintain relatively limited finished goods inventories. We also monitor inventory aging to manage potential obsolescence risks. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB	*RMB* *(in thousands)*	*RMB*
Work-in-progress	263,883	360,667	462,541
Finished goods	19,343	40,133	42,167
Less: provision for impairment of inventories	(4,603)	(5,285)	(6,725)
	278,623	395,515	497,983

Our inventories increased from RMB278.6 million as of December 31, 2023 to RMB395.5 million as of December 31, 2024, primarily due to: (i) an increase in work-in-progress from RMB263.9 million to RMB360.7 million, reflecting an increase in the number and scale of ongoing turnkey service projects that were in the wafer fabrication and packaging stages but had not yet reached completion at year-end; and (ii) an increase in finished goods from RMB19.3 million to RMB40.1 million, due to the timing of customer delivery schedules, where certain production batches were completed and awaiting final shipment at the end of the period.

Our inventories further increased to RMB498.0 million as of December 31, 2025, primarily due to a significant increase in work-in-progress from RMB360.7 million to RMB462.5 million, which was directly attributable to the substantial growth in our turnkey service business as the strong order backlog from 2024 was put into production, reflecting our efficient coordination with customers for the timely delivery of completed chip products.

Turnover Days

The table below sets forth the turnover days of our inventories for the year indicated.

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days(1)	101	90	80

Note:

(1) Inventory turnover days for each year equals the average of the beginning and ending balances of inventory before provision for impairment of inventories for that year divided by cost of sales for that year/period and multiplied by 365 days for 2023, 2024, and 2025.

Our inventory turnover days decreased from 101 days in 2023 to 90 days in 2024 and further decreased to 80 days in 2025, primarily due to more efficient inventory planning, which enabled us to align inventory levels more closely with actual customer demand.

Subsequent Utilization

As of February 28, 2026, 34.0% of our total inventories as of December 31, 2025, or RMB168.1 million, were utilized or sold.

Trade, Bills and Other Receivables and Prepayment

See note 27 to "Appendix I — Accountants' Report" for a breakdown of our trade, bills and other receivables and prepayments.

Trade, bill and other receivables and prepayments decreased from RMB1,551.7 million as of December 31, 2023 to RMB1,309.8 million as of December 31, 2024, primarily due to (i) a decrease in prepayments for long-lived from RMB310.4 million to RMB90.0 million as certain prepayments for purchase of properties were settled and (ii) a decrease in amounts due from related parties – trade related, from RMB106.0 million to RMB14.5 million, as prepayments for semiconductor IP licensing were utilized.

Trade, bill and other receivables and prepayments increased to RMB1,906.9 million as of December 31, 2025, primarily due to an increase in trade receivables due from third parties from RMB1,278.0 million to RMB1,471.0 million, due to the significant growth in our revenue during the year, particularly in the latter half, which resulted in a higher balance of receivables outstanding at year-end. The overall increase was also significantly driven by a rise in prepaid expenses, reflecting higher prepayments made to our supply chain partners to secure production capacity in anticipation of fulfilling the strong order backlog for our turnkey service.

Aging Analysis

The table below sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB	*RMB* *(in thousands)*	*RMB*
0 to 6 months	910,453	980,217	1,253,671
6 months to 1 year	133,436	13,553	14,625
1 to 2 years	76,850	178,147	23,263
Over 2 years	62,003	124,838	198,998
Total	**1,182,742**	**1,296,755**	**1,490,557**

Turnover Days

The table below sets forth the turnover days of our trade receivables for the year indicated.

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	179	195	162

Note:

(1) Trade receivables turnover days for each year equals the average of the beginning and ending balances of trade receivables before impairment allowance for that year divided by revenue for that year and multiplied by 365 days for 2023, 2024 and 2025.

Our trade receivables turnover days remained relatively high during the Track Record Period as compared to the standard credit terms granted to customers. This is partly attributable to the timing difference between when a trade receivable is created on our books and when the commercial payment period begins; our trade receivables are recognized upon the transfer of control or fulfillment (for our turnkey services, when we obtain the sales reports from the customers and calculated based on the sales or usage of chips incorporating our IP), whereas the credit period granted to customers typically commences from the invoice date. Our trade receivables turnover days remained stable in 2023 and 2024. Our trade receivables turnover days decreased from 195 days in 2024 to 162 days in 2025, primarily due to an overall improvement in the efficiency of our receivables collection relative to the scale of our operations.

Subsequent Settlement

As of February 28, 2026, 26.9% of our total trade receivables as of December 31, 2025, or RMB324.0 million, were settled.

Trade and Other Payables

The following sets forth the trend analysis of trade and other payables as of the dates indicated. See note 30 to "Appendix I — Accountants' Report."

Trade and other payables increased from RMB401.5 million as of December 31, 2023 to RMB633.9 million as of December 31, 2024, primarily due to (i) an increase in payables for purchase of intangible assets from RMB83.7 million to RMB206.1 million and (ii) an increase in trade payables due to third parties from RMB94.0 million to RMB129.5 million, reflecting the continued expansion of our business, partially offset by a decrease in other payables due to related parties from RMB5.2 million to RMB2.4 million.

Trade and other payables increased from RMB633.9 million as of December 31, 2024 to RMB809.9 million as of December 31, 2025, primarily due to (i) an increase in trade payables due to third parties from RMB129.5 million to RMB301.6 million and (ii) an increase in advances for reimbursable expenses from nil to RMB47.4 million, reflecting the growth of our business, partially offset by a decrease in payables for purchase of intangible assets from RMB206.1 million to RMB139.9 million.

Aging Analysis

The table below sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB	*RMB* *(in thousands)*	*RMB*
Less than 1 year	96,068	163,166	325,871
Total	**96,068**	**163,166**	**325,871**

Turnover Days

The table below sets forth the turnover days of our trade payables for the year indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[(1)]	44	34	43

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balances of trade payables for that year divided by cost of sales for that year and multiplied by 365 days for 2023, 2024 and 2025.

Our trade payables turnover days decreased from 44 days in 2023 to 34 days in 2024, and increased to 43 days in 2025. Our trade payables turnover day was generally in line with the credit terms we granted to our suppliers during the respective year.

Subsequent Settlement

As of February 28, 2026, 52.2% of our total trade payables as of December 31, 2025, or RMB170.2 million, were settled.

Contract Liabilities

Contract liabilities represent our advance from customers. Contract liabilities increased from RMB453.5 million as of December 31, 2023 to RMB606.8 million as of December 31, 2024 and further to RMB1,258.5 million as of December 31, 2025, primarily an increase in advance payments received from customers in line with the significant growth in new orders.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL"), Current

	As of December 31,		
	2023	2024	2025
	RMB	*RMB* *(in thousands)*	*RMB*
Unlisted financial products	400,130	112,276	923,813
Total	**400,130**	**112,276**	**923,813**

Financial assets at FVTPL, current decreased from RMB400.1 million as of December 31, 2023 to RMB112.3 million as of December 31, 2024, primarily due to a decrease in unlisted financial products, as we redeemed certain bank wealth management products to meet our funding needs and did not reinvest in new structured deposits upon the maturity of existing ones. Financial assets at FVTPL, current increased to RMB923.8 million as of December 31, 2025, primarily due to an increase in unlisted financial products, as we deployed part of our available funds into structured deposits. See "— Disclosure About Financial Risks — Capital Management" for our capital management policy in relation to our financial assets.

CASH FLOWS

The table below sets forth our cash flows for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB	*RMB* *(in thousands)*	*RMB*
Net cash used in operating activities	(8,523)	(345,990)	(221,686)
Net cash (used in)/from investing activities	(426,196)	46,526	(1,023,179)
Net cash generated from financing activities	356,581	248,131	2,610,893
Net (decrease)/increase in cash and cash equivalents	**(78,138)**	**(51,333)**	**1,366,028**
Cash and cash equivalents as of the beginning of year	761,884	685,253	642,835
Effect of foreign exchange rate changes, net	1,507	8,915	(2,438)
Cash and cash equivalents as of the end of the year	**685,253**	**642,835**	**2,006,425**

Operating Activities

In 2025, we had net cash used in operating activities of RMB221.7 million, primarily consisting of loss before tax of RMB527.8 million, adjusted for non-operating and non-cash items mainly including (i) amortization of intangible assets of RMB164.4 million, (ii) depreciation of property and equipment of RMB62.7 million, and partially offset by (iii) loss from changes in fair value of FVTPL of RMB32.9 million. The amount was offset by change in working capital, including (i) an increase in trade, bill and other receivables and prepayment of RMB659.1 million, (ii) an increase in contract liabilities of RMB651.7 million, partially offset by (iii) an increase in trade and other payables of RMB251.9 million.

In 2024, we had net cash used in operating activities of RMB346.0 million, primarily consisting of our loss before tax of RMB600.9 million, adjusted for non-operating and non-cash items mainly including (i) amortization of intangible assets of RMB150.1 million, (ii) depreciation of property and equipment of RMB50.2 million, partially offset by (iii) interest income of RMB15.8 million. The amount was offset by change in working capital, including (i) an increase in contract assets of RMB153.9 million, (ii) a increase in contract liabilities of RMB153.3 million and (iii) an increase in inventories of RMB118.6 million.

In 2023, we had net cash used in operating activities of RMB8.5 million, primarily consisting of our loss before tax of RMB296.5 million, adjusted for non-operating and non-cash items mainly including (i) net impairment losses under ECL model of RMB125.5 million, (ii) amortization of intangible assets of RMB109.5 million, partially offset by (iii) interest income of RMB11.9 million. This amount was offset by change in working capital, including (i) a decrease in trade and other payables of RMB151.2 million, (ii) a decrease in inventories of RMB140.3 million and (iii) a decrease in contract liabilities of RMB92.9 million.

Investing Activities

In 2025, we had net cash used in investing activities of RMB1,023.2 million, primarily consisting of purchases of financial assets at FVTPL of RMB5,625.0 million and purchases of intangible assets of RMB154.0 million, partially offset by redemption of financial assets at FVTPL of RMB4,915.0 million.

In 2024, we had net cash generated from investing activities of RMB46.5 million, primarily consisting of redemption of financial assets at FVTPL of RMB1,954.0 million, partially offset by purchase of financial assets at FVTPL of RMB1,766.0 million and purchases of intangible assets of RMB102.5 million.

In 2023, we had net cash used in investing activities of RMB426.2 million, primarily consisting of purchases of financial assets at FVTPL of RMB730.0 million and purchases of intangible assets of RMB66.0 million, partially offset by redemption of financial assets at FVTPL of RMB430.0 million.

Financing Activities

In 2025, we had net cash generated from financing activities of RMB2,610.9 million, primarily consisting of proceeds from issue of shares of RMB1,806.9 million and proceeds from non-controlling interests of RMB570.0 million.

In 2024, we had net cash generated from financing activities of RMB248.1 million, primarily consisting of new bank loans raised of RMB496.2 million and proceeds from exercise of share-based payment of RMB17.1 million, partially offset by repayments of borrowings of RMB107.4 million.

In 2023, we had net cash generated from financing activities of RMB356.6 million, primarily consisting of new bank loans raised of RMB427.9 million and proceeds from exercise of share-based payment of RMB83.6 million, partially offset by repayments of other long-term liabilities of RMB74.0 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB	*RMB*	*RMB*	*RMB* *(unaudited)*
		(in thousands)		
Current				
Borrowings	94,754	311,694	442,886	458,635
Lease liabilities	20,393	37,351	35,430	30,800
Non-current				
Borrowings	659,611	832,553	1,124,313	1,143,869
Lease liabilities	22,266	44,528	39,652	39,868
Total	**797,024**	**1,226,126**	**1,642,281**	**1,673,172**

Borrowings

The table below sets for the categories of our borrowings as of the dates indicated.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB	*RMB*	*RMB*	*RMB* *(unaudited)*
		(in thousands)		
Unsecured	417,807	844,062	1,043,457	1,114,891
Secured and guaranteed	336,558	300,185	523,742	487,613
Total	**754,365**	**1,144,247**	**1,567,199**	**1,602,504**

As of February 28, 2026, our total banking facilities amounted to RMB2,654.0 million, of which RMB1,573.7 million had been utilized.

Lease liabilities

Our lease liabilities, including current and non-current portions, were primarily in relation to office leases.

The balance of our lease liabilities, including both current and non-current portions, increased from RMB42.7 million as of December 31, 2023 to RMB81.9 million as of December 31, 2024, primarily due the renewal of certain office leases. The balance of our lease liabilities, including both current and non-current portions, decreased from RMB81.9 million to RMB75.1 million, primarily due to unwinding of lease liabilities through periodic lease payments.

Contingent liabilities

As of February 28, 2026, we did not have any contingent liabilities. Save as disclosed above, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the latest practicable date for our indebtedness statement. We did not have any material covenants and undertakings on outstanding debts, guarantees, pledge of key assets or other contingent obligations, and breaches during the Track Record Period and up to the Latest Practicable Date. 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. Our Directors confirm that we did not have any material defaults on trade and non-trade payables and borrowings, or breaches of covenants during the Track Record Period and up to the date of this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

During the Track Record Period, our capital expenditures were primarily for purchase of property, plant and equipment and intangible assets. The table below sets forth our capital expenditure for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB	*RMB* (*in thousands*)	*RMB*
Purchases of property and equipment	42,239	41,131	61,062
Purchases of intangible assets	66,032	102,501	153,971
Total	**108,271**	**143,632**	**215,033**

Capital Commitment

The table below sets forth our capital commitment for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB	*RMB* (*in thousands*)	*RMB*
Capital expenditure in respect of purchase of inventory and other current assets contracted for but not provided in the consolidated financial statements	224,126	64,124	35,000
Total	**224,126**	**64,124**	**35,000**

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratio for the years or as of the dates indicated.

	Year ended December 31,		
	2023	2024	2025
YoY revenue growth[(1)]	(12.9)%	(0.5)%	35.9%
R&D expense ratio[(2)]	40.7%	53.8%	41.7%
Gross margin[(3)]	44.6%	39.9%	34.1%
Adjusted loss margin[(4)]	(12.5)%	(25.7)%	(15.6)%
Adjusted EBITDA margin[(5)]	(2.3)%	(12.9)%	(5.3)%
Debt-to-asset ratio[(6)]	17.1%	24.7%	20.3%

Notes:

(1) YoY revenue growth is calculated as the change in revenue from the previous year, divided by the revenue of the previous year, and multiplied by 100%.

(2) R&D expense ratio is calculated as research and development expenses for the year divided by revenue for the corresponding year, and multiplied by 100%.

(3) Gross margin is calculated as gross profit for the year divided by revenue for the corresponding year, and multiplied by 100%.

(4) Adjusted loss margin is calculated as adjusted loss for the year divided by revenue for the corresponding year, and multiplied by 100%. See also "— Non-IFRS Measures."

(5) Adjusted EBITDA margin is calculated as adjusted EBITDA for the year divided by revenue for the corresponding year, and multiplied by 100%. See also "— Non-IFRS Measures."

(6) Debt-to-asset ratio is calculated as total borrowings divided by total assets at the end of the corresponding year.

DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks including currency risk, credit risk and liquidity risk. For details of our risk exposure and sensitivity analysis, see note 43 to "Appendix I — Accountants' Report."

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value. Our overall strategy remained unchanged during the Track Record Period. Our capital structure consists of debt, which includes borrowings and lease liabilities.

Our Board is actively involved in overseeing and governing our investment activities. It approves our overall investment policy to ensure alignment with our strategic objectives and provides oversight for key decisions regarding capital management investments. Any proposed investment that exceeds a predetermined threshold or carries a higher level of risk requires prior approval from the Board. Furthermore, the Board receives regular reports on the performance and risk assessment of our investments, enabling it to provide ongoing guidance and oversight. Investments in wealth management products are subject to a multi-level approval process. Both the management team and the Board are involved, depending on the size and risk profile of the investment. This rigorous approval framework ensures that all investment decisions are thoroughly scrutinized and align with our financial and risk management objectives. The investment in these assets will be subject to the compliance with Chapter 14 of the Listing Rules upon the [**REDACTED**] and the [**REDACTED**].

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

DIVIDENDS

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, regulatory requirements in relation to declaration and payment of dividends, and any other factors that our Directors may consider important.

There is no assurance that dividends of any amount will be declared or be distributed in any year. We did not declare or pay dividends on our Shares during the Track Record Period. As of the Latest Practicable Date, we did not have any pre-determined dividend payout ratio. Pursuant to our Articles of Association and in accordance with the PRC Company Law and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》), we have adopted a general dividend policy, according to which we may declare dividend by way of cash dividends, stock dividends, or a combination of cash and stock dividends where conditions for dividend distribution are met. As advised by our PRC Legal Advisor, pursuant to the provisions of the PRC Company Law, only the residual after-tax profits of the Company after it has made up for its losses and accrued reserves may be used to distribute dividends. We will pay dividends according to the applicable PRC laws and our Articles of Association.

DISTRIBUTABLE RESERVE

As of December 31, 2025, we did not have distributable reserves.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RELATED-PARTY TRANSACTIONS

Related party transactions are set out in note 45 to "Appendix I — Accountants' Report." Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis. For related party loans, advances, guarantees and/or pledges of securities including the terms and the plans for these arrangements after the [**REDACTED**], if any, see also note 45 to "Appendix I — Accountants' Report."

UNAUDITED [REDACTED] FINANCIAL INFORMATION

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

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] commission and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. During the Track Record Period, we did not incur any [**REDACTED**] expenses.

Our [**REDACTED**] expenses are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**] commission), accounting for [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range stated in this document, and no exercise of the [**REDACTED**]). Among our [**REDACTED**] expenses, approximately HK$[**REDACTED**] is directly attributable to the [**REDACTED**] of H Shares and will be charged to equity upon completion of the [**REDACTED**], and approximately HK$[**REDACTED**] has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The [**REDACTED**] expenses we incurred during the Track Record Period and expect to incur would consist of approximately HK$[**REDACTED**] [**REDACTED**] related expenses and fees (including but not limited to [**REDACTED**] and fees), approximately HK$[**REDACTED**] non-[**REDACTED**]-related expenses and fees of the legal advisors and reporting accountant and approximately HK$[**REDACTED**] for other non-[**REDACTED**]-related fees and expenses. During the Track Record Period, our incurred [**REDACTED**] expenses amounted to nil. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025 and there has been 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.