*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for each of the years ended December 31, 2023, 2024 and 2025 included in the Accountants' Report set out in Appendix I to this Document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**").*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance 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 events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Document.

OVERVIEW

We are a full-stack provider of smart hardware product solutions in the AI era, and one of the global top ten manufacturing solution providers for smartphone brands by shipment volume in 2025, according to Frost & Sullivan. We offer worldwide services from product definition, design and development to manufacturing and delivery. We recorded revenue of RMB2,225.2 million, RMB3,508.5 million and RMB3,219.3 million in 2023, 2024 and 2025, respectively. Our gross profit was RMB221.3 million, RMB239.0 million, and RMB304.6 million, in 2023, 2024 and 2025, respectively, with a gross profit margin of 9.9%, 6.8%, and 9.5% in the same year.

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with all applicable IFRS as issued by the IASB.

For more information on the basis of preparation of the historical financial information included herein, please refer to Note 1 to the Accountants' Report in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, including but not limited to the following.

Growth in Smart Hardware and AIoT Market Demand

As a full-stack provider of smart hardware product solutions in the AI era, we offer worldwide services from product definition, design and development to manufacturing and delivery. During the Track Record Period, we primarily generated revenue from smart terminal including smartphones, consumer tablets and components. As such, our results of operations are affected by the market demand for smart terminal by manufacturing solution providers. According to Frost & Sullivan, the global shipments of smart terminal by manufacturing solution providers are expected to increase from 1,320.4 million units in 2025 to 1,517.5 million units in 2030, representing a CAGR of 2.8%. In particular, the global shipments of smartphones by manufacturing solution providers reached 986.4 million units in 2025 and is expected to further increase to 1,124.5 million units in 2030 with a CAGR of 2.7%. Within such market trend, the selling volume of our smart terminal products, for example, increased from 8.1 million units in 2023 to 13.0 million units in 2024, and slightly decreased to 12.0 million units in 2025. As a result, we recorded revenue of RMB2,094.9 million, RMB3,383.4 million and RMB3,031.1 million in 2023, 2024 and 2025, respectively, from the sales of smart terminal products. See "— Review of

Historical Results of Operations" for details. Our results of operations will be affected by the future growth of smart hardware market and our ability to keep pace with market demand and maintain or increase our market share.

In addition, our business and results of operations are also affected by the general market demand for our new products. We are actively capitalizing on opportunities in next-generation AIoT products. In 2025, market size of AIoT products manufacturing solution was approximately RMB282.1 billion, which is expected to further increase to RMB1,965.9 billion by 2030, representing a CAGR of approximately 47.4%. Among which, the consumer AIoT segment is projected to reach approximately RMB655.2 billion by 2030, representing a CAGR of approximately 45.6%, while the enterprise AIoT segment is expected to reach approximately RMB1,310.7 billion, representing a CAGR of approximately 48.4%. The selling volume of our smart wearables, a substantial portion of our AIoT products, decreased from 469.5 thousand units in 2023 to 402.8 thousand units in 2024, and rebounced to 679.6 thousand units in 2025. We recorded revenue of RMB128.6 million, RMB112.7 million and RMB179.9 million from sales of AIoT products in 2023, 2024 and 2025, respectively. See "— Review of Historical Results of Operations" for details.

In addition, we mainly operate in the global smart hardware and AIoT industry, which are highly competitive and concentrated. According to Frost & Sullivan, the global smart hardware and AIoT industry is undergoing a period of structural adjustment and technological evolution. During the Track Record Period, demand for smart terminals, including smartphones and tablets, has shown signs of stabilization, while AIoT-related products such as smart wearables, audio devices and smart eyewear have experienced differentiated growth across various application scenarios and regional markets. In particular, the adoption of AI-enabled smart hardware in selected consumer and industry use cases has continued to expand, driven by evolving user demand and advances in underlying technologies. As we seek to expand into new AIoT product category to further support our future revenue growth and profitability, our financial performance and results of operations will be affected by the market demand for these products and our ability to successfully expand into these markets.

Ability to Deepen Relationships with Existing Customers and Engage New Customers

Our financial performance and future growth are affected by our ability to maintain and deepen relationships with our existing customers and to further expand new customer base. Our customers primarily consist of global smart hardware brands and leading technology companies, many of which maintain stringent supplier qualification standards. We have also established an extensive core customer base, including leading brands such as Transsion, ZTE, and TCL.

We are committed to expanding our cooperation with existing customers, including enhancing industry insights, developing technologies to improve our product performance, and providing more innovative products that adapt to evolving customer needs. Our long-term and deepened relationships with our existing customers, especially our major customers, may materially affect our results of operation and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — We derived a substantial portion of revenue from certain major customers during the Track Record Period and the loss of, or a significant reduction in, revenue from such customers could materially and adversely affect our results of operations."

We are dedicated to identifying, engaging and retaining new customers to expand our customer base in the PRC and worldwide. Leveraging our deep insights and strong capabilities in delivering professional full-stack research, design, manufacturing, and comprehensive services, we are committed to attracting renowned smart hardware brands and leading technology companies worldwide. For example, for our smart terminal products, we have strategically expanded into emerging regions and continuously optimized our customer base to ensure the ongoing success of our smartphone business. For the AIoT business, we have successfully become a major provider of smart wearables and enterprise

AIoT solutions. As we continue to develop and launch products with market competitiveness, promote our brand, expand our production capacity and enhance our global presence, we expect to attract more customers and achieve sustainable revenue growth in the future.

Product Mix

Our gross profit margin varies across product types and collaboration models, due to a variety of factors including manufacturing costs, cost structures for raw materials, technological advancement, pricing power, market demand, and availability of competing products, among others. We need to continuously enhance our product mix by introducing new products that are value-added and can generate higher gross margins in order to improve our overall results of operations. For example, our AIoT devices have a relatively higher gross profit margin and may experience more rapid growth, affecting our revenue mix. For example, gross profits margin of our AIoT products achieved 18.3%, 22.0% and 19.6% in 2023, 2024 and 2025, as compared to our smart terminal products of 9.4%, 6.2% and 8.8% for the same years. Meanwhile, the selling volume of AIoT products increased by 41.4% from 0.7 million units in 2024 to 1.0 million units in 2025, driving our revenue from AIoT products to increase by 59.6% from RMB112.7 million to RMB179.9 million over the same year. These changes reflect our rapid growth in AIoT products. Changes in our product mix and revenue mix in the future, as well as our ability to develop products with higher technological advancement and penetrate high potential segments, may also affect our overall gross profit margin and subsequently other aspects of our business performance.

Ability to Continuously Develop New Products and Secure Purchase Orders

We are a fast growing full-stack provider of smart hardware solutions in the AI era, and our product solutions compete in highly competitive markets that include intense price competition, frequent introduction of new products, frequent consumer demands for product replacement or upgrade, rapid commercial adoption of technological advancements and diverse preferences of consumers. Our ability to continuously develop new products through advancement of our R&D activities is crucial to our sustained business growth. Our financial performance and future growth are also affected by our ability to maintain close collaboration with industry leaders. By partnering with industry leaders, we can quickly respond to market demands and industry trends. Combined with our own industry insights and foresight, this enables us to effectively guide market development and support our technological innovation and product upgrades.

Our results of operations will be impacted by the timely development of new products and the successful adaptation to our customers' needs. During the Track Record Period, we have developed a variety of new products. As a result, our number of product categories increased from three as of January 1, 2023 to 13 as of the Latest Practicable Date, expanding into AI data acquisition terminals, AI payment terminals, AI glasses, robotic industry and AIoT components and modules. We plan to continue following the "1+X+N" strategic framework and deepen deployment across multiple vertical application scenarios. Based on our core smart terminal business, we will proactively explore and continuously develop our Innovatech platform as well as AIoT software–hardware integration, building a diversified and dynamic ecosystem. Our historical and future business growth will be supported by our continuous development of new products.

Cost Control and Operational Efficiency

Our ability to achieve and maintain profitability partially depends on our ability to control our costs and expenses and enhance our operating efficiency. In 2023, 2024 and 2025, our cost of sales primarily consisted of material costs, which amounted to RMB1,945.0 million, RMB3,158.5 million, and RMB2,777.8 million, respectively, representing 87.4%, 90.0%, and 86.3% of our revenue for the respective periods. Our primary raw materials include electronic components and structural materials required for smart terminal and AIoT hardware manufacturing. Our ability to improve operational efficiency and maintain effective cost control will also affect our results of operations.

In addition, we adopt a flexible manufacturing model that combines in-house production capabilities with outsourcing arrangements to support agile delivery. We conduct production at our manufacturing base in Yibin, which serves as our core production center. In July 2024, we commenced operations at the phase II expansion of our Yibin manufacturing base, which was designed to expanding production capacity and increasing multi-category delivery capabilities. A portion of the production capacity at this manufacturing base has been reserved and is not yet fully operational. We plan to gradually activate this reserved capacity between May and June 2026, primarily to support the anticipated growth in our AIoT-related product lines. The phased commissioning of this base allows us to align capacity expansion with customer demand and product development progress while maintaining operational and capital utilization efficiency. Our ability to effectively control manufacturing costs as we continue to ramp up our production volume has affected and will continue to affect our financial results significantly.

R&D Capabilities

Our R&D capabilities are fundamental and crucial to our business operations and financial performance. We view R&D as a core driver of our long-term competitiveness, scalability and product innovation, and we have built our R&D capabilities to support delivery across our smart terminal and AIoT hardware businesses, from product definition and system architecture to engineering validation and mass-production readiness. Over our 17-year industry experience, we have continued to invest in systematic capability building, including the establishment of the Group R&D Center and sustained R&D spending, supported by a sizeable engineering team. Our R&D footprint is organized around a multi-region structure anchored by Shanghai as our headquarter and major R&D hub, complemented by specialized R&D units across multiple locations (including, among others, Nanjing, Hefei, Chongqing, Shenzhen and Xi'an), and closely linked to our manufacturing base in Yibin, enabling tighter design for-manufacturability operation and faster commercialization cycles. Our research and development costs amounted to RMB68.9 million, RMB73.2 million and RMB99.8 million in 2023, 2024 and 2025, respectively. We are committed to long-term investment in R&D activities and our historical R&D investment continues to translate into commercial success, allowing us to benefit from our R&D activities.

MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions, and judgments have a significant impact on our financial position and results of operations. Our management continuously evaluates such estimates, assumptions, and judgments based on past experience, industry practices, and expectations of future events that are deemed reasonable under the circumstances. During the Track Record Period, there had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. Our material accounting policy information, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 2 and 3 to the Accountants' Report included in Appendix I to this Document.

KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss with line items in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
REVENUE	2,225,241	100.0	3,508,457	100.0	3,219,341	100.0
Cost of sales	(2,003,894)	(90.1)	(3,269,502)	(93.2)	(2,914,740)	(90.5)
GROSS PROFIT	221,347	9.9	238,955	6.8	304,601	9.5
Other net income	8,339	0.4	35,109	1.0	22,550	0.7
Selling and marketing expenses	(3,309)	(0.1)	(6,077)	(0.2)	(8,568)	(0.3)
Administrative expenses	(91,274)	(4.1)	(111,684)	(3.2)	(135,960)	(4.2)
Research and development costs	(68,887)	(3.1)	(73,245)	(2.1)	(99,845)	(3.1)
Impairment (loss)/reversal on trade receivables	2,916	0.1	(5,739)	(0.2)	(679)	(0.0)
Profit from operations	69,132	3.1	77,319	2.2	82,099	2.6
Finance costs	(5,505)	(0.2)	(10,387)	(0.3)	(12,115)	(0.4)
Share of loss of joint venture	(2,330)	(0.1)	(193)	(0.0)	–	–
PROFIT BEFORE TAXATION	61,297	2.8	66,739	1.9	69,984	2.2
Income tax (expense)/benefit	(5,139)	(0.2)	(4,663)	(0.1)	233	0.0
PROFIT FOR THE YEAR	56,158	2.5	62,076	1.8	70,217	2.2

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived revenue from sales of (i) smart terminal products, including smartphones, consumer tablets and components through direct sales to our customers; and (ii) AIoT products, including smart wearables and enterprise AIoT products. In 2023, 2024 and 2025, we generated revenue of RMB2,225.2 million, RMB3,508.5 million, and RMB3,219.3 million, respectively. See "Business — Our Products" for details.

Revenue by Product Category

The following table sets forth a breakdown of our revenue by product category in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart Terminal Products:						
– Smartphones	1,949,305	87.7	3,359,475	95.7	2,983,958	92.7
– Others[(1)]	145,586	6.4	23,882	0.7	47,163	1.5
Subtotal	**2,094,891**	**94.1**	**3,383,357**	**96.4**	**3,031,121**	**94.2**
AIoT Products:						
– Smart wearables	94,786	4.3	71,930	2.1	118,491	3.7
– Enterprise AIoT products	33,780	1.5	40,787	1.2	61,436	1.9
Subtotal	**128,566**	**5.8**	**112,717**	**3.3**	**179,927**	**5.6**
Others	**1,784**	**0.1**	**12,383**	**0.3**	**8,293**	**0.2**
Total	**2,225,241**	**100.0**	**3,508,457**	**100.0**	**3,219,341**	**100.0**

Note:

(1) Refers to the sales of consumer tablets and components.

The table below sets forth the breakdown of the selling volume and average selling price by key product category for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Selling Volume	Average Selling Price	Selling Volume	Average Selling Price	Selling Volume	Average Selling Price
	Unit	*RMB*	*Unit*	*RMB*	*Unit*	*RMB*
Smart Terminal Products:						
– Smartphones	8,091,203	240.9	12,978,408	258.9	12,031,673	248.0
AIoT Products:						
– Smart wearables	469,500	201.9	402,847	178.6	679,560	174.4
– Enterprise AIoT products	343,220	98.4	330,099	123.6	357,018	172.1
Subtotal	**812,720**	**158.2**	**732,946**	**153.8**	**1,036,578**	**173.6**
Total	**8,903,923**	**233.4**	**13,711,354**	**253.2**	**13,068,251**	**242.1**

During the Track Record Period, a majority of our revenue was derived from smart terminal products. Growth in sales in this category from 2023 to 2024, was primarily driven by (i) launch of several best-selling models of our customers in the overseas markets which contributed to a significant increase in selling volume of smartphones; and (ii) the expansion of our production capacity after we commenced operation at phase II expansion of our Yibin manufacturing base, which enables us to accommodate growing customer needs. Decrease in sales in this category from 2024 to 2025, was primarily driven by our enhanced customer and product mix, which focus on diversifying customer base and higher gross margin product offerings.

Sales of our AIoT products achieved sustained growth from 2024 to 2025, primarily driven by (i) the expansion of our product categories as a result of our continuous R&D efforts on new AIoT initiatives, such as walkie-talkies and children's smartwatches, and cooperation with existing and new customers and brands in new industrial sectors; and (ii) our commencement of self-production for AIoT products to accommodate growing customer demand.

During the Track Record Period, fluctuations in average selling prices of our smart terminal products and AIoT products are subject to changes in product categories and models we offered for the respective year.

For more details in relation to the changes in our revenue, selling volume and average selling price by product category and during the Track Record Period, see "— Review of Historical Results of Operations."

Revenue by Geographic Location

The following table sets forth our revenue by our customers' geographic location based on the location at which the goods were sold for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	2,120,841	95.3	3,485,651	99.3	3,181,550	98.8
Other countries/regions [1]	104,400	4.7	22,806	0.7	37,791	1.2
Total	**2,225,241**	**100.0**	**3,508,457**	**100.0**	**3,219,341**	**100.0**

Note:

(1) Other countries/regions include Hong Kong, the United States, South Africa, and South America.

Cost of Sales

Our cost of sales primarily consists of (i) materials costs, (ii) labor costs, and (iii) manufacturing costs. During the Track Record Period, the proportion and fluctuation trends of our cost of sales were generally in line with changes in our revenue. Our cost of sales was RMB2,003.9 million, RMB3,269.5 million, and RMB2,914.7 million, in 2023, 2024 and 2025, respectively.

Cost of Sales by Nature

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
COST OF SALES						
Materials costs	1,945,047	97.1	3,158,549	96.6	2,777,788	95.3
Labor costs	29,173	1.5	54,538	1.7	66,189	2.3
Manufacturing costs	21,510	1.1	42,375	1.3	53,183	1.8
Amortization and Depreciation	4,179	0.2	6,427	0.2	9,951	0.3
Transportation costs	3,985	0.1	7,613	0.2	7,629	0.3
Total	**2,003,894**	**100.0**	**3,269,502**	**100.0**	**2,914,740**	**100.0**

Cost of Sales by Product Category

During the Track Record Period, the proportion and fluctuation trends of our cost of sales by product category were generally in line with changes in our revenue by product category. The following table sets forth our cost of sales by product category for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart Terminal Products:						
– Smartphones	1,780,063	88.8	3,153,534	96.6	2,725,275	93.4
– Others[1]	117,950	5.9	19,671	0.5	39,691	1.4
Subtotal	**1,898,013**	**94.7**	**3,173,205**	**97.1**	**2,764,966**	**94.8**
AIoT Products:						
– Smart wearables	76,879	3.9	57,170	1.7	95,990	3.3
– Enterprise AIoT products	28,212	1.4	30,712	0.9	48,666	1.7
Subtotal	**105,091**	**5.3**	**87,882**	**2.6**	**144,656**	**5.0**
Others	**790**	**0.0**	**8,415**	**0.3**	**5,118**	**0.2**
Total	**2,003,894**	**100.0**	**3,269,502**	**100.0**	**2,914,740**	**100.0**

Note:

(1) Refers to the sales of consumer tablets and components.

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, our gross profit was RMB221.3 million, RMB239.0 million, and RMB304.6 million, respectively. Our gross profit margin was 9.9%, 6.8%, and 9.5% for the corresponding years.

Gross Profit and Gross Profit Margin by Product Category

The following table sets forth the breakdown of our gross profit and gross profit margin by product category for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart Terminal Products:						
– Smartphones	169,242	8.7	205,941	6.1	258,683	8.7
– Others[1]	27,636	19.0	4,211	17.6	7,472	15.8
Subtotal	**196,878**	**9.4**	**210,152**	**6.2**	**266,155**	**8.8**
AIoT Products:						
– Smart wearables	17,907	18.9	14,760	20.5	22,501	19.0
– Enterprise AIoT products	5,568	16.5	10,075	24.7	12,770	20.8
Subtotal	**23,475**	**18.3**	**24,835**	**22.0**	**35,271**	**19.6**
Others	**994**	**55.7**	**3,968**	**32.0**	**3,175**	**38.3**
Total	**221,347**	**9.9**	**238,955**	**6.8**	**304,601**	**9.5**

Note:

(1) Refers to the sales of consumer tablets and components.

The changes in gross profit and gross profit margin during the Track Record Period were subject to a variety of factors, including but not limited to our sales and marketing strategies, change in customer and product mix, industry competition, cost controls measures and others. For details in relation to the changes in our gross profit and gross margin during the Track Record Period, see "— Review of Historical Results of Operations."

Other Net Income

During the Track Record Period, our other net income consists primarily of value-added tax additional deduction and government grants. In 2023, 2024 and 2025, our other income and net gain was RMB8.3 million, RMB35.1 million, and RMB22.6 million, respectively.

The following table sets forth a breakdown of our other net income for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other net income						
Value-added tax additional deduction	–	0.0	33,800	96.3	20,947	92.9
Interest income	392	4.7	156	0.4	71	0.3
Government grants	7,034	84.4	1,836	5.2	1,970	8.7
Others[1]	913	10.9	(683)	(1.9)	(438)	(1.9)
Total	8,339	100.0	35,109	100.0	22,550	100.0

Note:

(1) Others include fair value change on financial instruments, foreign exchange gain/(loss), net loss on disposal of property, plant and equipment and other miscellaneous expenses.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) salaries, compensations and benefits in relation to our sales personnels; (ii) marketing and promotion expenses; and (iii) business development expenses. In 2023, 2024 and 2025, our selling and marketing expenses were RMB3.3 million, RMB6.1 million, and RMB8.6 million, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the years indicated, both in absolute amounts and as a percentage of our total selling and marketing expenses:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Selling and marketing expenses						
Salaries, compensations and benefits	2,597	78.5	4,464	73.5	7,075	82.6
Business development expenses	214	6.5	662	10.9	400	4.7
Marketing and promotion expenses	472	14.3	900	14.8	1,058	12.3
Others	26	0.7	51	0.8	35	0.4
Total	**3,309**	**100.0**	**6,077**	**100.0**	**8,568**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) salaries, compensations and benefits in relation to our administrative personnel; (ii) office expenses, including rental expenses for our office, travel expenses and entertainment expenses; and (iii) professional services fee, including fees related to audit, recruitment, and training.

In 2023, 2024 and 2025, our administrative expenses were RMB91.3 million, RMB111.7 million, and RMB136.0 million, respectively. The following table sets forth a breakdown of our administrative expenses for the years indicated, both in absolute amounts and as a percentage of our total administrative expenses:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Administrative expenses						
Employee Salaries, compensations and benefits	67,871	74.4	87,939	78.7	105,254	77.4
Office expenses	20,487	22.4	21,158	18.9	28,105	20.7
Professional services fee	2,054	2.3	2,179	2.0	2,059	1.5
Others	862	0.9	408	0.4	542	0.4
Total	**91,274**	**100.0**	**111,684**	**100.0**	**135,960**	**100.0**

Research and Development Costs

Our research and development costs primarily consist of (i) salaries, compensations and benefits in relation to our R&D personnels; (ii) materials and consumables used; (iii) technical support service expenses, mainly including fees for testing and outsourcing R&D; and (iv) depreciation and amortization expenses.

In 2023, 2024 and 2025, our research and development costs were RMB68.9 million, RMB73.2 million, and RMB99.8 million, respectively. The following table sets forth a breakdown of our research and development costs by nature for the years indicated, both in absolute amounts and as a percentage of our total research and development costs:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development costs						
Salaries, compensations and benefits	35,992	52.2	46,746	63.8	77,528	77.6
Materials and consumables used	18,212	26.4	13,081	17.9	11,486	11.5
Technical support service expenses	9,602	13.9	8,548	11.7	5,089	5.1
Depreciation and amortization expenses	2,507	3.6	2,206	3.0	2,285	2.3
Others[(1)]	2,574	3.9	2,664	3.6	3,457	3.5
Total	**68,887**	**100.0**	**73,245**	**100.0**	**99,845**	**100.0**

Notes:

(1) Others mainly represent fees related to traveling, utilities, and office charges, and other miscellaneous expenses.

(Reversal of)/Impairment Loss on Trade Receivables

During the Track Record Period, our net reversal of impairment losses or impairment losses on financial assets were primarily related to the impairment of our trade receivables. In 2023, we recorded net reversal of impairment losses on trade receivables of RMB2.9 million. In 2024 and 2025, we recorded net impairment losses on trade receivables of RMB5.7 million and RMB0.7 million, respectively.

Finance Costs

Our finance costs consist of interest on loans and borrowings, lease liabilities, and financial instruments issued to investor. In 2023, 2024 and 2025, our finance costs were RMB5.5 million, RMB10.4 million, and RMB12.1 million, respectively.

Share of Losses of Joint Venture

In 2023, 2024 and 2025, our share of losses of joint venture were RMB2.3 million, RMB0.2 million, and nil, respectively.

Income Tax (Expense)/Benefit

In 2023 and 2024, we recorded income tax expense of RMB5.1 million and RMB4.7 million, respectively. In 2025, our income tax benefit was RMB0.2 million. In 2023 and 2024, our effective tax rate was 8.4% and 7.0%, respectively. In 2025, our effective tax rate was negative 0.3% since our research and development costs qualified for tax deduction as a percentage of profits before taxation increased significantly. The following summarizes certain tax laws and regulations applicable to us in the PRC and Hong Kong. A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdiction in which the Company and our major subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates. See Note 7 to the Accountants' Report as set out in Appendix I to this Document.

PRC

According to the Corporate Income Tax Law of China (the "**Tax Law**"), the Group's subsidiaries in the PRC are subject to statutory income tax rate of 25%, except for those which are entitled to a preferential tax rate applicable to high and new technology enterprises of 15%. The Company and certain PRC subsidiaries of the Group obtained the certificate of high and new technology enterprise and were subject to income tax rate at 15% during the Track Record Period.

Hong Kong

Pursuant to the income tax rules and regulations of Hong Kong, Innovatech (HK) Information Technology Limited was liable to the Hong Kong Profits Tax at a rate of 16.5% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any outstanding enquiry, audit, investigation, challenge or penalty from tax authorities in relation to our tax filings.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

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

Revenue

Our total revenue decreased by 8.2% from RMB3,508.5 million in 2024 to RMB3,219.3 million in 2025, primarily due to the decrease in sales of our smart terminal products.

Revenue by Products Category

Smart terminal products: Our revenue derived from the sales of smartphones decreased by 11.2% from RMB3,359.5 million in 2024 to RMB2,984.0 million in 2025, and the average selling price decreased from RMB258.9 to RMB248.0 for the same year, primarily due to our enhanced customer and product mix, which focus on diversifying customer base and higher margin product offerings.

AIoT products: Our revenue derived from AIoT products increased by 59.6% from RMB112.7 million in 2024 to RMB179.9 million in 2025, primarily as a result of (i) the expansion of our product categories as a result of our continuous R&D efforts on new AIoT initiatives, such as walkie-talkies and children's smartwatches, and cooperation with existing and new customers and brands in new industrial sectors; and (ii) our commencement of self-production for AIoT products to accommodate growing customer demand. The average selling price of AIoT products increased from RMB153.8 to RMB173.6 for the same year, primarily as a result of a greater contribution of high-value AIoT products, such as walkie-talkies, in the product mix.

Cost of Sales

Our total cost of sales decreased by 10.9% from RMB3,269.5 million in 2024 to RMB2,914.7 million in 2025, which was generally in line with revenue change.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 27.5% from RMB239.0 million in 2024 to RMB304.6 million in 2025. Our overall gross profit margin increased from 6.8% in 2024 to 9.5% in 2025, driven by (i) improvement of our gross profit margin in smartphones; and (ii) a greater revenue contribution from our sales of AIoT products in 2025 which carried a relatively higher gross profit margin.

Smart terminal products: For our smartphones, the gross profit increased by 25.6% from RMB205.9 million in 2024 to RMB258.7 million in 2025, which was due to increase in our gross profit margin from 6.1% to 8.7%. Such growth in gross profit margin was primarily as a result of our enhanced customer and product mix, which focuses on diversified customer base and higher gross margin product offerings.

AIoT products: For our AIoT products, the gross profit increased by 42.0% from RMB24.8 million in 2024 to RMB35.3 million in 2025 which was in line with revenue growth from AIoT products. The gross profit margin decreased from 22.0% in 2024 to 19.6% in 2025, primarily due to (i) a greater contribution of smart wearables for the year which generally carried a relatively lower gross profit margin; and (ii) a decrease in gross profit margin of our enterprise AIoT products resulting from higher prices of raw materials.

Other Net Income

Our other net income decreased by 35.8% from RMB35.1 million in 2024 to RMB22.6 million in 2025, primarily due to the decrease in value-added tax additional deduction because (i) in 2024, our subsidiary, Sichuan Yijing, recorded higher amount of input VAT in relation to addition of property, plant and equipment; (ii) the scale of raw material procurement in 2024 was larger than that in 2025, which was in line with our sales volume, resulting in higher additional deduction income in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 41.0% from RMB6.1 million in 2024 to RMB8.6 million in 2025, primarily due to an increase in number of our sales personnel to promote new product categories and models. Our selling and marketing expenses as a percentage of revenue remained stable in 2024 and 2025.

Administrative Expenses

Our administrative expenses increased by 21.7%, from RMB111.7 million in 2024 to RMB136.0 million in 2025, primarily due to the increase in number of administrative staffs supporting our business growth.

Research and Development Costs

Our research and development costs increased by 36.3% from RMB73.2 million in 2024 to RMB99.8 million in 2025, primarily as a result of our expansion of R&D department and the increase in the number of R&D personnel, with a corresponding rise in R&D investment.

Impairment Loss on Trade Receivables

Our impairment loss on trade receivables was decreased by 88.2% from RMB5.7 million in 2024 to RMB0.7 million in 2025, primarily as a result of higher trade receivable balance at year-end 2024.

Finance Costs

Our finance costs increased by 16.6% from RMB10.4 million in 2024 to RMB12.1 million in 2025, primarily as a result of (i) increased discounted bills financing due to an increase in sales to customers that settled with commercial bills; and (ii) the increase in balances of our bank loans.

Share of Loss of Joint Venture

Our share of loss of joint venture was RMB0.2 million and nil in 2024 and 2025, respectively, primarily because our joint venture ceased operations in 2025.

Income Tax (Expenses)/Benefit

We recorded income tax expenses of RMB4.7 million in 2024, and income tax benefit of RMB0.2 million in 2025, primarily due to an increase in the additional deduction for research and development costs. Our effective income tax rate (calculated as income tax expense divided by profit before taxation) decreased from 7.0% in 2024 to negative 0.3% in 2025, since our research and development costs qualified for tax deduction as a percentage of profits before taxation increased significantly.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 13.1%, from RMB62.1 million in 2024 to RMB70.2 million in 2025. Our net profit margin increased from 1.8% in 2024 to 2.2% in 2025.

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

Revenue

Our total revenue increased by 57.7% from RMB2,225.2 million in 2023 to RMB3,508.5 million in 2024, primarily due to the significant growth of our sales volume in smart terminal products.

Revenue by Products Category

Smart terminal products: Our revenue derived from the sales of smartphones increased by 72.3% from RMB1,949.3 million in 2023 to RMB3,359.5 million in 2024, primarily due to (i) launch of several best-selling models of our customers in the overseas markets which contributed to a significant increase in selling volume of smartphones; and (ii) the expansion of our production capacity after we commenced operation at phase II expansion of our Yibin manufacturing base, which enables us to accommodate growing customer needs. The revenue from others decreased by 83.6% from RMB145.6 million in 2023 to RMB23.9 million in 2024, primarily due to the expiration of sales contract of one tablet customer.

AIoT products: Our revenue derived from the sales of AIoT products decreased by 12.3% from RMB128.6 million in 2023 to RMB112.7 million in 2024, primarily due to a decrease in sales to one of our major customers in smart wearables, partially offset by an increase in sales of new enterprise AIoT products, such as walkie-talkies.

Cost of Sales

Our cost of sales increased by 63.2% from RMB2,003.9 million in 2023 to RMB3,269.5 million in 2024, which was generally in line with revenue growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 8.0% from RMB221.3 million in 2023 to RMB239.0 million in 2024. Our overall gross profit margin decreased from 9.9% in 2023 to 6.8% in 2024, driven by (i) a greater contribution of our sales of smartphones due to a higher shipment volume in smartphones in 2024 since the commencement of operations of Phase II of Yibin manufacturing base to accommodate growing customer need; and (ii) smartphone products carried a relatively lower gross profit margin in 2024 as compared to 2023.

Smart terminal products: For our smartphones, the gross profit increased by 21.7% from RMB169.2 million in 2023 to RMB205.9 million in 2024, while the gross profit margin decreased from 8.7% to 6.1%, driven by a greater contribution of certain smartphone models that carried higher price and lower margin.

AIoT products: For our AIoT products, the gross profit remained stable at RMB23.5 million in 2023 to RMB24.8 million in 2024. The gross profit margin increased from 18.3% in 2023 to 22.0% in 2024, benefited from the mass delivery of certain enterprise AIoT products, such as walkie-talkie, in 2024.

Other Net Income

Our other net income increased by 321.1% from RMB8.3 million in 2023 to RMB35.1 million in 2024, primarily because our subsidiary, Sichuan Yijing, has been recognized as a high-tech enterprise and qualified for value-added tax additional deduction in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 83.7% from RMB3.3 million in 2023 to RMB6.1 million in 2024, primarily due to increases in (i) number of our sales personnel and (ii) marketing and promotion expenses, to promote new product categories and models. Our selling and marketing expenses as a percentage of revenue remained stable in 2023 and 2024.

Administrative Expenses

Our administrative expenses increased by 22.4%, from RMB91.3 million in 2023 to RMB111.7 million in 2024, primarily due to the increase in number of administrative staffs supporting our business growth.

Research and Development Costs

Our research and development costs increased by 6.3% from RMB68.9 million in 2023 to RMB73.2 million in 2024, primarily as a result of the increase in the number of R&D personnel.

Impairment Reversal/(Loss) on Trade Receivables

Our impairment reversal on trade receivables was RMB2.9 million in 2023, while our impairment loss on trade receivables was RMB5.7 million in 2024, primarily due to impairment individually assessed on certain long-aged trade receivables.

Finance Costs

Our finance costs increased by 88.7% from RMB5.5 million in 2023 to RMB10.4 million in 2024, primarily as a result of (i) the increase in balances of our bank loans; and (ii) increased discounted bills financing due to an increase in sales to customers that settled with commercial bills.

Share of Loss of Joint Venture

Our share of loss of joint venture decreased by 91.7% from RMB2.3 million in 2023 to RMB0.2 million in 2024, primarily because the shareholders of our joint venture agreed to cease its operations in 2023, and thereby only limited administrative expenses were incurred in 2024.

Income Tax Expense

Our income tax decreased by 9.3% from RMB5.1 million in 2023 to RMB4.7 million in 2024, primarily due to an increase in the additional deduction for research and development costs. Our effective income tax rate (calculated as income tax expense divided by profit before taxation) decreased from 8.4% in 2023 to 7.0% in 2024.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 10.5% from RMB56.2 million in 2023 to RMB62.1 million in 2024. Our net profit margin decreased from 2.5% in 2023 to 1.8% in 2024.

SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth summary information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our historical financial information included in Appendix I to this document.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	41,886	86,215	72,875
Right-of-use assets	26,887	23,817	18,770
Intangible assets	871	2,889	2,962
Equity securities designated at fair value through other comprehensive income ("**FVOCI**")	1,429	1,200	4,802
Deferred tax assets	6,399	12,084	20,009
Other non-current assets	6,491	9,705	6,119
Total non-current assets	**83,963**	**135,910**	**125,537**

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Loans and borrowings	–	15,382	976
Lease liabilities	12,248	8,698	5,234
Deferred tax liabilities	66	42	44
Total non-current liabilities	**12,314**	**24,122**	**6,254**
CURRENT ASSETS			
Inventories	109,170	452,195	365,654
Trade and other receivables	222,472	1,599,265	672,296
Financial assets measured at fair value through profit or loss ("**FVPL**")	–	–	40,036
Restricted bank deposits	3,000	4,000	–
Cash and cash equivalents	47,361	7,802	16,929
Total current assets	**382,003**	**2,063,262**	**1,094,915**
CURRENT LIABILITIES			
Trade and other payables	256,181	1,708,780	579,710
Contract liabilities	40,737	18,854	33,954
Loans and borrowings	60,284	272,263	353,725
Lease liabilities	3,762	4,710	3,466
Financial instruments issued to investors	–	10,054	10,289
Current taxation	6,061	14,560	18,974
Total current liabilities	**367,025**	**2,029,221**	**1,000,118**
NET CURRENT ASSETS	**14,978**	**34,041**	**94,797**
NET ASSETS	**86,627**	**145,829**	**214,080**

Property, Plant and Equipment

Our property, plant and equipment consist of machinery, buildings, office equipment and electronic devices, vehicles, construction in progress, and leasehold improvements. Our property, plant and equipment increased from RMB41.9 million as of December 31, 2023 to RMB86.2 million as of December 31, 2024, which related to the construction and commencement of operation of Phase II of Yibin manufacturing base. Our property, plant and equipment decreased to RMB72.9 million as of December 31, 2025, primarily due to the depreciation on office equipment and electronic devices and on machinery.

Right-of-use Assets

Our right-of-use assets consist of land use rights and buildings. Our right-of-use assets decreased from RMB26.9 million as of December 31, 2023 to RMB23.8 million as of December 31, 2024, primarily as a result of depreciation on buildings of RMB4.5 million, partially offset by new lease entered into in 2024 which related to a warehouse facility. Our right-of-use assets further decreased to RMB18.8 million as of December 31, 2025, primarily due to amortization on buildings of RMB4.8 million.

Intangible Assets

Our intangible assets consist of purchased software usage rights. Our intangible assets increased from RMB0.9 million as of December 31, 2023 to RMB2.9 million as of December 31, 2024, primarily as a result of increased purchases of software usage rights in line with the development of our AIoT business, partially offset by amortization of RMB0.7 million. Our intangible assets remained relatively stable at RMB3.0 million as of December 31, 2025.

Equity Securities Designated at Fair Value through Other Comprehensive Income

Our equity securities designated at fair value through other comprehensive income consist of investments in unlisted equity securities and changes in fair value of investments. Our equity securities designated at fair value through other comprehensive income remained relatively stable at RMB1.4 million as of December 31, 2023 and RMB1.2 million as of December 31, 2024. Our equity securities designated at fair value through other comprehensive income increased to RMB4.8 million as of December 31, 2025, primarily due to our newly purchased unlisted equity securities of RMB3.0 million.

Other Non-current Assets

Our other non-current assets primarily consist of deposits and prepayments for property, plant and equipment. Our other non-current assets increased from RMB6.5 million as of December 31, 2023 to RMB9.7 million as of December 31, 2024, primarily as a result of the increase in deposit. Our other non-current assets decreased to RMB6.1 million as of December 31, 2025, primarily as a result of the decrease in prepayments for property, plant and equipment.

Inventories

Our inventories primarily consist of raw materials, finished goods, and work in progress. The table below sets forth our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	63,914	257,394	190,929
Finished goods	60,411	143,472	176,317
Work in progress	3,748	71,019	14,180
Less: Provision for impairment loss	(18,903)	(19,690)	(15,772)
Total	**109,170**	**452,195**	**365,654**

Our inventory levels are primarily subject to our sales and procurement strategy and the growth of our business scale. We recorded year-end inventories of RMB452.2 million in 2024, primarily due to a large volume of shipments scheduled for early 2025. We recorded year-end inventories of RMB365.7 million in 2025, primarily since (i) we implemented strategic procurements of raw materials at year-end 2025 in anticipation of market demand in the near future; and (ii) we planned shipments for the first half of 2026.

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

	Year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days *(Note)*	31	31	51

Note: We calculate inventory turnover days using the average of the beginning and ending balances of inventories for the relevant year, divided by cost of sales for that year and multiplied by 360 days.

Our inventory turnover days remained stable at 31 days for the years ended December 31, 2023 and 2024, and increased to 51 days for the year ended December 31, 2025, because we recorded relatively high inventory balances at the end of 2025.

As of February 28, 2026, RMB324.3 million, or 85.0%, of our inventories as of December 31, 2025 had been subsequently sold or utilized.

Trade and Other Receivables

Our trade and other receivables consist of trade receivables, bills receivables, measures at fair value through other comprehensive income, prepayments, value-added tax recoverable, deposits, and other receivables and net of loss allowance.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables			
Trade receivables			
– Third parties	146,658	1,395,874	318,327
– Related parties	6,367	1,507	1,577
Less: loss allowance	(108)	(5,847)	(6,526)
Bills receivables, measures at fair value through other comprehensive income	10,494	76,601	274,716
Prepayments	29,209	12,649	26,981
Value-added tax recoverable	26,355	108,843	53,671
Deposits	3,188	6,802	3,348
Other receivables and net of loss allowance	309	2,836	202
Total	**222,472**	**1,599,265**	**672,296**

Our trade and other receivables increased from RMB222.5 million as of December 31, 2023 to RMB1,599.3 million as of December 31, 2024, and decreased to RMB672.3 million as of December 31, 2025, primarily due to the changes in our third-party trade receivables balances as a result of the effect of delivery schedules of our smart terminal products and AIoT products at the year end.

Our typical credit term is generally one month and up to three months for our customers. The following table sets forth the ageing analysis of our trade receivables as of the dates indicated, based on the invoice date and net of loss allowance:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	152,416	1,390,563	310,859
Over 1 year but within 2 years	501	971	2,519
	152,917	**1,391,534**	**313,378**

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days *(Note)*	27	84	115

Note: We calculate trade receivables turnover days using the average of the beginning and ending balances of trade and other receivables divided by revenue for that year and multiplied by 360 days.

Our trade receivables turnover days increased from 27 days for the year ended December 31, 2023 to 84 days for the year ended December 31, 2024, and further increased to 115 days for the year ended December 31, 2025, primarily due to relatively large sales of smart terminal products and AIoT products in the forth quarter of 2024 and 2025. Although the credit period we granted to our customers remained relatively stable during the Track Record Period, our trade receivables turnover days increased to 115 days in 2025, primarily due to a decrease in our revenue.

As of February 28, 2026, RMB298.7 million, or 93.4%, of our trade receivables as of December 31, 2025 had been subsequently settled.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade and other receivables.

Financial assets measured at fair value through profit or loss

Our financial assets measured at fair value through profit or loss consist of bank wealth management products during the Track Record Period. We recorded nil, nil, and RMB40.0 million of financial assets measured at fair value through profit or loss as of December 31, 2023, 2024 and 2025, respectively. The financial assets measured at fair value through profit or loss of RMB40.0 million as of December 31, 2025 represented the wealth management products we purchased.

During the Track Record Period, our financial assets primarily comprised of wealth management products with Level 2 valuation. Details of the fair value measurement of our wealth management products, particularly the fair value hierarchy and the valuation techniques are disclosed in Notes 20 and 31 in the Accountants' Report in Appendix I to this Document.

We purchase wealth management products with high liquidity and low risk to increase the return of idle cash and bank balances. To monitor and control the risks associated with our financial assets, we have adopted a comprehensive set of internal policies and procedures that regulate our investment operations. Our finance department is responsible for the overall management of our investment, which primarily encompasses proposing, analyzing and evaluating potential investments. All investment operations are subject to the supervision of our audit department. Our management, including our finance department and audit department, have extensive experience in managing financial aspects of an enterprise's operations.

Our investment decisions are made after thorough consideration of a number of factors, which include but are not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions and the expected profit or potential loss of the investment. We endeavor to further reduce risks and enhance compliance associated with investments, by, for example, (i) controlling the amount and scale of investments and (ii) ensuring investments are closely related to our business operations and financial needs, among others.

Upon **[REDACTED]**, we intend to continue our investments strictly in accordance with our internal policies and procedures, Articles of Association and compliance requirements under Chapter 14 of the Listing Rules.

Restricted Bank Deposits

Our restricted bank deposits primarily consist of deposits pledged for issuing bank acceptance drafts to pay our suppliers. Our restricted bank deposits as of December 31, 2023, 2024 and 2025 were RMB3.0 million, RMB4.0 million and nil, respectively. The reason for the fluctuation was that we have primarily made payments to suppliers via bank transfers since 2025 and no longer issue bank acceptance drafts, hence no restricted deposits were maintained.

Cash and Cash Equivalents

Our cash and cash equivalents represent cash at bank and on hand. Our cash and cash equivalents as of December 31, 2023, 2024 and 2025 were RMB47.4 million, RMB7.8 million and RMB16.9 million, respectively. For a discussion on the changes in our cash and cash equivalents, see "— Liquidity and Capital Resources — Cash Flows."

Trade and Other Payables

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and Other Payables			
Trade payables	191,528	1,506,665	541,798
Bills payables	10,102	6,000	–
Accrued payroll	13,083	16,896	28,184
Other tax payables	30,467	176,120	4,919
Deposits	9,097	2,968	2,447
Amount due to related parties	400	–	–
Other payables and accruals	1,504	131	2,362
Total	**256,181**	**1,708,780**	**579,710**

Our trade and other payables mainly include trade payables, bills payables, accrued payroll, tax payables, and other payables and accruals.

Our trade payables increased from RMB191.5 million as of December 31, 2023 to RMB1,506.7 million as of December 31, 2024, and decreased to RMB541.8 million as of December 31, 2025, primarily due to the combined impact of procurement and payment schedules on year-end trade payables levels, which also consistent with changes in volume of procurement.

Our trade and other payables are expected to be settled within one year or are repayable on demand.

The following table sets forth the ageing analysis of our trade payables as of the dates indicated, based on the transaction date:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	160,884	1,478,127	534,421
Over 1 year but less than 2 years	21,773	4,316	1,543
Over 2 year but less than 3 years	5,947	21,536	4,212
Over 3 years	2,924	2,686	1,622
	191,528	1,506,665	541,798

The following table sets forth our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days *(Note)*	31	93	127

Note: We calculate trade payables turnover days using the average of the beginning and ending balances of trade payables for the relevant year, divided by the corresponding cost of sales that year and multiplied by 360 days.

Our trade payables turnover days were 31 days, 93 days, and 127 days, respectively, for the years December 31, 2023, 2024 and 2025. The increase in trade payable turnover days from 2023 to 2025 was primarily due to relatively large procurements in the forth quarter of 2024 and 2025.

As of February 28, 2026, RMB332.6 million, or 61.4%, of our trade payables as of December 31, 2025 had been subsequently settled.

During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our trade payables.

Contract Liabilities

Our contract liabilities primarily consist of customer advances for sales. Most of the contract liabilities are expected to be recognized as income within one year.

The following table sets forth a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Receipts in advance from customer [(1)]	40,737	18,854	33,954
	40,737	**18,854**	**33,954**

Note:

(1) The respective revenue is expected to be recognized when the goods are delivered and accepted by the customers.

Our contract liabilities decreased from RMB40.7 million as of December 31, 2023 to RMB18.9 million as of December 31, 2024, and increased from RMB18.9 million to RMB34.0 million as of December 31, 2025, primarily was generally in line with delivery of certain customers with prepayment.

As of the February 28, 2026, RMB13.4 million, or 34.9%, of our contract liabilities as of December 31, 2025 had been subsequently utilized and recognized in revenue.

Current Taxation

As of December 31, 2023, 2024 and 2025, we had current taxation of RMB6.1 million, RMB14.6 million and RMB19.0 million, respectively. The increases in our current taxation were generally in line with our profit for the year during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of the Latest Practicable Date, we had financed our operations primarily through cash from our operations, bank borrowings, and equity financing. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB47.4 million, RMB7.8 million and RMB16.9 million, respectively. Our cash and cash equivalents primarily consist of cash on hand and cash at bank.

The following table is a summary of our cash flow data from our consolidated statements of cash flows for the years indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	35,620	(137,716)	96,166
Net cash used in investing activities	(9,423)	(58,701)	(43,130)
Net cash generated from/(used in) financing activities	2,188	156,842	(43,841)
Net increase/(decrease) in cash and cash equivalents	28,385	(39,575)	9,195
Cash and cash equivalents at beginning of the year	18,964	47,361	7,802
Effect of foreign exchange rate changes	12	16	(68)
Cash and cash equivalents at end of the year	**47,361**	**7,802**	**16,929**

Operating Activities

In 2025, we had net cash generated from operating activities of RMB96.2 million, which mainly represents profit before taxation of RMB70.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of properties, plant and equipment of RMB14.6 million, finance costs of RMB12.1 million and depreciation of right-of-use assets of RMB5.0 million and (ii) movements in working capital, mainly consisting of a decrease in trade and other receivables of RMB976.0 million and a decrease in inventories of RMB90.5 million, offset by a decrease in trade and other payables of RMB1,071.1 million.

In 2024, we had net cash used in operating activities of RMB137.7 million, which mainly represents profit before taxation of RMB66.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of properties, plant and equipment of RMB10.6 million, finance costs of RMB10.4 million and impairment loss on trade receivables of RMB5.7 million and (ii) movements in working capital, mainly consisting of an increase in trade and other receivables of RMB1,342.6 million and an increase in inventories of RMB343.8 million, partially offset by an increase in trade and other payables of RMB1,454.6 million.

In 2023, we had net cash generated from operating activities of RMB35.6 million, which mainly represents profit before taxation of RMB61.3 million, as adjusted by (i) non-cash and non-operating items, which primarily consist of depreciation of properties, plant and equipment of RMB6.8 million, finance costs of RMB5.5 million and impairment reversal on trade receivables of RMB2.9 million and (ii) movements in working capital, mainly consisting of an increase in trade and other payables of RMB37.1 million and a decrease in inventories of RMB124.0 million, partially offset by an increase in trade and other receivables of RMB197.6 million.

Investing Activities

Net cash used in investing activities in 2025 was RMB43.1 million, primarily attributable to (i) payment for purchase of financial assets measured at FVPL of RMB40.0 million; and (ii) payments for acquisition of financial assets measured at FVOCI of RMB3.0 million.

Net cash used in investing activities in 2024 was RMB58.7 million, primarily attributable to (i) payments for the purchase of property, plant and equipment and intangible assets, net of government subsidies received, of RMB58.0 million; and (ii) payments for acquisition of financial assets measured at FVOCI of RMB1.0 million, partially offset by proceeds from disposal of property, plant and equipment of RMB0.6 million.

Net cash used in investing activities in 2023 was RMB9.4 million, primarily attributable to (i) payment for purchase of financial assets measured at FVPL of RMB83.0 million; (ii) payments for the purchase of property, plant and equipment and intangible assets, net of government subsidies received, of RMB12.3 million; and (iii) payments for acquisition of financial assets measured at FVOCI of RMB1.0 million, partially offset by (i) proceeds from disposal of financial assets measured at FVPL of RMB86.6 million.

Financing Activities

Net cash used in financing activities in 2025 was RMB43.8 million, primarily attributable to (i) repayment of loans and borrowings of RMB274.5 million; (ii) capital element of lease rentals paid of RMB4.7 million; and (iii) interest element of lease rentals paid of RMB0.5 million, partially offset by proceeds from loans and borrowings of RMB237.8 million.

Net cash generated from financing activities in 2024 was RMB156.8 million, primarily attributable to (i) proceeds from loans and borrowings of RMB321.9 million; and (ii) capital injection from investor of RMB9.9 million, partially offset by (i) repayment of loans and borrowings of RMB168.0 million; (ii) capital element of lease rentals paid of RMB4.2 million; and (iii) interest element of lease rentals paid of RMB0.6 million.

Net cash generated from financing activities in 2023 was RMB2.2 million, primarily attributable to proceeds from loans and borrowings of RMB89.1 million, partially offset by (i) repayment of loans and borrowings of RMB83.3 million; (ii) capital element of lease rentals paid of RMB3.8 million; and (iii) interest element of lease rentals paid of RMB0.2 million.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of payment for property, plant and equipment and intangible assets, amounting to RMB34.0 million, RMB99.7 million and RMB39.6 million for the years ended December 31, 2023, 2024 and 2025. These historical capital expenditures were funded primarily by cash generated from our operating activities and bank borrowings, and equity financing.

WORKING CAPITAL

The following table sets forth a summary of our liquidity and working capital as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
CURRENT ASSETS				
Inventories	109,170	452,195	365,654	593,045
Trade and other receivables	222,472	1,599,265	672,296	672,476
Financial assets measured at fair value through profit or loss	–	–	40,036	25,020
Pledged bank deposits	3,000	4,000	–	–
Cash and cash equivalents	47,361	7,802	16,929	65,827
Total current assets	**382,003**	**2,063,262**	**1,094,915**	**1,356,368**
CURRENT LIABILITIES				
Trade and other payables	256,181	1,708,780	579,710	786,311
Contract liabilities	40,737	18,854	33,954	49,997
Loans and borrowings	60,284	272,263	353,725	230,880
Lease liabilities	3,762	4,710	3,466	3,349
Financial instruments issued to investor	–	10,054	10,289	100,844
Current taxation	6,061	14,560	18,974	20,187
Total current liabilities	**367,025**	**2,029,221**	**1,000,118**	**1,191,568**
NET CURRENT ASSETS	**14,978**	**34,041**	**94,797**	**164,800**

As of February 28, 2026, we had net current assets of RMB164.8 million, as compared to RMB94.8 million as of December 31, 2025, primarily due to the increase in inventories of RMB227.4 million and the decrease in loans and borrowings of RMB122.8 million, partially offset by the increase in trade and other payables of RMB206.6 million.

As of December 31, 2025, we had net current assets of RMB94.8 million, as compared to RMB34.0 million as of December 31, 2024, primarily due to the decrease in trade and other payables of RMB1,129.1 million, partially offset by decrease in trade and other receivables of RMB927.0 million.

As of December 31, 2024, we had net current assets of RMB34.0 million, primarily due to the increase in trade and other receivables of RMB1,376.8 million and an increase in inventories of RMB343.0 million, partially offset by an increase in trade and other payables of RMB1452.6 million.

Taking into account the financial resources available to us, including the estimated net **[REDACTED]** from the **[REDACTED]**, cash flow generated from our operations, facilities available to us and cash and cash equivalents on hand, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this Document.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025 and February 28, 2026, our indebtedness included loans and borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)
Current				
Loans and borrowings	60,284	272,263	353,725	230,880
Lease liabilities	3,762	4,710	3,466	3,349
Financial instruments issued to investors	–	10,054	10,289	100,844
Non-current				
Loans and borrowings	–	15,382	976	583
Lease liabilities	12,248	8,698	5,234	4,701
Total	**76,294**	**311,107**	**373,690**	**340,357**

Except for our indebtedness as disclosed above, we had no material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

There was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this document.

Loans and borrowings

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had loans and borrowings (including current and non-current portions) of RMB60.3 million, RMB287.6 million, RMB354.7 million and RMB231.5 million, respectively, mainly representing short-term bank loans and other borrowings to finance our working capital and capital expenditure. Our borrowings are primarily denominated in Renminbi. The effective interest rate on our bank loans ranged from 2.6% to 8.7%

during the Track Record Period. See Note 25 of the Accountants' Report in Appendix I to this Document. As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB44.0 million.

Lease Liabilities

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had lease liabilities (including current and non-current portions) of RMB16.0 million, RMB13.4 million, RMB8.7 million and RMB8.1 million, respectively, mainly representing our lease in properties for office and production. See Note 26 of the Accountants' Report in Appendix I to this Document.

Financial instruments issued to investors

As of December 31, 2024, 2025 and February 28, 2026, we had financial instruments issued to investors of RMB10.1 million, RMB10.3 million and RMB100.8 million, respectively, mainly representing financial liabilities arising from investment arrangements with third-party investors, including contractual obligations to repurchase equity interests in the Company and one subsidiary. See Note 27 of the Accountants' Report in Appendix I to this Document.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2023	2024	2025
Net profit margin(1)	2.5%	1.8%	2.2%
Return on equity(2)	N/A	53.4%	39.0%
Return on total assets(3)	N/A	4.7%	4.1%
Current ratio(4)	1.0	1.0	1.1
Quick ratio(5)	0.7	0.8	0.7

Notes:

(1) Net profit margin is calculated using profit for the year divided by revenue and multiplied by 100%.

(2) Return on equity ratio is profit for the year as a percentage of the average balance of total equity at the beginning and the end of the year and multiplied by 100%.

(3) Return on total assets ratio is profit for the year as a percentage of the average balance of total assets at the beginning and the end of the year and multiplied by 100%.

(4) Current ratio is calculated using total current assets divided by total current liabilities as of the same date.

(5) Quick ratio is calculated using total current assets less inventories divided by total current liabilities as of the same date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into, nor do we expect to enter into, any off-balance sheet commitments and arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

For a discussion of material related party transactions during the Track Record Period, see Note 32 to the Accountants' Report set out in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 32 to the Accountants' Report in Appendix I to this Document was conducted on an arm's length basis and would not distort our track record results or cause our historical results to be not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of financial and market risks, including credit risk, liquidity risk, interest rate risk, and currency risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see Note 31 to the Accountants' Report set out in Appendix I to this Document.

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

DIVIDEND POLICY

For the years ended December 31, 2023, 2024 and 2025, we declared and paid dividends of nil, RMB1.8 million and RMB2.0 million, respectively, to our shareholders.

Our Company currently does not have a formal dividend policy or a fixed dividend payout ratio. Our Board of Directors may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment of dividends will be subject to our constitutional documents and applicable laws. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board of Directors. In addition, our Directors may from time to time pay such interim dividends as our Board of Directors considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board of Directors.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Group had retained earnings of approximately RMB158.0 million, representing the distributable reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

We expect to incur a total of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of **[REDACTED]** expenses in connection with the **[REDACTED]**, representing approximately **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised), including (1) **[REDACTED]** commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all **[REDACTED]** of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (2) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (ii) sponsor fee and other fees and expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million). Approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) is expected to be deducted from equity. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm 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.

RECENT DEVELOPMENT

See "Summary — Recent Development and No Material Adverse Change" in this Document for further details of the impact of recent developments on our business, operations and financial positions.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since December 31, 2025, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.