FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Historical Financial Information as set forth in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a full-stack AI solution provider. With algorithms and computing power at our core, we focus on the integration of leading AI algorithms, computing power management capabilities, and advanced software and hardware technologies as well as their application under industrial scenarios. We provide customers across different sectors with our AI intelligent solutions, including our AI recognition, AI vertical industry applications and AI computing technical services.

As a recognized player in China's AI research and application field, we have developed a suite of proprietary core algorithms through our long-term and in-depth cultivation. To effectively capitalize our technical strengths and create value for customers, we have developed our "Unicorn AI" integrated technology platform. Our "Unicorn AI" platform integrates our key capabilities in model development and optimization, large-scale distributed training, real-time inference services, and elastic computing power scheduling, forming the core foundation for our product innovation and technological iteration. Based on this "Unicorn AI" integrated technology platform, we provide customers in different application scenarios with integrated "algorithm + computing power" solutions, empowering the intelligent upgrading of their business and building our core competitive advantages.

During the Track Record Period, our revenue was primarily attributable to our AI intelligent solutions, namely AI recognition, AI vertical industry applications and AI computing technical services. For the years ended December 31, 2023, 2024 and 2025, our total revenue amounted to RMB390.9 million, RMB385.8 million and RMB463.9 million, respectively. With our core AI technology, in-depth understanding of the application sector and practical and efficient commercialization capabilities, we realized consistent profit during the Track Record Period. For the years ended December 31, 2023, 2024 and 2025, our profit for the year amounted to RMB36.8 million, RMB66.1 million and RMB58.7 million, respectively. For the years ended December 31, 2023, 2024 and 2025, our adjusted profit for the year (non-IFRS measure) amounted to RMB36.8 million, RMB66.1 million and RMB76.0 million, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Key Factors

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors, some of which are outside our control, including:

Our Ability to Enhance and Develop Our AI Technology Solution Offerings

Our AI technology solutions primarily consist of AI recognition, AI vertical industry applications and AI computing technical services. We review our solution portfolio and customer base regularly, taking into account our overall business strategies and market growth opportunities. We typically review the profitability and commercial prospects of our solutions, as well as financial conditions of relevant customers, and potential for future cooperation. We determine the pricing of our products and solutions based on market conditions, project complexity, our service scope and costs. Our success will depend on our ability to expand our product and solution offerings in a cost-efficient manner. Typically, these products and services differ in pricing, cost structure and revenue recognition policies, resulting in varying gross margins. Each product and service is uniquely positioned with distinct marketing strategies. Consequently, our revenue and profitability are significantly influenced by the composition of our product and service portfolio.

Our success also depends on our ability to enhance our solutions and AI capabilities, while optimizing performance and efficiency. Our focus includes advancing AI platforms, expanding algorithm libraries, and developing specialized models to better serve diverse industrial needs. These efforts will strengthen our offerings and position us to capitalize on the growing demand for operational efficiency and AI-driven business transformation. We expect these efforts to strengthen our ability to capture opportunities with higher profitability and improving our margins through scalable technologies.

We believe that our increasingly diverse business portfolio allows us to swiftly adapt to changing market conditions and customer preferences. We have been optimizing our portfolio to improve our revenue and profitability.

Our Ability to Expand Customer Base and Deepen Relationships with Existing Customers

We continuously focus on growing our customer base and deepening our customer relationships. When we expand to new business scenarios in a specific industry, we usually work with lighthouse customers as a starting point to develop in-depth understanding of customers' specific needs. These collaborations help us secure stable revenue streams and unlock cross-selling opportunities for our new AI technology solutions. By providing end-to-end support spanning from feasibility consulting to post-deployment optimization, we adapt our AI applications to evolving industry needs. Such collaboration enhances our brand in various industries and regions and boosts our customer acquisition capabilities.

Our ability to deepen existing customer relationships and expand the commercial application of our AI technology solutions will significantly influence our revenue growth and profitability. By delivering tailored, high-efficiency AI technology solutions that address evolving customer needs, we aim to expand our sources of revenue, improve customer retention, and enhance lifetime customer value. Strategic collaborations with customers will also enable us to identify and monetize untapped opportunities along their value chains, while our focus on scalable, industry-specific AI applications is expected to drive margin resilience through recurring high-value engagements. This customer-centric approach underpins our path to sustainable financial performance and competitive differentiation.

Our Ability to Manage Working Capital Requirements

Our business operations require significant working capital. In 2023 and 2024, our net cash used in operating activities amounted to RMB183.1 million and RMB23.9 million, respectively; in 2025, our net cash generated from operating activities amounted to RMB306.4 million. Our capability to manage the level of trade and bills receivables will affect our cash level and liquidity as well as our financial condition. Some of our customers from the public sector typically have a relatively long payment cycle. Our finance team monitors payments closely and evaluate customers' ability to make timely payments. Our cashflow is also impacted by the large amounts of prepayment to suppliers at early stages of our AI computing technical services projects. We have strengthened cash flow management through a number of measures, such as optimizing accounts receivable management, enhancing inventory turnover control, and improving capital utilization efficiency.

Seasonality

Our business and operational results are influenced by seasonality, which may introduce volatility to our financial performance. Historically, we typically recorded higher revenue in the last quarter of each year. This trend is primarily due to our customer base, who usually complete project acceptance towards the end of the year in accordance with internal financial budget approval procedures and their business plans. Therefore, our trade receivables turnover days in the last quarter are typically shorter than the trade receivables turnover days in the first three quarters of the same year. Such fluctuations are seasonal in nature and are not indicative of our results of operations for the full year.

General Factors

Our business and operating results are affected by general factors affecting the AI industry, which include:

- macroeconomic conditions in China and overseas;
- market demand for AI applications and solutions;
- the evolution of AI technologies;
- the competitive landscape; and
- relevant laws and regulations, and governmental policies and initiatives.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

The preparation of the Historical Financial Information in conformity with the IFRS Accounting Standards requires the use of certain material accounting policy information and estimates. It also requires our management to exercise judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 to the Historical Financial Information as set forth in Appendix I to this document.

For the purpose of preparing the Historical Financial Information for the Track Record Period, we have consistently applied the accounting policies which conform with IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on January 1, 2025 throughout the Track Record Period. At the date of this document, We have not early applied the certain new and amendments to the IFRS Accounting Standards that have been issued but are not yet effective. We are in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. For further details, see Note 2 to the Historical Financial Information as set forth in Appendix I to this document.

MATERIAL ACCOUNTING POLICIES

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Note 3.2 to the Historical Financial Information as set forth in Appendix I to this document.

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

If control is transferred over time, then revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or services.

Major Sources of Revenue

We generate revenue primarily from:

i) Offering online identification services based on computer vision algorithms, including identity recognition, document authentication and risk prevention across various online scenarios. Revenue are recognized at the point in time when the service is delivered and accepted by the customer.

ii) Delivering AI vertical industry applications that address the operational difficulties of customers in specific industries, including offering IT technical services and delivering software-hardware products.

— Revenue from IT technical services provided over time are recognized under output methods, which is to recognize revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract that best depict our performance in transferring control of services, and under which our performance creates or enhances an asset that the customer controls as we perform, the performance obligation is satisfied over time.

— Revenue from sales of software-hardware products related to AI vertical industry applications are recognized at a point in time when the products are delivered, installed and accepted by the customer.

iii) Providing AI computing technical services, including providing one-stop services covering planning and consulting, construction and deployment, and O&M technical solutions.

— AI computing technical services are provided through integrating our AI computing related technologies with customers' own hardware infrastructures, all of which are highly interdependent and interrelated with each other. Such technical services require multiple inputs to a combined output that is transferred to the customer. Accordingly, the AI computing technical services is accounted for as a single performance obligation. We recognize revenue from AI computing technical services at a point in time when services are performed and accepted by the customer.

— Certain of our AI computing technical service contracts requires us to provide procurement agency services. We recognize revenue from such procurement agency services on a net basis (namely, as the net difference between the price we pay on behalf of the customers and the amount we receive from the customers for the servers procured). This accounting treatment is based on the fact that we do not control the servers purchased on behalf of customers. Our role in providing such services include consulting on network architecture design, procurement advisory, procuring the servers on behalf of customers, delivering them to customers' premises, and customizing, testing and integrating such servers with other components and our proprietary software in accordance with customer specifications. We do not control the servers before they are transferred to customer, as we are not primarily responsible for fulfilling the promise to provide the servers, do not retain inventory risk and have limited discretion in determining the price. Revenue for this type of business is recognised at a point in time when the services are performed and accepted by the customer.

Our revenue contracts generally include standard warranty, sales-related warranties associated with AI vertical industry applications serve as an assurance that the products/or service delivered comply with agreed-upon specifications. Accordingly, we account for warranties in accordance with IAS 37, the financial impacts of which have historically been and are expected to continue to be insignificant.

Principal versus Agent

When another party is involved in providing goods or services to a customer, we determine whether the nature of our promise is a performance obligation to provide the specified goods or services ourselves (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent).

We are a principal if we control the specified good or service before that good or service is transferred to a customer.

We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. In this case, we do not control the specified good or service provided by another party before that good or service is transferred to the customer. When we act as an agent, we recognize revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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. Please refer to Note 4 to Historical Financial Information as set forth in Appendix I to this document. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including 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.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	390,936	100.0	385,827	100.0	463,912	100.0
Cost of sales	(230,496)	(59.0)	(210,856)	(54.7)	(291,304)	(62.8)
Gross profit	160,440	41.0	174,971	45.3	172,608	37.2
Other income	6,036	1.5	1,180	0.3	568	0.1
Other gains and losses	3,366	0.9	(1,157)	(0.3)	289	0.1
Impairment losses under expected credit loss model, net of reversal	(14,941)	(3.8)	(8,737)	(2.3)	(18,352)	(4.0)
Selling expenses	(36,721)	(9.4)	(23,272)	(6.0)	(19,376)	(4.3)
Administrative expenses	(27,020)	(6.9)	(29,257)	(7.6)	(22,358)	(4.8)
Research and development expenses	(44,779)	(11.5)	(27,670)	(7.2)	(22,423)	(4.8)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(5,946)	(1.5)	(9,919)	(2.5)	(6,249)	(1.3)
Profit before taxation	40,435	10.3	76,139	19.7	67,471	14.5
Income tax expense	(3,636)	(0.9)	(10,028)	(2.6)	(8,745)	(1.9)
Profit for the year	36,799	9.4	66,111	17.1	58,726	12.7
Attributable to:						
Owners of our Company	38,386		68,167		58,716	
Non-controlling interests	(1,587)		(2,056)		10	

Non-IFRS Measures

The use of such non-IFRS financial measures has limitations as an analytical tool. You should not consider them in isolation from, or as substitute for analysis of, our results of operation or financial condition as reported under IFRS Accounting Standards. To supplement our consolidated financial statements which are presented in accordance with the IFRS Accounting Standards, we use adjusted profit for the year (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, the IFRS Accounting Standards. We define adjusted profit for the year (non-IFRS measure) as profit for the year adjusted by adding back [REDACTED], which represents the professional service fees, [REDACTED] and other fees incurred in connection with the [REDACTED].

We believe that such non-IFRS measure, when presented in conjunction with the corresponding IFRS measures, provides useful information to [REDACTED] and our management in facilitating a comparison of our operating performance from year to year by eliminating the impacts of certain items. However, such non-IFRS financial measures we presented may not be directly comparable to similarly titled measures presented by other companies as it may be defined differently from similar terms used by other companies. You should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the IFRS Accounting Standards.

The following table reconciles our adjusted profit for the year (non-IFRS measure) for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Profit for the year	**36,799**	**66,111**	**58,726**
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit for the year (non-IFRS measure)	**36,799**	**66,111**	**75,962**

Revenue

During the Track Record Period, we generate revenue from AI recognition, AI vertical industry applications and AI computing technical services. The following table sets out a breakdown of our revenue by business line:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
AI recognition	119,982	30.7	103,399	26.8	125,720	27.1
AI vertical industry applications	265,560	67.9	178,393	46.2	225,648	48.6
AI computing technical services	5,394	1.4	104,035	27.0	112,544	24.3
Total	**390,936**	**100.0**	**385,827**	**100.0**	**463,912**	**100.0**

The following table sets forth a breakdown of our revenue by geographic area:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue						
The mainland of PRC	380,936	97.4	382,336	99.1	431,749	93.1
Hong Kong	10,000	2.6	3,491	0.9	32,163	6.9
Total	**390,936**	**100.0**	**385,827**	**100.0**	**463,912**	**100.0**

AI Recognition

We offer the AI recognition services through subscription-based model. We generally charge them on a pay-per-use basis at a rate specified in service agreements. In the year of 2023, 2024 and 2025, revenue generated from our AI recognition business, amounted to RMB120.0 million, RMB103.4 million and RMB125.7 million respectively, accounting for 30.7%, 26.8% and 27.1% of our total revenue for the same periods, respectively.

AI Vertical Industry Applications

We deliver AI vertical industry applications addressing operational challenges across various sectors, such as transportation sector, internet and software sector, finance sector, and industrial sector. We also provide end-to-end AI internet and software services to internet enterprises who increasingly seek professional support for their AI development. In the year of 2023, 2024 and 2025, revenue generated from our AI vertical industry applications business amounted to RMB265.6 million, RMB178.4 million, and RMB225.6 million respectively, accounting for 67.9%, 46.2% and 48.6% of our total revenue for the same periods, respectively. Our revenue from AI vertical industry applications decreased in 2024 as compared to 2023, primarily due to our strategic optimization of our customer mix for this business line, where we concentrated our resources on other relatively high-margin projects and prioritized projects with customers with relatively good purchase and settlement history with us. Our revenue from AI vertical industry applications increased in 2025 as compared to 2024, primarily due to the newly awarded contracts in the transportation and internet and software fields that we strategically selected for our AI vertical industry application business.

AI Computing Technical Services

We started to generate revenue from provision of computing power to customers in 2023. In the year of 2023, 2024 and 2025, such revenue amounted to RMB5.4 million, RMB104.0 million and RMB112.5 million, respectively, accounting for 1.4%, 27.0% and 24.3% of our total revenue for the same periods, respectively.

In 2023 and 2024, for our procurement agency and related integration services, we recognized revenue on a net basis. For other technical services under our AI computing technical services business, we recognize revenue on a gross basis. Starting 2025, we no longer provided procurement agency services and therefore no longer recognized revenue on a net basis since 2025. For further details, see "— Material Accounting Policies — Revenue Recognition."

Cost of Sales

Our cost of sales amounted to RMB230.5 million, RMB210.9 million, and RMB291.3 million, in 2023, 2024 and 2025, respectively. During the Track Record Period, our cost of sales primarily consisted of cost in relation to staff and other costs, material cost and service fees for data sources. The following table sets out a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff and other costs	124,342	54.0	113,989	54.0	124,838	42.9
Material cost	66,266	28.7	45,506	21.6	90,430	31.0
Service fees for data sources[1]	39,888	17.3	51,361	24.4	76,036	26.1
Total	**230,496**	**100.0**	**210,856**	**100.0**	**291,304**	**100.0**

Note:

(1) Represents the cost for data compare and verification services provided by official data sources for our AI recognition business.

The following table sets out a breakdown of our cost of sales by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
AI recognition	47,998	20.8	59,012	28.0	76,036	26.1
AI vertical industry applications	181,412	78.7	120,656	57.2	170,012	58.4
AI computing technical services	1,086	0.5	31,188	14.8	45,256	15.5
Total	**230,496**	**100.0**	**210,856**	**100.0**	**291,304**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2023, 2024 and 2025, our gross profit amounted to RMB160.4 million, RMB175.0 million and RMB172.6 million, respectively, representing a gross profit margin of 41.0%, 45.3% and 37.2%, respectively.

The following table sets forth a breakdown of gross profit and gross profit margin by business line for the periods 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*	*%*
AI recognition	71,984	60.0	44,387	42.9	49,684	39.5
AI vertical industry applications	84,148	31.7	57,737	32.4	55,636	24.7
AI computing technical services	4,308	79.9	72,847	70.0	67,288	59.8
Total	**160,440**	**41.0**	**174,971**	**45.3**	**172,608**	**37.2**

The level of our overall gross profit margins is largely affected by our business mix. Our overall gross profit margin increased in 2024 as compared to 2023, primarily due to the expansion of our AI computing technical services, which had considerably higher gross profit margin as compared to our other business lines. Although the gross profit margin of AI computing technical services has decreased since 2023, it remained at a relatively high level during the Track Record Period, primarily due to the following factors: (i) the computing power industry is an emerging industry with a large market size and is growing rapidly; (ii) our continuous R&D investments in AI computing technical services based on our Unicorn AI platform lead to relatively low marginal cost and high business efficiency; (iii) the AI computing technical services industry is characterized by technological barriers. Our AI computing technical services featuring software, algorithms and tailored services met the needs of our customers well, which secured our profitability in this business area. Our overall gross profit margin decreased in 2025 as compared to 2024, primarily due to decreases in gross profit margins of our AI computing technical services, AI vertical industry application business and AI recognition business. See "Period-to-Period Comparison of Results of Operations — 2025 Compared to 2024 — Gross Profit and Gross Profit Margin" for details.

Other Income

Our other income consists of (i) government grants, and (ii) interest on bank deposits. In 2023, 2024 and 2025, our other income amounted to RMB6.0 million, RMB1.2 million and RMB0.6 million, respectively.

The following table sets out a breakdown of our other income for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants	4,442	697	381
Interest on bank deposits	1,594	483	187
Total	**6,036**	**1,180**	**568**

During the Track Record Period, our government grants represented subsidies received from the local government authorities in connection with our research and development activities and participation in projects that satisfy government development policies. We generally apply for government grants each year and receive government grants on a non-recurring basis. During the Track Record Period, there were no specific conditions attached to the grants.

Other Gains and Losses

Our other gains and losses primarily consists of (i) fair value changes of financial assets at fair value through profit or loss, which mainly represent fair value changes of investment in a financial product issued by a local commercial bank, (ii) a one-off compensation received from a client for their early termination of contract due to changes in the client's business development plan, and (iii) our payment of a one-off latest shipment penalty in 2024. In 2023 and 2025, we recorded net other gains of RMB3.4 million and RMB0.3 million, respectively; in the year of 2024, we recorded net other losses of RMB1.2 million.

The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Fair value changes of financial assets at fair value through profit or loss	978	126	—
Gain on termination of leases, net	168	53	269
Compensation from client for early termination of contract	2,253	—	—
Loss on deregistration of subsidiaries	(74)	(194)	—
(Loss)/gain on disposal of equipment	(4)	(4)	4
Foreign exchange gain/(loss), net	35	130	(117)
Penalty on non-delivery of goods	—	(1,164)	—
Others	10	(104)	133
Total	**3,366**	**(1,157)**	**289**

Impairment Losses Under Expected Credit Loss Model

Impairment losses under expected credit loss model represents the impairment losses on our trade and bills receivables and prepayments, deposits and other receivables, net of reversals. In 2023, 2024 and 2025, our impairment losses under expected credit loss model amounted to RMB14.9 million, RMB8.7 million and RMB18.4 million, respectively.

The following table sets forth a breakdown of our impairment losses under expected credit loss model for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses (net of reversal) recognized on:			
Trade and bills receivables	8,876	8,757	17,964
Prepayments, deposits and other receivables	6,065	(20)	388
Total	**14,941**	**8,737**	**18,352**

Selling Expenses

Our selling expenses primarily consists of staff cost, entertainment expenses, and depreciation and amortization. Our selling expenses amounted to RMB36.7 million and RMB23.3 million and RMB19.4 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	18,863	51.3	11,264	48.4	7,344	37.9
Entertainment expenses	11,550	31.5	5,250	22.6	3,532	18.2
Depreciation and amortization	1,800	4.9	1,989	8.5	1,768	9.1
Others	4,508	12.3	4,769	20.5	6,732	34.8
Total	**36,721**	**100.0**	**23,272**	**100.0**	**19,376**	**100.0**

Administrative Expenses

Our administrative expenses consists primarily of staff cost. Our administrative expenses amounted to RMB27.0 million, RMB29.3 million and RMB22.4 million in 2023, 2024 and 2025, respectively.

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	19,279	71.4	18,274	62.4	12,538	56.1
Depreciation and amortization	2,106	7.8	2,503	8.6	1,600	7.1
Professional service fees	951	3.5	1,806	6.2	3,126	14.0
Others	4,684	17.3	6,674	22.8	5,094	22.8
Total	**27,020**	**100.0**	**29,257**	**100.0**	**22,358**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consists of staff cost, depreciation and amortization, technical service fees, and material cost relating to our R&D activities. Our research and development expenses amounted to RMB44.8 million, RMB27.7 million and RMB22.4 million in 2023, 2024 and 2025, respectively.

The following table sets out a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	31,355	70.0	20,509	74.2	16,142	72.0
Depreciation and amortization	5,075	11.3	3,856	13.9	3,380	15.1
Technical service fees	3,911	8.7	2	—	64	0.3
Material cost	1,324	3.0	334	1.2	2,086	9.3
Others	3,114	7.0	2,969	10.7	751	3.3
Total	**44,779**	**100.0**	**27,670**	**100.0**	**22,423**	**100.0**

Finance Costs

Our finance costs primarily consists of interest expenses on our bank borrowings, lease liabilities and redemption liability on equity shares. Interest on lease liabilities represent the accrued interest on our lease liabilities recognized in accordance with applicable accounting principles. Interest on redemption liability on equity shares represents the interest accrued on the obligation to repurchase certain of our Shares held by certain [REDACTED]. For further information on our redemption liability on equity shares, please see Note 30 to the Historical Financial Information as set forth in Appendix I to this document.

Our finance costs amounted to RMB6.0 million, RMB9.9 million and RMB6.2 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on bank borrowings	2,694	45.3	9,406	94.8	5,394	86.3
Interest on lease liabilities	622	10.5	513	5.2	855	13.7
Interest on redemption liability on equity shares	2,630	44.2	—	—	—	—
Total	**5,946**	**100.0**	**9,919**	**100.0**	**6,249**	**100.0**

See "Discussion of Certain Key Balance Sheet Items — Redemption Liabilities on Equity Shares" for details of our redemption liabilities on equity shares.

Income Tax Expense

We had income tax expense of RMB3.6 million, RMB10.0 million and RMB8.7 million in 2023, 2024 and 2025, respectively. Our effective tax rate, being the ratio of our income tax expense to our profit before taxation, was 9.0%, 13.2% and 13.0%, respectively, in 2023, 2024 and 2025.

See Note 10 to the Historical Financial Information as set forth in Appendix I to this document.

PRC

Under the EIT Law and the EIT Implementation Regulation, the tax rate of our PRC subsidiaries is 25% during the Track Record Period, subject to exceptions disclosed below.

Our Company became qualified as a key integrated circuit design enterprise and software enterprise encouraged by the state in 2021, and enjoyed a preferential tax rate of 10% in 2023. Our Company has been qualified as a "high and new technology enterprise" ("**HNTE**") since December 2020, subject to renewal in 2026. The Company was subject to a preferential income tax rate of 15% for the years ended December 31, 2024 and 2025.

Shenzhen Smart Shield enjoyed a preferential income tax rate of 15% for qualified enterprises located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in 2023. Shenzhen Smart Shield has also been qualified as an HNTE since December 2024 and enjoyed a preferential income tax rate of 15% since, and its unutilised tax losses can be utilized in 10 years from the year of loss.

During the Track Record Period, certain of our subsidiaries in the PRC were qualified as small and micro enterprises and enjoyed certain preferential enterprise income tax rates and reductions in taxable income, the combination of which resulted in effective enterprise income tax rate of 5%.

Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit during the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material tax investigation, enquiries, penalties or surcharges.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

2025 Compared to 2024

Revenue

Our total revenue increased by 20.2% from RMB385.8 million in2024 to RMB463.9 million in 2025, primarily attributable to increases in our revenue from AI vertical industry applications, AI recognition services and AI computing technical services.

AI recognition

Our revenue from AI recognition business increased by 21.6% from RMB103.4 million in 2024 to RMB125.7 million in 2025, primarily due to an increase in the recognition requests processed by approximately 30.0% in 2025 as a result of our increased sales efforts to existing customers.

AI vertical industry applications

Our revenue from AI vertical industry applications increased by 26.5% from RMB178.4 million in 2024 to RMB225.6 million in 2025, primarily as a result of the newly awarded contracts in the transportation , internet and software and finance sectors, being our strategic focus after a shift in business strategy for our AI vertical industry application business.

AI computing technical services

Our revenue from AI computing technical services increased by 8.2% from RMB104.0 million in 2024 to RMB112.5 million in 2025, primarily as a result of the newly awarded contracts for our AI computing technical services business following our shift in business strategy to focus on selective key customers and projects.

Cost of Sales

Our cost of sales increased by 38.2% from RMB210.9 million in 2024 to RMB291.3 million in 2025, primarily attributable to: (i) our increased purchase of data sources due to increased business volume under our AI recognition business, (ii) an increase in raw material cost and staff and other costs in line with our increased sale of integrated software-hardware products under our AI vertical industry applications business, and (iii) the increased outsourced technical services for our AI computing technical services business as we strategically focus on provision of key advanced technical services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit remained relatively stable at RMB175.0 million in 2024 and RMB172.6 million in 2025. Our gross profit margin decreased from 45.3% in 2024 to 37.2% in 2025, primarily attributable to (i) a decrease in the gross profit margin of our AI recognition business as a result of a decline in selling price as part of our strategy to increase sales volume, (ii) a decrease in the gross profit margin of our AI vertical industry application business, as certain intelligent railway solution delivered in Hong Kong in 2025 bore a lower profit margin due to high local installation service costs, and (iii) a decrease in the gross profit margin of our AI computing technical services business due to our increased outsourcing of certain basic technical services as we strategically focus on provision of key advanced technical services.

Other Income

Our other income decreased by 51.9% from RMB1.2 million in 2024 to RMB0.6 million in 2025, primarily due to lower amount of government grants provided by the relevant authorities in 2025.

Other Gains and Losses

We recorded other losses of RMB1.2 million in 2024 and other gains of RMB0.3 million in 2025, primarily reflecting the impact of a non-recurring compensations we paid to a customer during 2024 in connection with the late delivery of our AI computing technical services.

Impairment Losses Under Expected Credit Loss Model

Our impairment losses under expected credit loss model increased significantly from RMB8.7 million in 2024 to RMB18.4 million in 2025, which was primarily attributable to increased impairment losses on trade and bills receivables as a result of impairment provisions recognized for certain AI vertical industry application projects that were overdue.

Selling Expenses

Our selling expenses decreased by 16.7% from RMB23.3 million in 2024 to RMB19.4 million in 2025, primarily attributable to the decrease in staff cost due to the optimization of our sales and marketing team as part of our strategic shift from the real estate and finance sectors of AI vertical industry applications with limited profitability and relatively longer settlement cycles. In addition, as customers of AI computing technical services are relatively concentrated, the demand for sales and marketing personnel is lower compared to that of AI industry applications business. The number of our sales and marketing personnel decreased from 47 as at December 31, 2024 to 27 as at December 31, 2025. Our selling expenses as a percentage of our revenue decreased from 6.0% in 2024 to 4.3% in 2025.

Administrative Expenses

Our administrative expenses decreased by 23.6% from RMB29.3 million in 2024 to RMB22.4 million in 2025, primarily attributable to a decrease in staff cost due to an optimization of our administrative function. Our administrative expenses as a percentage of our revenue decreased from 7.6% in 2024 to 4.8% in 2025.

Research and Development Expenses

Our research and development expenses decreased by 19.0% from RMB27.7 million in 2024 to RMB22.4 million in 2025, primarily due to (i) a decrease in our R&D staff costs, as our R&D efficiency improved with utilization of advanced AI technologies, (ii) our decreased R&D investment in AI recognition as our technologies mature from historical investment, and, (iii) we are strategically selective in pursuing new research and development projects with a focus on transportation, internet and software and finance sectors and AI computing technical services. Our research and development expenses as a percentage of our revenue decreased from 7.2% in 2024 to 4.8% in 2025.

Finance Costs

Our finance costs decreased by 37.0% from RMB9.9 million in 2024 to RMB6.2 million in 2025, primarily due to our decreased use of bank borrowings.

Income Tax Expense

Our income tax expense decreased by 12.8% from RMB10.0 million in 2024 to RMB8.7 million in 2025, primarily as a result of a decrease in our taxable profit. Our effective income tax rate remained stable at 13.2% in 2024 and 13.0% in 2025.

Profit for the Year

Our profit for the year decreased by 11.2% from RMB66.1 million in 2024 to RMB58.7 million in 2025, primarily due to [REDACTED] incurred in 2025 in connection with the [REDACTED].

2024 Compared to 2023

Revenue

Our total revenue remained relatively stable at RMB390.9 million in 2023 and RMB385.8 million in 2023 and 2024, respectively.

AI recognition

Our revenue from AI recognition business decreased by 13.8% from RMB120.0 million in 2023 to RMB103.4 million in 2024, primarily due to a reduction in the demand for our AI recognition and authentication services from our existing customers by approximately 11.9%. This reduction is primarily due to the reduced need for re-authentication of on-going users of legacy applications of our customers, and a decline in the new applications introduced by our customers requiring our AI recognition and authentication services.

AI vertical industry applications

Our revenue from AI vertical industry applications decreased by 32.8% from RMB265.5 million in 2023 to RMB178.4 million in 2024, primarily due to our strategic optimization of our customer mix for this business line, where we shifted to other relatively high-margin projects and customers in the transportation, internet and software and finance sectors with relatively good purchase and settlement history with us. This reflected our strategic shift toward higher-quality, profitable projects and customer mix to strengthen long-term sustainability.

AI computing technical services

Our revenue from AI computing technical services business increased significantly from RMB5.4 million in 2023 to RMB104.0 million in 2024, primarily because we launched this business line in late 2023 and began to ramp up revenue in 2024, seizing opportunities from the growing global computing power market in AI technology solution industry. We delivered 50 AI computing technical service projects in 2024 as compared to three delivered in 2023.

Cost of Sales

Our cost of sales decreased by 8.5% from RMB230.5 million in 2023 to RMB210.8 million in 2024, primarily due to a decrease in the cost of sales for our AI vertical industry applications business resulting from its decreased sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 9.1% from RMB160.4 million in 2023 to RMB175.0 million in 2024. Our gross margin increased from 41.0% in 2023 to 45.3% in 2024, primarily due to (i) the introduction and expansion of our AI computing technical services business which has a relatively higher profit margin, (ii) an increase in gross margin of our AI vertical industry applications due to our strategic optimization of our customer mix for this business line. The gross margin of our AI recognition business decreased in 2024 as compared to that in 2023 as a result of the increased cost for data sources and a decline in selling price as part of our strategy to increase sales volume.

Other Income

Our other income decreased by 80.5% from RMB6.0 million in 2023 to RMB1.2 million in 2024, primarily due to the lower amount of government grants provided by the relevant authorities for our R&D activities in 2024.

Other Gains and Losses

We recorded other gains of RMB3.4 million in 2023 and other losses of RMB1.2 million in 2024. The net other gains in 2023 was primarily attributable to a non-recurring compensation from a customer for their early termination of contract. The net other losses in 2024 was primarily attributable to our payment of a one-off compensation paid to a customer for the late delivery of our AI computing technical services in 2024.

Impairment Losses Under Expected Credit Loss Model

Our impairment losses under expected credit loss model decreased by 41.5% from RMB14.9 million in 2023 to RMB8.7 million in 2024, which was primarily attributable to decreased impairment losses on prepayments, deposits and other receivables. Such decrease was primarily due to the non-recurring impairment recognized in 2023 on our prepayment to a supplier in connection with our dispute with the supplier regarding its non-performance of contractual obligations. We have initiated legal proceedings against such supplier to recover our prepayment.

Selling Expenses

Our selling expenses decreased by 36.6% from RMB36.7 million in 2023 to RMB23.3 million in 2024, primarily attributable to a decrease in staff cost due to the optimization of our sales and marketing team. Since 2023, we strategically decreased sales and marketing efforts toward certain government-related and real estate-related AI vertical industry applications projects with relatively high collection risks. We have also shifted our business to high-margin AI computing technical services. As customers of AI computing technical services are relatively concentrated, the demand for sales and marketing personnel is lower compared to that of AI industry applications business. The number of our sales and marketing personnel decreased from 78 as at December 31, 2023 to 47 as at December 31, 2024. Our selling expenses as a percentage of our revenue decreased from 9.4% in 2023 to 6.0% in 2024.

Administrative Expenses

Our administrative expenses increased by 8.3% from RMB27.0 million in 2023 to RMB29.3 million in 2024, primarily attributable to: (i) an increase in stamp duties paid on transactions under our AI computing technical services business as a result of our business growth, and (ii) an increase in professional service fees for external legal counsel in 2024 as part of our enhanced collection efforts for our overdue receivables. Our administrative expenses as a percentage of our revenue increased from 6.9% in 2023 to 7.6% in 2024.

Research and Development Expenses

Our research and development expenses decreased by 38.2% from RMB44.8 million in 2023 to RMB27.7 million in 2024, reflecting our continuous and substantial investment in R&D in the past, which now enables us to capitalize on accumulated technological assets and R&D results to drive future growth efficiently. In addition, as we have made a strategic business adjustment for AI vertical industry applications, we reduced the number of AI vertical industry application projects that were government-related and real estate-related which bear relatively high collection risks, and focused on other relatively high-margin projects and customers with relatively good purchase and settlement history with us. Furthermore, with adoption of new development software, we have achieved a higher R&D efficiency. Our research and development expenses as a percentage of our revenue decreased from 11.5% in 2023 to 7.2% in 2024.

Finance Costs

Our finance costs increased by 66.8% from RMB6.0 million in 2023 to RMB9.9 million in 2024, primarily due to the increase in interest on bank borrowings as a result of our increased bank borrowings.

Income Tax Expense

Our income tax expense increased by 175.8% from RMB3.6 million in 2023 to RMB10.0 million in 2024, and our effective income tax rate increased from 9.0% in 2023 to 13.2% in 2024, primarily because we no longer enjoyed preferential tax treatments for key integrated circuit design enterprises and software enterprises starting in 2024. Our company was eligible for the 10% preferential tax rate for key integrated circuit design enterprises and software enterprises in 2023, and was qualified as HNTE and enjoyed a preferential tax rate of 15% in 2024.

Profit for the year

As a result of the foregoing, our profit for the year increased by 79.7% from RMB36.8 million in 2023 and RMB66.1 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	186,728	196,002	190,749
Total current assets	693,991	1,219,166	959,545
Total assets	**880,719**	**1,415,168**	**1,150,294**
Total non-current liabilities	1,966	11,738	9,255
Total current liabilities	298,915	758,715	438,064
Total liabilities	**300,881**	**770,453**	**447,319**
Net current assets	**395,076**	**460,451**	**521,481**
Net assets	**579,838**	**644,715**	**702,975**

The following table sets out a breakdown of our current assets and liabilities 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	28,012	45,175	32,404	97,079
Trade and bills receivables	252,046	789,701	162,940	197,935
Prepayments, deposits and other receivables	225,897	276,694	285,339	362,344
Amounts due from related parties	—	1,180	—	—
Financial assets at fair value through profit or loss	2,000	—	—	—
Income tax recoverable	—	—	229	229
Restricted bank deposits	2,168	2,245	1,592	1,592
Bank balances and cash	183,868	104,171	477,041	453,982
Total current assets	**693,991**	**1,219,166**	**959,545**	**1,113,161**
Current liabilities				
Trade payables	40,317	432,501	118,922	127,168
Other payables	26,483	112,157	39,769	34,364
Amount due to a related party	64	64	—	—
Income tax payable	2,941	10,449	6,503	7,656
Borrowings	176,930	133,000	217,000	340,000
Lease liabilities	5,268	6,691	4,720	4,590
Contract liabilities	7,573	24,514	11,811	23,780
Redemption liabilities on equity shares	39,339	39,339	39,339	39,339
Total current liabilities	**298,915**	**758,715**	**438,064**	**576,897**
Net current assets	**395,076**	**460,451**	**521,481**	**536,264**

Our net current assets remained relatively stable at RMB536.3 million as of February 28, 2026, being the indebtedness date for the purpose of the indebtedness statement, as compared to RMB521.5 million as of December 31, 2025.

Our net current assets increased from RMB460.5 million as of December 31, 2024 to RMB521.5 million as of December 31, 2025, primarily due to an increase in bank balances and cash and decreases in trade payables and other payables, partially offset by a decreases in trade and bills receivables. The increase in prepayments, deposits and other receivables and bank balances was in line with the progress of our AI vertical industry application projects growth. The decreases in our trade payables and other payables and our trade and bills receivables were primarily due to the settlement of such payables and receivables after the discontinuance of procurement agency services under our AI computing technical services business.

Our net current assets increased from RMB395.1 million as of December 31, 2023 to RMB460.5 million as of December 31, 2024, primarily due to the significant increase in trade receivables, partially offset by the substantial increase in trade payables. Such increases were both due to the growth of our AI computing technical services business. See "— Description of Major Components of Our Results of Operations — Revenue — AI Computing Technical Services."

Trade and Bills Receivables

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables:			
— AI computing technical services related	30,570	620,732	8,500
— AI recognition and AI vertical industry applications related	229,492	186,966	185,926
	260,062	807,698	194,426
Bills receivables	2,751	1,527	798
Subtotal	262,813	809,225	195,224
Less: allowance for credit losses	(10,767)	(19,524)	(32,284)
Trade and bills receivables, net	**252,046**	**789,701**	**162,940**

We previously provided procurement agency services to certain AI computing technical services customers at their requests. Our role in performing AI technical computing services include consulting on network architecture design, procurement advisory, procuring the servers as the customer's agent and arranging for hardware to be delivered to customers' premises to customize, test and integrate them with other components and our proprietary software in accordance with customer specifications. For the purpose of carrying out the procurement function of our AI computing technical services, we did not control the specified good provided by another party before that good or service is transferred to the customer as we are not primarily responsible for fulfilling the promise to provide the goods, did not retain inventory risk and had no discretion in establishing the price for the goods we procured on behalf of our customers.

The following table sets forth balance of trade receivables of AI computing technical services (including procurement agency services) as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables relating to AI computing technical services:			
— technical services related	3,731	17,786	8,500
— procurement agency services related	26,839	602,945	—
Total	**30,570**	**620,732**	**8,500**

Under our procurement agency services, our payment obligation to the suppliers of servers was recorded as prepayments to suppliers under "prepayments, deposits and other receivables" on our balance sheet upon payment. After the servers are delivered and accepted by our customers, we recognize the revenue on a net basis and record the full amount owed by the customer (including both the purchase price payable to the suppliers of the servers and our service fee) as a trade receivable. This gross basis of recording trade receivables, despite net revenue recognition, has led to a disproportionately high balance of trade receivables as of December 31, 2024 relative to our revenue due to the high value of the servers that we procured as a procurement agent. From a cash flow perspective, this arrangement has resulted in our significant cash outflows from operating activities despite recording net profits in 2023 and 2024. See "— Liquidity and Capital Resources — Cash Flow — Net Cashflow from Operating Activities."

Our net trade and bills receivables decreased by 79.4% from RMB789.7 million as of December 31, 2024 to RMB162.9 million as of December 31, 2025, primarily due to a decrease in AI computing technical services related trade receivables as we no longer provided procurement agency services since 2025 and no longer recorded trade and bills receivables for the purchase of servers on behalf of customers.

Our net trade and bills receivables increased significantly from RMB252.0 million as of December 31, 2023 to RMB789.7 million as of December 31, 2024. Such increase primarily reflected the purchase prices paid by us in 2023 and 2024 for servers procured on behalf of our AI computing technical service customers, for which we had not receive the correspondence payment from the customers. Such purchase prices are recognized as trade receivables, and are derecognized when the customer pays us in full.

The aging analysis of the trade receivables as at the balance sheet dates based on dates of delivery of goods or rendering of services was as follows:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
0–90 days	163,121	717,343	122,632
91–365 days	49,920	32,519	14,638
1–2 years	29,887	26,402	10,877
2–3 years	6,367	9,116	4,752
Over 3 years	—	2,794	9,243
Total	**249,295**	**788,174**	**162,142**

As the trade receivables relating to our AI computing technical services business include the procurement prices payable by our clients for the servers we procured on their behalf under our procurement agency services, we believe it is not meaningful to calculate the turnover days for our trade receivables relating to our AI computing technical services business. The table below sets forth, for the periods indicated, the turnover days of our trade receivables excluding the trade receivables relating to our AI computing technical services business.

	Year ended December 31,		
	2023	**2024**	**2025**
Trade receivables (excluding trade receivables relating to AI computing technical services business) turnover days	209	270	194

Note:

(1) Turnover days are calculated using the average of the opening balance and closing balance of the relevant trade receivables (excluding trade receivables relating to AI computing technical services business and before provision for impairment) for a year or period divided by the revenue for that year (excluding revenue from our AI computing technical services business) and multiplied by 365 days for a full year.

The turnover days for our trade receivables (excluding trade receivables relating to AI computing technical services business) increased from 209 days in 2023 to 270 days in 2024, primarily due to a decrease in the relevant revenues resulting from our shift in strategic focus towards our AI computing technical services business since 2023, while certain trade receivables remained outstanding due to the relatively long settlement cycle of relevant customers. Such turnover days decreased to 194 days in 2025, primarily due to a decrease in our trade receivables resulting from our increased collection efforts and an increase in relevant revenue.

As of February 28, 2026, RMB107.0 million (or 66.0%) of the trade receivables as of December 31, 2025 had been subsequently settled.

We believe that the recoverability of the trade receivables is relatively high. We generally grant credit period of up to 90 days as agreed with each of our trade customers. The extension of credit period to the customers may be granted on a discretionary basis based customer type, their creditworthiness, financial condition and payment history with us. We believe our major customers are with good credit and relatively low risks of default. In addition, sufficient provision has been made in view of the subsequent settlement amount. In order to minimise the credit risk, our management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, trade and bills receivables with significant balances or credit impaired are assessed for ECL individually and the remaining balances are grouped based on shared credit risk characteristics by reference to aging of outstanding balances and nature and industry of the debtors. Lifetime ECL has been recognised under the simplified approach. In this regard, our Directors consider that the credit risk is significantly reduced.

Inventories

Our inventories consists of work in progress, finished goods, and goods in transit. The following table sets forth a breakdown of our inventories for the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Work in progress(1)	21,451	27,385	24,956
Finished goods(2)	7,194	18,553	7,365
Goods in transit	130	—	83
Less: write-down of inventories	(763)	(763)	—
Total	**28,012**	**45,175**	**32,404**

Notes:

(1) Primarily include the integrated software-hardware products for our AI vertical industry applications that are under production.

(2) Primarily include the finished integrated software-hardware products for our AI vertical industry applications, and the network setup accessories and components for our AI computing technical services business.

Our inventories increased by 61.3% from RMB28.0 million as of December 31, 2023 to RMB45.2 million as of December 31, 2024. The increase in inventories was primarily due to: (i) an increase in work in progress in line with the development progress of our AI vertical industry application projects which remained to be inspected and accepted by our customers at the relevant time, and (ii) an increase in finished goods in 2024, representing our purchase of network setup accessories and components during the year in line with the growth of our AI computing technical services business.

Our inventories decreased by 28.3% from RMB45.2 million as of December 31, 2024 to RMB32.4 million as of December 31, 2025, primarily attributable to a decrease in finished goods and work in progress resulting from the delivery of our AI vertical industry applications.

The following table sets forth an aged analysis of inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	17,191	26,844	15,297
1–2 years	7,636	10,133	6,626
Over 2 years	3,948	8,961	10,481
Less: write-down of inventories	(763)	(763)	—
Total	**28,012**	**45,175**	**32,404**

The following table sets out the number of our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days[(1)]	41	63	49

Note:

(1): Inventory turnover days for a year equals the average of the opening and closing inventories divided by cost of sales for the same year and multiplied by 365 days for a full year.

Our inventory turnover days increased from 41 days in 2023 to 63 days in 2024 and decreased to 49 days in 2025, primarily due to fluctuations in our inventory level due to the reasons described above.

As of February 28, 2026, RMB26.3 million, or 81.2%, of our inventory as of December 31, 2025 had been consumed or sold.

We believe there is no material recoverability issue for inventories because (i) during the Track Record Period, a substantial portion of our inventories were aged less than one year; and (ii) our inventories aged over two years are mainly individual ID verification terminal hardware products, for which we have assessed, renovated and made write-down accordingly.

Prepayments, Deposits and Other Receivables

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers			
— AI computing technical services related	169,268	236,983	—
— AI recognition and AI vertical industry applications related	42,492	22,158	22,013
	211,760	259,141	22,013
Deposits paid for acquisition of properties	132,400	132,400	132,400
Input value-added-tax to be recovered	324	8,060	4,615
Refundable deposits	5,065	4,569	4,617
Staff loan	4,369	3,376	855
Other receivables	46,015	46,015	46,015
Refundable prepayments to suppliers	—	—	243,615
Prepaid expenses	420	439	783
Receivables from disposal of equity instruments at fair value through other comprehensive income	3,000	—	—
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	1,482	1,612	743
Subtotal	**404,835**	**455,612**	**464,645**
Less: allowance for credit losses	(13,813)	(13,793)	(14,181)
Total	**391,022**	**441,819**	**450,464**

Our prepayments, deposits and other receivables mainly consist of (i) prepayments to suppliers, (ii) deposits paid for acquisition of properties, and (iii) other receivable.

Our prepayments, deposits and other receivables remained stable at RMB441.8 million as of December 31, 2024 and RMB450.5 million as of December 31, 2025.

Our prepayments, deposits and other receivables increased by 13.0% from RMB391.0 million as of December 31, 2023 to RMB441.8 million as of December 31, 2024. Such increase was primarily attributable to significant increases in (i) other receivables from a supplier, representing our prepayments to such supplier to be recovered due to its non-performance of contractual obligations, and (ii) prepayments to suppliers for the purchase of servers in relation to our AI computing technical services. See "— Description of Major Components of Our Results of Operations — Revenue — AI Computing Technical Services."

As of February 28, 2026, RMB246.3 million, or approximately 86.3%, of our current portion prepayments, deposits and other receivables as of December 31, 2025 had been subsequently settled.

Prepayments to Suppliers

Historically, when we procure servers from suppliers on behalf of our AI computing technical service customers, our payment obligation is initially recorded as trade payables. The amount is reclassified as "prepayments to suppliers" under "prepayments, deposits and other receivables" on our balance sheet when we made the payment. This treatment reflects the fact that we do not retain these servers as inventory assets, as they are acquired solely for specific customer engagements rather than for our own use or resale. This accounting treatment has resulted in a substantial increase in prepayments to suppliers in 2023 and 2024, as we launched this business line in 2023. We no longer provided procurement agency service under our AI computing technical services business, and recorded no such prepayments since 2025.

Our prepayments to suppliers increased from RMB211.8 million as of December 31, 2023 to RMB259.1 million as of December 31, 2024, primarily reflecting the growth of our AI computing technical services business. Our prepayments to suppliers decreased from RMB259.1 million as of December 31, 2024 to RMB22.0 million as of December 31, 2025, primarily because we no longer provided procurement agency service under our AI computing technical services business, and recorded no such prepayments since 2025.

Deposits Paid for Acquisition of Properties

Our deposits paid for acquisition of properties remained at RMB132.4 million as of December 31, 2023, 2024 and 2025. As at the Latest Practicable Date, we are in the process of completing the documentary formalities to obtain and register the legal title to such properties.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss comprise of our investment in a financial product issued by a local commercial bank.

Our financial assets at fair value through profit or loss decreased from RMB2.0 million as of December 31, 2023 to nil as of December 31, 2024 and December 31, 2025 as it was fully redeemed in 2024.

Under our investment policy with respect to the purchase of financial assets, we monitor the levels of idle cash and bank balances and use this idle cash to increase our returns based on our working capital requirements at the relevant time. Under our internal control policies, our Chairman of our Board and our finance department manage and monitor the risks associated with our financial assets. Our management, including our finance department, has extensive experience in managing the financial aspects of our operations. Transactions of purchase of financial assets must be submitted to our Chairman of our Board for review and approval.

Our investment strategy related to such financial products focuses on minimizing financial risks, including market risk, credit risk and liquidity risk, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to financial products after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our working capital conditions and the expected profit or potential loss of the investment.

Upon the [REDACTED], we intend to continue our investment in financial products strictly in accordance with our internal control policy, and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Trade and Other Payables

Our trade and other payables primarily include trade payables, payroll payables, and other tax payables.

Our trade and other payables increased significantly from RMB66.8 million as of December 31, 2023 to RMB544.7 million as of December 31, 2024, primarily attributable to (i) an increase in trade payables resulting from the increasing number of servers we purchased as we ramped up our AI computing technical services business, and (ii) an increase in other tax payables reflecting our provisioning, in accordance with applicable accounting principles, of output taxes as we deliver our AI computing technical services while the relevant invoices were yet to be issued.

Our trade and other payables decreased significantly from RMB544.7 million as of December 31, 2024 to RMB158.7 million as of December 31, 2025, primarily attributable to decrease in trade payables in relation to AI computing technical services business as we no longer provided procurement agency services in 2025 and recorded no such payables.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
AI computing technical services related	2,017	390,301	18,461
AI recognition and AI vertical industry applications related	38,300	42,200	100,461
Subtotal	**40,317**	**432,501**	**118,922**
Other Payables			
Payroll payables	11,753	10,193	6,559
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	14,169	96,454	26,210
Accrued expenses	490	5,420	543
Others	71	90	410
Subtotal	**26,483**	**112,157**	**39,769**
Total	**66,800**	**544,658**	**158,691**

The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
0–90 days	25,551	416,778	95,650
91–365 days	7,027	2,460	13,735
1–2 years	4,949	7,098	1,958
2–3 years	2,300	4,870	2,290
Over 3 years	490	1,295	5,289
Total	**40,317**	**432,501**	**118,922**

As of February 28, 2026, RMB56.7 million, or approximately 47.6%, of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily represents advance payments received for our AI vertical industry applications business.

Contract liabilities increased significantly from RMB7.6 million as of December 31, 2023 to RMB24.5 million as of December 31, 2024, primarily attributable to increased advance payments received for our AI vertical industry applications business in relation to AI vertical industry application projects that we undertook.

Our contract liabilities decreased by 51.8% from RMB24.5 million as at December 31, 2024 to RMB11.8 million as at December 31, 2025, primarily attributable to decrease in advance payments received for our AI vertical industry applications business in line with our business operation.

As of February 28, 2026, RMB4.2 million, or approximately 35.7%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Redemption Liabilities on Equity Shares

Our redemption liabilities on equity shares consist of the obligation to repurchase of our Share held by certain [REDACTED]. For further information on our redemption liability on equity shares, please see Note 30 to the Historical Financial Information as set forth in Appendix I to this document.

Redemption liabilities on equity shares remained stable at RMB39.3 million as of December 31, 2023, 2024 and 2025, because the counterparty voluntarily waived its right to the interest for the period from January 1, 2024 and exempted us from any repurchase obligations or guarantees related to this interest.

Equipments and Lease Improvements

Our equipments and lease improvements mainly consist of our server equipment, office equipment and leasehold improvements. Our equipment and lease improvements decreased by 39.3% from RMB5.5 million as of December 31, 2023 to RMB3.3 million as of December 31, 2024 and further decreased by 44.6% to RMB1.9 million as of December 31, 2025, mainly due to increases in accumulated depreciation and impairment of our leasehold improvements and electronic equipment.

Intangible Assets

Our intangible assets mainly consist of our procured software and systems. Our intangible assets decreased by 34.5% from RMB1.1 million as of December 31, 2023 to RMB0.7 million as of December 31, 2024, primarily due to amortization. Our intangible assets increased to RMB0.8 million as of December 31, 2025 as compared to RMB0.7 million as of December 31, 2024, primarily due to certain office software purchased in 2025.

KEY FINANCIAL RATIOS

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

	As of and for the year ended December 31,		
	2023	**2024**	**2025**
Return on equity(1) (%)	6.6	10.8	8.7
Return on asset(2) (%)	4.8	5.8	4.6
Current ratio(3)	2.3	1.6	2.2
Quick ratio(4)	2.2	1.5	2.1
Gearing ratio(5) (%)	38.4	29.2	38.2
Cash conversion cycle(6)	206	251	136

(1) Return on equity is calculated by dividing net profit for the year by the average of the opening and closing total equity for the same year, multiplied by 100%.

(2) Return on asset is calculated by dividing net profit for the year by average total assets the average of the opening and closing total assets for the same year, multiplied by 100%.

(3) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.

(4) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.

(5) Gearing ratio is calculated by diving total indebtedness (including bank borrowings, lease liabilities, redemption liabilities on equity shares and amount due to a related party) by total equity as of the date indicated, multiplied by 100%.

(6) Cash conversion cycle is calculated using the inventory turnover days plus the trade receivable (excluding trade receivables relating to AI computing technical services business) turnover days in the relevant period minus the trade payables (excluding trade payables relating to AI computing technical services business) turnover days in the relevant period.

For a detailed analysis on our financial performance, see "— Description of Major Components of Our Results of Operations" and "— Discussion of Certain Key Balance Sheet Items."

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from equity and debt financing and cash generated from operations.

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had cash and cash equivalents of RMB183.9 million, RMB104.2 million, RMB477.0 million and RMB454.0 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cashflow, equity and debt financing and [REDACTED] received from the [REDACTED].

Cash Flow

The following table sets out our cash flows for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(183,127)	(23,900)	306,403
Net cash (used in)/generated from investing activities	(46,251)	5,057	286
Net cash generated from/ (used in) financing activities	146,997	(60,854)	66,181
Net (decrease)/increase in cash and cash equivalents	(82,381)	(79,697)	372,870
Cash and cash equivalents at the beginning of the year	266,249	183,868	104,171
Cash and cash equivalents at the end of the year	183,868	104,171	477,041

Net Cashflow from Operating Activities

Net cash from operating activities primarily comprises our profit before income tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital. We commenced our AI computing technical services business line in 2023. Our business arrangement in relation to AI computing technical services business line resulted in our significant cash outflows from operating activities despite recording net profits in 2023 and 2024, due to (i) the substantial upfront prepayments to suppliers for the server purchases in 2023 during the initial phase of this business line and (ii) high trade receivables balance as of the end of 2024 primarily attributed to customers who have accepted the servers and not yet completed payment. Our trade receivables (excluding trade receivables relating to AI computing technical services business) turnover and trade payables (excluding trade payables relating to AI computing technical services business) turnover also impacted on our cash position and cash conversion cycle given the long payment cycles of certain customers. We closely monitor the level of our working capital and diligently review future cash flow requirements according to procurement orders on hand and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. During the Track Record Period, we funded our operation cash requirements primarily with bank borrowings. To fund our AI computing technical services business line commenced in 2023, we have established strong relationships with a number of banks to secure and utilize available credit facilities. Our total cash balance is sufficient to cover our net cash flows used in operating activities and provide adequate liquidity for our expansion of business operations. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, to meet our present needs and for the next 12 months from the date of this document, taking into account the financial resources available to us. In addition, we have implemented a series of strategic measures to manage our prolonged cash conversion cycle and ensure adequate working capital and improved liquidity. We have strengthened our trade receivable management by regularly conducting aging analyses to monitor receivables. For customers with prolonged collection periods, we assign dedicated personnel to negotiate repayment plans with such customers and take legal action when necessary. Where material changes in a customer's financial condition appear to occur, we escalate collection efforts accordingly.

In 2025, the net cash generated from operating activities was RMB306.4 million, which was primarily attributable to our profit before taxation of RMB67.5 million, as adjusted by (i) non-cash items and non-operating items, primarily comprising depreciation of right-of-use assets of RMB5.8 million, impairment losses under expected credit loss model (net of reversal) of RMB18.4 million and non-cash finance costs of RMB6.2 million; and (ii) changes in working capital, which primarily comprised a decrease in trade and bills receivables of RMB608.7 million, partially offset by a decrease in trade payables of RMB313.6 million and a decrease in other payables of RMB68.2 million, reflecting the settlement of the relevant receivables and payables after the discontinuance of our procurement agency services under AI computing technical services business.

In 2024, the net cash used in operating activities was RMB23.9 million, which was primarily attributable to our profit before taxation of RMB76.1 million, as adjusted by (i) non-cash items and non-operating items, primarily comprising non-cash finance costs of RMB9.9 million, impairment losses under expected credit loss model (net of reversal) of RMB8.7 million, and depreciation of right-of-use assets of RMB7.5 million; and (ii) changes in working capital, which primarily comprised an increase in trade and bills receivables of RMB546.3 million, partially offset by increase in trade payables of RMB392.2 million.

In 2023, the net cash used in operating activities was RMB183.1 million, which was primarily attributable to our profit before taxation of RMB40.4 million, as adjusted by (i) non-cash items and non-operating items, primarily comprising impairment losses under expected credit loss model (net of reversal) of RMB14.9 million, depreciation of right-of-use assets of RMB8.0 million and non-cash finance costs of RMB5.9 million; and (ii) changes in working capital, which primarily comprised an increase in prepayments, deposits and other receivables of RMB221.1 million and an increase in trade and bills receivables of RMB51.2 million, reflecting the strong growth of our AI computing technical services business after its launching in late 2023, which was partially offset by an increase in trade payables of RMB22.9 million.

Net Cashflow from Investing Activities

In 2025, net cash generated from investing activities was RMB0.3 million, which was primarily attributable to cash received upon withdrawal of restricted bank deposits.

In 2024, net cash generated from investing activities was RMB5.1 million, which was primarily attributable to cash received upon disposal and redemption of financial assets at fair value through profit and loss.

In 2023, net cash used in investing activities was RMB46.3 million, respectively, which was primarily attributable to cash paid for purchase of property and equipment.

Net Cashflow from Financing Activities

In 2025, the net cash generated from financing activities was RMB66.2 million, which was primarily attributable to proceeds from borrowings of RMB217.0 million, partially offset by cash used for repayments of borrowings of RMB133.0 million.

In 2024, net cash used in financing activities was RMB60.9 million, which was primarily attributable to cash used for the repayments of borrowings of RMB286.9 million, partially offset by proceeds from borrowings of RMB243.0 million.

In 2023, net cash generated from financing activities was RMB147.0 million, which was primarily attributable to proceeds from borrowings of RMB258.6 million, partially offset by cash used for repayments of borrowings of RMB100.7 million.

INDEBTEDNESS

As of February 28, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB390.6 million, comprising of bank borrowings, lease liabilities and redemption liabilities on equity shares. As of the same date, we had unutilized banking facilities of RMB220.5 million.

The following table sets forth a 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)
Bank borrowings	176,930	133,000	217,000	340,000
Lease liabilities	6,539	15,954	12,107	11,224
Redemption liabilities on equity shares	39,339	39,339	39,339	39,339
Amount due to a related party	64	64	—	—
Total	**222,872**	**188,357**	**268,446**	**390,563**

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the major covenants or restrictions under our loan agreements. Except as disclosed above, during the Track Record Period, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

Borrowings

As of December 31, 2023, 2024 and 2025 and February 28, 2026 (being the indebtedness date for the purpose of the indebtedness statement), we had bank borrowings of RMB176.9 million, RMB133.0 million, RMB217.0 million and RMB340.0 million, respectively.

As of December 31, 2023, 2024 and 2025 and February 28, 2026, all of our bank borrowings were at fixed rate, unsecured and guaranteed, and were repayable within one year.

The ranges of effective interest rates (which are also equal to contracted interest rates) on our borrowings as of the dates indicated are as follows:

	As of December 31,		
	2023	2024	2025
Fixed-rate, per annum	2.20%–4.00%	3.00%–3.95%	2.50%–3.80%

As of December 31, 2023, 2024 and 2025, certain bank borrowings were guaranteed by our Director Mr. Zhang Huan, our former Director Mr. Huang and the spouse of Mr. Huang. Such guarantees from Mr. Zhang Huan will be released prior to the [REDACTED]. See Note 27 to the Historical Financial Information as set forth in Appendix I to this document.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual 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.

Lease Liabilities

IFRS 16 introduced a single lessee accounting model, whereby assets and liabilities are recognized for all leases on the balance sheet, subject to certain exceptions. Our lease liabilities include the net present value of our lease payments as specified in Note 28 to the Historical Financial Information as set forth in Appendix I to this document.

The following table sets out our lease liabilities in absolute amounts and as percentages as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable			
Within one year	5,268	6,691	4,720
More than one year but not exceeding two years	1,090	5,712	4,606
More than two years but not exceeding five years	181	3,551	2,781
	6,539	15,954	12,107

Our lease liabilities increased from RMB6.5 million as of December 31, 2023 to RMB16.0 million as of December 31, 2024, primarily due to our increased need for warehouses for storage of servers for our AI computing technical services business. Our lease liabilities decreased by 24.1% from RMB16.0 million as of December 31, 2024 to RMB12.1 million as of December 31, 2025, primarily due to a reduction in our office spaces leased in line with our business and employee scale.

As of February 28, 2026, we had lease liabilities of RMB11.2 million, among which RMB0.4 million was unsecured and unguaranteed, RMB10.8 million were secured by rental deposits and unguaranteed.

Redemption Liabilities on Equity Shares

Our redemption liabilities on equity shares represents the obligation to repurchase our Shares held by certain [REDACTED]. Redemption liabilities on equity shares remained at RMB39.3 million which are secured by the equity shares held by certain [REDACTED] and unguaranteed as of December 31, 2023, 2024 and 2025 and February 28, 2026.

For further details on our redemption liabilities on equity shares and its changes, see "Discussion of Certain Key Balance Sheet Items — Redemption Liabilities on Equity Shares."

Except as disclosed above, as of February 28, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed or unguaranteed, secured or unsecured, or guarantees. Our Directors confirm that, there had not been any material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, we did not have any capital commitment.

CAPITAL EXPENDITURES

Our capital expenditures in 2023, 2024 and 2025, were RMB54.0 million, RMB0.2 million and RMB0.7 million, respectively, representing cash paid for our purchase of property and intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly from equity and debt financing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our related party transactions during the Track Record Period, see Note 39 to the Historical Financial Information as set forth in Appendix I to this document.

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

FINANCIAL RISK DISCLOSURE

Our major financial instruments include trade and bills receivables, prepayments, deposits and other receivables, amounts due from/to a related party, amounts due from/to subsidiaries, equity instruments at fair value through other comprehensive income, financial assets at fair value through profit and loss, restricted bank deposits, bank balances, trade payables, other payables, lease liabilities, borrowings and redemption liabilities on equity shares. Risks associated with these financial instruments include market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner. For details on our management of such financial risks, see Note 35 to Historical Financial Information as set forth in Appendix I to this document.

DIVIDEND

No dividends had been declared or paid by our Company during the Track Record Period.

Pursuant to our Articles of Association, our Board will formulate the dividends distribution plan after taking into account our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association, applicable PRC law and approval by our Shareholders. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. We currently do not have a formal dividend policy or a predetermined dividend payout ratio. After the [REDACTED], we will review from time-to-time on the implementation of this policy based on our business development and also return to our [REDACTED].

As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

WORKING CAPITAL CONFIRMATION

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

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company had distributable reserves of RMB122.0 million, representing the retained profits of our Company as of the same date.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED], we expect to incur [REDACTED] of approximately HK$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], including: (i) [REDACTED] of approximately HK$[REDACTED], and (ii) [REDACTED] related expenses of approximately HK$[REDACTED], which consists of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$[REDACTED] and other fees and expenses of approximately HK$[REDACTED]. Among the total [REDACTED], approximately HK$[REDACTED] is directly attributable to the [REDACTED] of our [REDACTED] to the public and will be deducted from equity, approximately HK$[REDACTED] has been expensed during the Track Record Period, and the remaining amount of approximately HK$[REDACTED] is expected to be expensed upon the [REDACTED].

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business growth continued after December 31, 2025. As of February 28, 2026, we had 92 outstanding agreements with customers with an aggregate transaction value of RMB440.5 million, including 36 agreements for AI recognition business with a total transaction value of RMB159.1 million, 50 agreements for AI vertical industry application business with a total transaction value of RMB235.5 million, and 6 agreements for AI computing technical service business with a total transaction value of RMB46.0 million. Among the total transaction value of RMB440.5 million outstanding agreements with customers as of February 28, 2026, RMB199.3 million related to AI recognition business and a portion of AI vertical applications business delivered on a non-project basis, which is mainly invoiced and settled monthly; RMB241.2 million was relating to business delivered on a project basis, which is paid upon acceptance by customers. We expect that among the total transaction value of RMB440.5 million outstanding agreements with customers, RMB375.9 million is expected to be paid by end of 2026, with the rest to be paid by the end of 2027.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, save as otherwise disclosed above, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Historical Financial Information as set forth in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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