You should read the following discussion and analysis in conjunction with our audited consolidated financial statements, including the notes thereto included in the Accountants' Report set out in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document and not rely merely on the information contained in this section. The Accountants' Report has been prepared in accordance with the IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors 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 the sections headed "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are a leading AI company in China, dedicated to the design, development and commercialization of AI inference chips. By integrating our deep expertise in AI algorithms and real-world scenarios into powerful and cost-efficient applications utilizing AI inference computing, we deliver NPU-powered AI inference chip-related products and services for enterprise, consumer, and industry applications. We have achieved a closed-loop system, from building AI inference infrastructure to product design, development, and commercial deployment, ensuring seamless AI adoption across diverse industries. According to the CIC Report, we are a top three industry leader for full-scenario AI inference chip-related products and services in China in terms of the relevant revenue in 2025. We are also a top three provider of NPU-powered AI inference chip-related products and services in China in terms of the relevant revenue in 2025, according to the same source.

We achieved significant growth during the Track Record Period. Our revenue increased from RMB506.0 million in 2023 to RMB1,339.3 million in 2025. We are still at the R&D stage or early commercialization stage of certain of our major offerings. We recorded adjusted net loss (non-IFRS measure) of RMB297.5 million, RMB382.6 million and RMB282.5 million for 2023, 2024 and 2025, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by the general factors influencing the sectors that we operate in. For instance, for our offerings in AI inference chips and related products and computing power services, our business growth is subject to industry-wide factors that shape the demand of our offerings, such as the growth of large AI models, enterprises' increasing AI deployments, enhanced requirements for inference in consumer electronics, and further urban infrastructure upgrades focusing on optimized balance for performance and cost efficiency. Similarly, our business operations are influenced by the overall development of the smart device industry, such as transformation of smart devices into intelligent service nodes. Meanwhile, macroeconomic conditions, regulatory environment and industrial policies, as well as global technological advancements and supply chain evolvements, have had and will continue to have an impact on our performance.

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

Our Research and Development Capabilities

We operate in sectors characterized by rapid technological innovations and evolving demands for new products and services. Our R&D capabilities are fundamental to the success and attractiveness of products and services and our competitive advantages. Our ability to cement our market position, implement our growth strategies and achieve long-term commercial success significantly depends on the achievements of our R&D initiatives and our technology advantages. In recent years, we began to commercialize our AI inference chips and related products and computing power services, and we also embarked on consumer-class applications through the integration of D-infuture Tech's business and our organic growth.

We have invested heavily in our R&D efforts, including attracting and retaining our R&D personnel, engaging in various R&D activities, and undertaking relevant R&D projects. During the Track Record Period, we incurred research and development expenses of RMB294.8 million, RMB399.9 million and RMB445.5 million for 2023, 2024 and 2025, representing 58.3%, 43.6% and 33.3% of our total revenue for the same periods, respectively. Specifically, in addition to our employee benefit expenses for R&D personnel, which accounted for the most significant portion of our research and development expenses, we also incurred design service fees, research material costs and depreciation and amortization expenses in connection with our investment in multiple R&D initiatives. We expect to continually invest significant resources into our R&D efforts as the cornerstone of our future success.

Our R&D capabilities and the results of our R&D efforts depend on various factors, including, among others, our ability to precisely and timely capture the trend of industry development and technology advancements, our ability to retain and incentivize talents with related expertise and the effectiveness and progress of our R&D activities. Moreover, as we have diversified the application scenarios of our products and services, we have endeavored to address and may continue to face different and more complex R&D requirements. Whether our R&D initiatives will ultimately achieve commercial success also depends on the market reception, demand and competitive landscape. All of these internal and external factors will affect our return on R&D investments and results of operations.

Evolvements of Our Offering Mix

Driven by the crucial developments of the AI inference chip-related products and services in recent years and the changes in the global supply chain, our offering mix has evolved under the convergence of downstream demand and our core advantages, which led to the structural shift of our revenue sources during the Track Record Period. While we have historically generated our revenue primarily from the industry-class scenario, we currently derived our revenue from three major business lines, namely, the enterprise-, consumer- and industry-class scenarios. Specifically, the enterprise- and consumer-class scenarios have become our key growth drivers. Revenue from our enterprise-class scenario was RMB31.1 million, RMB248.6 million and RMB536.1 million in 2023, 2024 and 2025, respectively, accounting for 6.2%, 27.1% and 40.0% of our total revenue for the same periods, respectively. We began to engage in the consumer-class scenario business through the acquisition of D-infuture Tech in April 2024, and we also began to offer consumer-class products under our own brand to achieve organic growth. Our revenue from the consumer-class scenario was RMB405.7 million and RMB623.9 million for 2024 and 2025, respectively, accounting for 44.2% and 46.6% of our total revenue for the same periods, respectively. In contrast, there was a decline in the industry-class scenario caused by weakening demand. Revenue from our industry-class scenario decreased both in absolute amount and as a percentage of our total revenue, which was RMB469.1 million, RMB253.8 million and RMB174.2 million in 2023, 2024 and 2025, respectively, accounting for 92.7%, 27.7% and 13.0% of our total revenue for the same periods, respectively. In light of these trends, we expect that the performance of our enterprise- and consumer-class scenarios will drive our future financial performance.

We believe that the competitive advantages of our products and services are paramount to our ability to achieve commercial success in each of these application scenarios. This in turn depends on our R&D capabilities, as well as the degree of fit of our products and services with the demand and requirements of customers from each application scenario. In addition, as a result of our expansion into multiple sectors with varying requests and relatively new to us, such as in certain enterprise- and consumer-class scenarios, we must enhance our ability to operate under a more hybrid business model. For instance, we must enhance our ability to manage the development, operations and delivery of multiple types of products and services, understand the needs of customers ranging from consumers to enterprise customers, adapt to the technology upgrades and industry trends of each business line, generate synergies among these business lines and achieve greater operating leverage as we expand. Specifically, as we acquired D-infuture Tech in April 2024 as our major move in the consumer-class scenario, our ability to integrate D-infuture Tech into our overall business scheme and generate synergies from such acquisition is crucial to our prospects. The acquisition of D-infuture Tech aims to leverage China's rapidly growing AI market by combining our proprietary AI algorithms and chip technologies with D-infuture Tech's expertise in wearable IoT devices. For details, see "History, Development and Corporate Structure—Major Acquisitions and Disposals—Acquisition of D-infuture Tech."

In addition, our results of operations are affected by changes in our offering mix, as we had different profit margin across different products and services. The variation of profit margin is driven by, among others, disparate nature of products and services with different cost structure, and degree of market competition that affects pricing strategy. Our financial performance during the Track Record Period, especially our gross profit margin, was affected by the changes in the relative contribution of such products and services with disparate profit margin, with considerable impact from AI inference chip and related products and computing power services versus consumer-class products and services. For instance, for our enterprise-class scenario, the gross profit margin of IP licensing business tends to be significantly higher than other types of products and services by virtue of its cost structure as software in nature, which generally does not involve any hardware costs or depreciation of machinery or equipment. In addition, in part due to the competitive landscape of smart devices sector, the gross profit margin of consumer-class scenario products and services is lower than that of our enterprise- and industry-class scenarios. We expect to improve the profit margin of the consumer-class scenario with the launch of new products in the future.

While the supplies underlying our enterprise- and industry-class scenario products and services vary significantly, and the concept of raw materials generally does not apply to such supplies considering the nature of those businesses, the cost profile and resultant profitability of our consumer-class scenario products and services is affected in part by relevant raw material costs. For illustrative purposes only, assuming that all other factors affecting our financial performance remain constant (including assuming that material price fluctuations cannot be passed on to customers through price adjustment mechanisms), the sensitivity analysis of the impact of fluctuations in the cost of raw materials/relevant inventories for our consumer-class scenario products and services being 5%, 10% and 15% on our loss before income tax in 2024 and 2025 is as follows:

	For the year ended December 31,	
	2024	2025
	(RMB in thousands)	
Fluctuations in cost of raw materials/inventories		
± 5%	± 17,539	± 26,143
± 10%	± 35,077	± 52,286
± 15%	± 52,616	± 78,428

Commercialization of Our Products and Services

Our results of operations are ultimately affected by the commercialization results of our products and services. Specifically, enhanced commercialization will enable us to recover our early-stage investments into various R&D initiatives. Similar to peer products and service providers, the commercial success of our products and services, including the sustainability of our business growth and our ability to recover our costs and generate returns on relevant investments, is affected by a series of external demand-side factors shaping the market adoption and penetration of these products and services. These factors include, among others, the degree of acceptance of such products and services and deployment status of relevant technologies in various application scenarios, the industrial policies and other government incentives that promote the adoption of underlying technologies, the macroeconomic conditions, and the budgets, funding and procurement plans of customers. Our performance is influenced by uncertainties associated with these external factors, over which we have limited control.

We have adopted a demand-facing and market-oriented approach in selecting our path to achieve business growth and commercialization success, striving to match our technological capabilities with monetization opportunities. We have also begun to offer AI inference chips and related products and computing power services in recent years, representing our latest efforts to monetize from our R&D initiatives and technological capabilities from the enterprise-class scenario. We also embarked on the consumer-class scenario with the dual initiatives of acquiring D-infuture Tech and pursuing organic growth through our branded products. Whether we can successfully monetize from these and other commercialization initiatives that we proceed with in the future depends on our ability to precisely and timely capture and adapt to market and industry trends, in particular in areas of robust and unaddressed demand. In addition, we must implement effective commercialization strategies based on the characteristics of the various products and services that we offer, and the nature of customers in each application scenario. We must also cultivate corresponding customer base and improve our market penetration. Specifically, the continued growth of our enterprise-class scenario products and services depends on, apart from the intrinsic value of such products and services to customers, our ability to promote the adoption of our products to a wider, high-quality customer base and to maintain long-term and virtuous relationship with these customers. With respect to our consumer-class scenario products, we must design and implement efficient, consumer-facing go-to-market strategies for relevant products and manage online and offline sales channels.

Ability to Effectively Manage Our Costs and Expenses

Our ability to effectively control our operating expenses, comprising selling and distribution expenses, administrative expenses and research and development expenses, is crucial to our profitability. As we underwent business expansion together with evolvement of offering mix during the Track Record Period, we experienced fluctuations in our operating expenses. During the Track Record Period, we recorded administrative expenses of RMB207.2 million, RMB260.8 million and RMB219.1 million for 2023, 2024 and 2025, respectively, representing 41.0%, 28.4% and 16.4% of our total revenue for the same periods, respectively. We also recorded selling and distribution expenses of RMB101.6 million, RMB176.3 million and RMB164.2 million for 2023, 2024 and 2025, respectively, representing 20.1%, 19.2% and 12.3% of our total revenue for the same periods, respectively. Driven by changes in our business needs and operational goals, our operating expenses may continue to fluctuate due to many factors, such as changes in the headcount and compensation of relevant employees, including the granting and vesting of share-based awards, and changes in the needs of relevant business activities, such as costs incurred for undertaking marketing and business development initiatives. Our future results of operations will continue to be affected by our ability to manage these costs at a reasonable level commensurate with our business growth. Going forward, as our business grows substantially and in a steady manner, we expect to achieve greater operating leverage from greater economies of scale, which could contribute to our profitability.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied the accounting policies which conform with IFRS Accounting Standards, amendments to IFRS Accounting Standards and the related interpretations issued by the IASB, which are effective for the accounting periods beginning on or after January 1, 2024, throughout the Track Record Period.

The historical financial information has been prepared on the historical cost basis except for certain financial assets which are stated at fair value.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgements based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our material accounting policies, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Note 3.2 to the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers

Revenue mainly arises from the following major sources:

(i) Sales of goods;

(ii) Provision of services; and

(iii) Provision of computing power services.

To determine whether to recognize revenue, we follow a 5-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognizing revenue when or as performance obligations are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when we satisfy performance obligations by transferring the promised goods or services to our customers.

For the revenue recognized over time, we use an output method to measure progress towards complete satisfaction of a performance obligation, when the customer simultaneously receives and consumes the benefits provided by our performance as we perform. Otherwise, we recognize revenue from such performance obligation at a point in time upon acceptance of customized services by customers.

Further details of our revenue and other income recognition policies are as follows:

Revenue from sale of goods

Revenue from sale of goods between us and our customers generally only includes a performance obligation for the transfer of goods, which is recognized when the performance obligation has been satisfied at a point in time.

Revenue for sale of goods in the PRC is recognised when we have delivered the products to the customers in accordance with the contract terms, and have received acceptance and other proof of receipt from the customers.

Revenue from provision of services

Revenue from provision of services between us and our customers generally includes technical services. If the customers obtain and consume the economic benefits brought by our performance when we have performed our obligations, we may treat our performance obligation as satisfied within a certain period of time and recognise the respective revenue over time, except for those revenue where the progress of performance cannot be reasonably determined.

Revenue from provision of services is recognized when we have satisfied the corresponding performance obligation in accordance with the contract terms, and have received acceptance and other proof of receipt from the customers.

Revenue from integrated project contracts

Revenue from integrated project contracts comprises the sale of hardware products and software products, together with the provision of accompanying services including solution design, installation and commissioning, technical supervision, trial operation, and system maintenance.

We enter into sales contracts with customers which set out detailed acceptance criteria. Revenue is recognized when the performance obligations are satisfied in accordance with the contractual acceptance terms, and acceptance is obtained from the customer or a designated party specified in the contract.

We assess whether the goods and services promised in the contract are distinct and accounts for each performance obligation separately, unless they are not distinct within the context of the contract, in which case they are combined as a single performance obligation.

For integrated project contracts that include warranty clauses, we evaluate whether the warranty provides assurance that the delivered goods comply with agreed-upon specifications, or if it constitutes a distinct service. Assurance warranty is accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets." Where the warranty represents a distinct service promised to the customer, it is treated as a separate performance obligation and accounted for in accordance with the revenue recognition policies for provision of services (see above).

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Electronic devices	3 years
Motor vehicles	4 years
Office equipment and others . .	3 years
Machinery and equipment	5–10 years
Leasehold improvements	shorter of the unexpired term of the lease or 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses) – net" in the consolidated statements of profit or loss.

Impairment of Financial Assets and Contract Assets

Credit losses and impairment of assets

Credit losses from financial instruments and contract assets

We recognize a loss allowance for ECLs on:

— financial assets measured at amortized cost (including trade and bill receivables, deposits and other receivables, amount due from related companies, time deposit, restricted bank deposits and cash and cash equivalents);

— contract assets; and

— non-equity securities measured at FVTOCI;

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

We measure loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. We recognize an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve does not reduce the carrying amount of the financial asset in the statement of financial position.

Trade receivables and contract assets

For trade receivables and contract assets, we apply a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, we have established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, except for trade receivables with significant outstanding balances which are assessed individually, the remaining trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. We have therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by us, liabilities incurred by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

We determine that we have acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as bargain purchase gain.

Where the consideration we transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a financial liability is subsequently remeasured at each reporting dates at fair value with changes in fair value recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when we obtain control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of our cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When we dispose of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

RESULTS OF OPERATIONS

The following table set forth a summary of our consolidated statements of profit or loss and other comprehensive expense/income in absolute amount as a percentage of our total revenue for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Revenue	506,009	100.0	917,372	100.0	1,339,284	100.0
Cost of sales	(387,207)	(76.5)	(725,271)	(79.1)	(971,099)	(72.5)
Gross profit	**118,802**	**23.5**	**192,101**	**20.9**	**368,185**	**27.5**
Other income	87,776	17.3	112,901	12.3	146,619	10.9
Other gains and losses, net	41,469	8.2	32,963	3.6	21,261	1.6
Provision for impairment losses under ECL model, net	(25,013)	(4.9)	(61,254)	(6.7)	(57,544)	(4.3)
Impairment loss on non-current assets classified as held for sale	—	—	—	—	(25,435)	(1.9)
Write-down of inventories	(3,667)	(0.7)	(12,368)	(1.3)	(12,403)	(0.9)
Selling and distribution expenses	(101,555)	(20.1)	(176,331)	(19.2)	(164,192)	(12.3)
Administrative expenses	(207,221)	(41.0)	(260,769)	(28.4)	(219,143)	(16.4)
Research and development expenses	(294,837)	(58.3)	(399,869)	(43.6)	(445,463)	(33.3)
Finance costs	(484)	(0.1)	(3,888)	(0.4)	(27,861)	(2.1)
Share of results of an associate	—	—	37	0.0	1,340	0.1

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Loss before income tax	**(384,730)**	**(76.0)**	**(576,477)**	**(62.8)**	**(414,636)**	**(31.0)**
Income tax	620	0.1	4,308	0.5	2,865	0.2
Loss for the year	**(384,110)**	**(75.9)**	**(572,169)**	**(62.4)**	**(411,771)**	**(30.7)**
Other comprehensive income/(loss), net of tax						
Fair value changes on equity instruments at FVTOCI, net of tax	—	—	(12,652)	(1.4)	38,047	2.8
Exchange differences on translation of financial statements of foreign operations, net of tax	39	0.0	65	0.0	(44)	(0.0)
Other comprehensive income/(loss) for the year, net of tax	39	0.0	(12,587)	(1.4)	38,003	2.8
Total comprehensive loss for the year	**(384,071)**	**(75.9)**	**(584,756)**	**(63.7)**	**(373,768)**	**(27.9)**

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use adjusted net loss (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with, the IFRSs. We believe that such non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under the IFRSs.

We define adjusted net loss (non-IFRS measure) as loss for the period adjusted for share-based payment expenses and **[REDACTED]**. Share-based payment expenses are non-cash expenses arising from restricted A-Share incentives granted under relevant schemes. **[REDACTED]** are incurred in connection with the **[REDACTED]** and **[REDACTED]**. The following table sets out a reconciliation from adjusted net loss (non-IFRS measure) to loss for the period which is presented in accordance with the IFRSs.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Loss for the year	**(384,110)**	**(572,169)**	**(411,771)**
Add:			
Share-based payment expenses	86,658	189,523	128,658
[REDACTED]	—	—	590
Adjusted net loss (non-IFRS measure)	**(297,452)**	**(382,646)**	**(282,523)**

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily generated revenue from the enterprise-, consumer- and industry-class scenarios. Our revenue from the enterprise-class scenario during the Track Record Period primarily consisted of IP licensing fees, sales revenue of AI inference chips and related products, and service fees from the provision of computing power services. Our revenue from the consumer-class scenario during the Track Record Period was primarily related to the sales revenue of smart wearables. Our revenue from the industry-class scenario primarily consisted of project-based revenue from software-hardware integrated solution.

We recorded total revenue of RMB506.0 million, RMB917.4 million and RMB1,339.3 million for 2023, 2024 and 2025, respectively. The following table sets forth our total revenue by application scenarios for the periods indicated, both in absolute amount and as a percentage of our total revenue.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Enterprise-class scenario	31,110	6.2	248,596	27.1	536,081	40.0
Consumer-class scenario	—	—	405,672	44.2	623,898	46.6
Industry-class scenario	469,092	92.7	253,753	27.7	174,248	13.0
Others[1]	5,807	1.1	9,351	1.0	5,057	0.4
Total	**506,009**	**100.0**	**917,372**	**100.0**	**1,339,284**	**100.0**

(1) Others primarily include miscellaneous business income, such as income from the provision of repairs and maintenance services.

During the Track Record Period, we experienced a significant growth of revenue from the enterprise-class scenario in 2024 and 2025, driven by the commercialization and continual growth of our AI inference chips and related products and computing power services. We also began to recognize revenue from the consumer-class scenario in 2024 since the acquisition of D-infuture Tech in April 2024, coupled with the commercialization of our branded consumer-class products. Revenue from the industry-class scenario decreased throughout the Track Record Period, as we strategically reduced new project intake in consideration of the overall declining downstream demand primarily driven by a decline in customers' budget. According to CIC, industry investments in AI has been focused on establishing computing power and data center infrastructure as the foundation of future AI development in the last few years, another area of AI which was distinct from the business scope of our industry-class scenario. Specifically, the number of projects for our industry-class scenarios overall decreased from 225 in 2023 to 188 in 2024, and further to 80 in 2025, while our KA customer retention rate for industry-class scenarios increased from 4.8% in 2023 to 15.0% in 2024, and further to 16.7% in 2025. This demonstrates our deliberation to focus more on developing our products and services for enterprise- and consumer-class scenarios and, with respect to our industry-class scenario business, concentrate our limited resources on serving high-value contracts from major customers in the light of downstream challenges.

Cost of Sales

Our cost of sales consisted of (1) cost of inventories; (2) depreciation and amortization, which primarily consisted of the depreciation of servers for providing computing power services; and (3) employee benefit expenses of our plan design and implementation personnel. We recorded cost of sales of RMB387.2 million, RMB725.3 million and RMB971.1 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our cost of sales by nature, both in absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Cost of inventories	361,078	93.2	624,424	86.1	667,347	68.7
Depreciation and amortization	2,603	0.7	68,929	9.5	270,977	27.9
Employee benefit expenses	23,526	6.1	31,918	4.4	32,775	3.4
Total	**387,207**	**100.0**	**725,271**	**100.0**	**971,099**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit was RMB118.8 million, RMB192.1 million and RMB368.2 million for 2023, 2024 and 2025, respectively, representing a gross profit margin of 23.5%, 20.9% and 27.5% for the same periods, respectively.

The following table sets forth our gross profit and gross profit margin by application scenarios 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 in thousands except for percentages)					
Enterprise-class scenario	23,638	76.0%	99,903	40.2%	257,101	48.0%
Consumer-class scenario	—	—	45,413	11.2%	85,595	13.7%
Industry-class scenario	90,030	19.2%	39,147	15.4%	23,149	13.3%
Others	5,134	N/M	7,638	N/M	2,340	N/M
Total	**118,802**	**23.5%**	**192,101**	**20.9%**	**368,185**	**27.5%**

Other Income

Our other income primarily consisted of (1) government grants related to our R&D activities; (2) interest income on bank deposits; and (3) other tax income. Our other income was RMB87.8 million, RMB112.9 million and RMB146.6 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our other income for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Government grants	74,264	97,948	140,235
Interest income	12,678	10,858	3,972
Other tax income	774	646	795
Others	60	3,449	1,617
Total	**87,776**	**112,901**	**146,619**

Other Gains and Losses, Net

Our other gains and losses, net, primarily consisted of fair value change on financial assets at FVTPL, in connection with our wealth management products and structured deposits. Other gains and losses were RMB41.5 million, RMB33.0 million and RMB21.3 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our other gains and losses, net for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Fair value change on financial assets at FVTPL	41,684	33,598	20,489
Exchange gain/(loss)	49	(42)	1,084
(Loss)/gain on disposal of property, plant and equipment	(41)	(54)	51
(Loss)/gain on lease modifications	(7)	98	(4)
Others	(216)	(637)	(359)
Total	**41,469**	**32,963**	**21,261**

Provision for Impairment Losses under ECL Model, Net

We recorded provision for impairment losses under ECL model, net of RMB25.0 million, RMB61.3 million and RMB57.5 million for 2023, 2024 and 2025, respectively. The provision for impairment losses under ECL model were primarily related to our trade receivables (including long-term trade receivables) and other receivables during the Track Record Period. For details, see "—Discussion of Major Balance Sheet Items—Trade and Bills Receivables" and "—Discussion of Major Balance Sheet Items—Prepayments, Deposits and Other Receivables."

Impairment Loss on Non-current Assets Classified as Held for Sale

We recorded impairment loss on non-current assets classified as held for sale of nil, nil and RMB25.4 million in 2023, 2024 and 2025, respectively. In 2025, we committed to a plan to sell certain machinery and equipment located in the PRC. In the opinion of the Directors, the disposal of these assets is expected to be completed within 12 months from December 31, 2025. As a result, these assets with aggregate carrying amount of RMB50.2 million immediately prior to the classification as held for sale was written down to its fair value less cost to sell of RMB24.8 million and classified as non-current assets classified as held for sale during the year. Impairment loss of RMB25.4 million was recognized accordingly.

Write-down of Inventories

We recorded write-down of inventories of RMB3.7 million, RMB12.4 million and RMB12.4 million in 2023, 2024 and 2025, respectively. The write-down of inventories were primarily related to the write-down of inventories to net realizable value during the relevant periods. The significant increase of write-down of inventories in 2024 was driven by the increase in overall balance of inventories over the same periods. Specifically, the net amount of inventories increased from RMB135.9 million as of December 31, 2023 to RMB249.4 million as of December 31, 2024, which was driven by the joint impact of our procurement of supplies for undertaking a major customer contract for the enterprise-class scenario, the increase in contract fulfilment cost in line with the delivery progress of various projects, and the acquisition of D-infuture Tech and the consolidation of their inventory balance. For details, see "—Discussion of Major Balance Sheet Items—Inventories." We recorded a write-down of inventories of RMB12.4 million in 2025, because our inventory aging structure remained relatively stable and we applied a consistent inventory provision policy.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (1) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our sales and marketing personnel, including share-based payment expenses; (2) marketing and promotion expenses; (3) business development expenses incurred in our sales and marketing activities; (4) depreciation and amortization, which primarily consisted of the depreciation of right-of-use assets representing our leased offices; and (5) transportation and traveling expenses.

We incurred selling and distribution expenses of RMB101.6 million, RMB176.3 million and RMB164.2 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our selling and distribution expenses by nature, both in absolute amount and as a percentage of our total selling and distribution expenses, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Employee benefit expenses	68,044	67.0	104,979	59.5	82,986	50.5
Marketing and promotion expenses	5,171	5.1	11,346	6.4	49,165	29.9
Business development expenses	11,005	10.9	41,204	23.4	10,527	6.4
Depreciation and amortization	5,793	5.7	6,568	3.7	6,769	4.2
Transportation and traveling expenses	6,265	6.1	6,654	3.8	5,087	3.1
Others[(1)]	5,277	5.2	5,580	3.2	9,658	5.9
Total	**101,555**	**100.0**	**176,331**	**100.0**	**164,192**	**100.0**

(1) Others primarily include rental fees, office expenses and other miscellaneous expenses incurred for sales and marketing purposes.

Administrative Expenses

Our administrative expenses primarily consisted of (1) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our administrative personnel, including share-based payment expenses; (2) depreciation and amortization, which primarily consisted of the depreciation of our right-of-use assets, and the depreciation of office equipment, as well as the part of depreciation of servers that were not generating revenue from computing power services or deployed in R&D activities; (3) office expenses; (4) professional service fees, such as legal and audit service fees; (5) administrative activity expenses incurred in general administrative activities and general operations; and (6) **[REDACTED]** incurred in connection with the **[REDACTED]** and **[REDACTED]**.

We incurred administrative expenses of RMB207.2 million, RMB260.8 million and RMB219.1 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our administrative expenses by nature, both in absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Employee benefit expenses	159,465	77.0	203,806	78.2	153,729	70.2
Depreciation and amortization	12,983	6.3	16,207	6.2	27,848	12.7
Office expenses	9,661	4.6	9,901	3.8	11,425	5.2
Professional service fees	7,639	3.7	6,291	2.4	8,030	3.6
Administrative activity expenses	7,187	3.5	10,194	3.9	4,815	2.2
[REDACTED]	—	—	—	—	590	0.3
Others[(1)]	10,286	4.9	14,370	5.5	12,706	5.8
Total	**207,221**	**100.0**	**260,769**	**100.0**	**219,143**	**100.0**

(1) Others primarily include transportation and traveling expenses, taxes and surcharges and other miscellaneous expenses incurred for general and administrative purposes.

Research and Development Expenses

Our research and development expenses primarily consisted of (1) employee benefit expenses, which primarily represented the salaries, bonuses and other benefits for our R&D personnel, including share-based payment expenses; (2) design service fees to third parties incurred in our R&D initiatives, including costs involved in chip design; (3) depreciation and amortization, including, among others, depreciation of our machinery and equipment; (4) IT maintenance service fees, including the costs for maintaining our servers and other equipment; and (5) research material costs involved in our R&D activities, such as the costs for developing basic material for chips and basic supporting services for model training.

We incurred research and development expenses of RMB294.8 million, RMB399.9 million and RMB445.5 million for 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our research and development expenses by nature, both in absolute amount and as a percentage of our total research and development expenses, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)					
Employee benefit expenses	223,995	76.0	270,611	67.7	274,963	61.7
Design service fees	9,211	3.1	47,537	11.9	75,525	17.0
Depreciation and amortization	40,288	13.7	60,211	15.0	65,894	14.8
IT maintenance service fees	3,146	1.1	11,410	2.8	11,409	2.6
Research material costs	10,998	3.7	3,458	0.9	11,402	2.5
Others[(1)]	7,199	2.4	6,642	1.7	6,270	1.4
Total	**294,837**	**100.0**	**399,869**	**100.0**	**445,463**	**100.0**

(1) Others primarily include rental fees, traveling expenses, office expenses and other miscellaneous expenses incurred for R&D purposes.

Finance Costs

Finance costs consisted of interest expenses on our borrowings and lease liabilities. We incurred finance costs of RMB0.5 million, RMB3.9 million and RMB27.9 million for 2023, 2024 and 2025, respectively.

Income Tax

We recorded income tax credit of RMB0.6 million, RMB4.3 million and RMB2.9 million for 2023, 2024 and 2025, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The following description sets forth a summary of our major income tax exposures in relevant jurisdictions.

PRC

The income tax provision of certain PRC subsidiaries has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries obtained the HNTE qualification and benefit from a preferential tax rate of 15%.

Certain subsidiaries in the PRC fulfil the micro and small enterprises qualification under the PRC corporate income tax system. Therefore, portions of the assessable profits of these subsidiaries were subject to the professional income tax rate of 20% during the Track Record Period.

Hong Kong

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Revenue increased by 46.0% from RMB917.4 million for 2024 to RMB1,339.3 million for 2025, primarily due to the increases in revenue from the consumer- and enterprise-class scenarios, for the reasons discussed below.

- ***Enterprise-class scenario***. Our revenue from the enterprise-class scenario increased significantly from RMB248.6 million for 2024 to RMB536.1 million for 2025, primarily due to the increased sales of our computing power services and AI inference chips and related products.

- ***Consumer-class scenario***. Our revenue from the consumer-class scenario increased by 53.8% from RMB405.7 million for 2024 to RMB623.9 million for 2025, primarily due to (1) the acquisition and consolidation of results of operations of D-infuture Tech from April 2024; and (2) the launch of new products for consumer-class scenario from late 2024 and resultant sales growth.

- ***Industry-class scenario***. Our revenue from the industry-class scenario decreased by 31.3% from RMB253.8 million for 2024 to RMB174.2 million for 2025, as we strategically reduced new project intake in consideration of the overall declining downstream demand primarily driven by a decline in customers' budget.

Cost of sales

Cost of sales increased by 33.9% from RMB725.3 million for 2024 to RMB971.1 million for 2025, primarily due to (1) the increase in cost of inventories in line with the increased sales of consumer-class scenario products; and (2) the increase in depreciation and amortization in line with the growth of revenue from the enterprise-class scenario, in particular from the computing power services.

Gross profit

Gross profit increased by 91.7% from RMB192.1 million for 2024 to RMB368.2 million for 2025, primarily driven by the increases in revenue from the enterprise- and consumer-class scenarios for the reasons discussed below. Gross profit margin increased from 20.9% for 2024 to 27.5% for 2025, primarily driven by the enhanced gross profit margin of the enterprise-class scenario for the reasons discussed below.

- ***Enterprise-class scenario***. Our gross profit from the enterprise-class scenario increased significantly from RMB99.9 million for 2024 to RMB257.1 million for 2025, generally in line with the increase in revenue from the enterprise-class scenario for the reasons discussed above, along with an increase in gross profit margin of the same from 40.2% for 2024 to 48.0% for 2025, as we secured premium contracts with certain new customers for our computing power services.

- ***Consumer-class scenario***. Our gross profit from the consumer-class scenario increased by 60.4% from RMB45.4 million for 2024 to RMB85.6 million for 2025, primarily driven by the increase in revenue for the reasons discussed above. Our gross profit margin of the same remained relatively stable at 11.2% and 13.7% for 2024 and 2025, respectively.

- ***Industry-class scenario***. Our gross profit from the industry-class scenario decreased by 40.9% from RMB39.1 million for 2024 to RMB23.1 million for 2025, primarily driven by the decrease in revenue for the reasons discussed above. Our gross profit margin of the same remained relatively stable at 15.4% for 2024 and 13.3% for 2025, respectively.

Other income

Other income increased by 29.9% from RMB112.9 million for 2024 to RMB146.6 million for 2025, primarily due to the increase in government grants from RMB97.9 million for 2024 to RMB140.2 million for 2025, mainly as a result of the increase in certain government grants amortized to profit or loss and new government grants received, partially offset by a decrease in interest income from RMB10.9 million in 2024 to RMB4.0 million in 2025, primarily due to the disposal of certain interest-bearing wealth management products.

Other gains and losses, net

Other gains and losses, net decreased by 35.5% from RMB33.0 million for 2024 to RMB21.3 million for 2025, primarily due to the decrease in the fair value gain on financial assets at FVTPL from RMB33.6 million for 2024 to RMB20.5 million for 2025, mainly attributable to the fluctuations of the balances and interest rates of underlying wealth management products and structured deposits over the relevant periods.

Provision for impairment losses under ECL model, net

Provision for impairment losses under ECL model, net decreased by 6.1% from RMB61.3 million for 2024 to RMB57.5 million for 2025, primarily due to the fluctuations of the age profile of our trade receivables (short-term and long-term) and corresponding ECL rates.

Selling and distribution expenses

Selling and distribution expenses decreased by 6.9% from RMB176.3 million for 2024 to RMB164.2 million for 2025, primarily due to (1) the decrease in employee benefit expenses, as we streamlined our team structure to enhance operating efficiency; and (2) the decrease in business development expenses, mainly driven by the narrowing marketing efforts for our enterprise-class business segment; partially offset by the increase in marketing and promotion expenses, mainly driven by the increased efforts to promote our consumer-class scenario products.

Administrative expenses

Administrative expenses decreased by 16.0% from RMB260.8 million for 2024 to RMB219.1 million for 2025, primarily due to the decrease in employee benefit expenses, mainly driven by the effect of team streamlining; partially offset by the increase in depreciation and amortization, primarily driven by the depreciation of such servers that were not generating computing power services revenue or deployed in R&D activities.

Research and development expenses

Research and development expenses increased by 11.4% from RMB399.9 million for 2024 to RMB445.5 million for 2025, primarily due to the increase in design service fees, mainly driven by the progress of our chip development activities.

Finance costs

Finance costs increased significantly from RMB3.9 million for 2024 to RMB27.9 million for 2025, primarily due to the increase in interest expenses on borrowings, mainly driven by the increase in underlying borrowings over the same periods.

Income tax credit

We recorded income tax credit of RMB4.3 million and RMB2.9 million for 2024 and 2025, respectively, primarily due to loss before tax position.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 28.0% from RMB572.2 million for 2024 to RMB411.8 million for 2025.

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

Revenue

Revenue increased by 81.3% from RMB506.0 million for 2023 to RMB917.4 million for 2024, primarily due to the increases in revenue from the consumer- and enterprise-class scenarios, for the reasons discussed below.

- ***Enterprise-class scenario***. Our revenue from the enterprise-class scenario increased significantly from RMB31.1 million for 2023 to RMB248.6 million for 2024, primarily due to the increased sales of our computing power services.

- ***Consumer-class scenario***. Our revenue from the consumer-class scenario increased from nil for 2023 to RMB405.7 million for 2024, as we expanded our business into consumer-class scenarios through the acquisition of D-infuture Tech in April 2024.

- ***Industry-class scenario***. Our revenue from the industry-class scenario decreased by 45.9% from RMB469.1 million for 2023 to RMB253.8 million for 2024, as we strategically reduced new project intake in consideration of the overall declining downstream demand primarily driven by a decline in customers' budget.

Cost of sales

Cost of sales increased by 87.3% from RMB387.2 million for 2023 to RMB725.3 million for 2024, primarily due to (1) the increase in cost of inventories in line with the increased sales of consumer-class scenario products; and (2) the increase in depreciation and amortization in line with the growth of revenue from enterprise-class scenario, in particular from computing power services.

Gross profit

Gross profit increased by 61.7% from RMB118.8 million for 2023 to RMB192.1 million for 2024, primarily driven by the increases in revenue from the enterprise- and consumer-class scenarios for the reasons discussed above. Gross profit margin decreased from 23.5% for 2023 to 20.9% for 2024, primarily due to the lower gross profit margin of the acquired consumer-class business of D-infuture Tech, compared with our other existing business lines.

- ***Enterprise-class scenario***. Our gross profit from the enterprise-class scenario increased significantly from RMB23.6 million for 2023 to RMB99.9 million for 2024, primarily due to the increase in revenue for the reasons discussed above. The gross profit margin of the enterprise-class scenario decreased from 76.0% for 2023 to 40.2% for 2024, primarily due to the shift in our offering mix with the increased revenue contribution of computing power services, coupled with the decreased revenue contribution from IP licensing fees, which had a high profit margin. The profit margin profile of our computing power services and IP licensing fees was different, due to the different underlying cost structure, where computing power services typically include costs for depreciation.

- ***Consumer-class scenario***. We began to recognize revenue from the consumer-class scenario from April 2024. We recorded gross profit of RMB45.4 million, representing a gross profit margin of 11.2% for 2024.

- ***Industry-class scenario***. Our gross profit from the industry-class scenario decreased by 56.5% from RMB90.0 million for 2023 to RMB39.1 million for 2024, along with a decrease in the gross profit margin of the same from 19.2% for 2023 to 15.4% for 2024, mainly due to the impact of overall declining downstream demand primarily driven by customer fiscal planning shifts.

Other income

Other income increased by 28.6% from RMB87.8 million for 2023 to RMB112.9 million for 2024, primarily due to the increase in government grants from RMB74.3 million for 2023 to RMB97.9 million for 2024, mainly as a result of the increase in certain government grants amortized to profit or loss and new government grants received.

Other gains and losses, net

Other gains and losses, net decreased by 20.5% from RMB41.5 million for 2023 to RMB33.0 million for 2024, primarily due to the decrease in fair value gain on financial assets at FVTPL from RMB41.7 million for 2023 to RMB33.6 million for 2024, mainly attributable to the fluctuations of the balances of underlying wealth management products and structured deposits over the relevant periods.

Provision for impairment losses under ECL model, net

Provision for impairment losses under ECL model, net increased significantly from RMB25.0 million for 2023 to RMB61.3 million for 2024, mainly due to the increase in provision, as a result of the prolonged payment cycle of certain trade receivables.

Write-down of inventories

Impairment of losses of inventories increased significantly from RMB3.7 million for 2023 to RMB12.4 million for 2024, primarily due to the increase of the gross amount of our inventories in 2024.

Selling and distribution expenses

Selling and distribution expenses increased by 73.6% from RMB101.6 million for 2023 to RMB176.3 million for 2024, primarily due to (1) the increase in employee benefit expenses, mainly driven by the increase in the headcount of our sales and marketing personnel, as well as the increase in share-based payment expenses for our sales and marketing personnel according to the vesting schedule of the restricted A-Share incentives; (2) the increase in marketing and promotion expenses, mainly driven by our increased sales and marketing efforts; and (3) the increase in business development expenses, driven by the expansion of our enterprise-class scenario businesses.

Administrative expenses

Administrative expenses increased by 25.8% from RMB207.2 million for 2023 to RMB260.8 million for 2024, primarily due to (1) the increase in employee benefit expenses, mainly due to the increase in share-based payment expenses for administrative personnel according to the vesting schedule of the restricted A-Share incentives, as well as the increase in termination compensation incurred; and (2) the increase in administrative activity expenses due to our operational needs.

Research and development expenses

Research and development expenses increased by 35.6% from RMB294.8 million for 2023 to RMB399.9 million for 2024, primarily due to (1) the increase in employee benefit expenses, mainly due to the increase in share-based payment expenses for our R&D personnel according to the vesting schedule of the restricted A-Share incentives; (2) the increase in depreciation and amortization, mainly driven by the balance of underlying machinery and equipment (see "—Discussion of Major Balance Sheet Items—Property, Plant and Equipment" for details); (3) the increase in design service fees, as we further invested into chip design initiatives; and (4) the increase in IT maintenance service fees to maintain our facilities and equipment.

Finance costs

Finance costs increased significantly from RMB0.5 million for 2023 to RMB3.9 million for 2024, primarily due to the increase in interest expenses on borrowings, driven by the increase in underlying borrowings over the same periods.

Income tax credit

We recorded income tax credit of RMB0.6 million and RMB4.3 million for 2023 and 2024, primarily due to our greater loss before income tax in 2024, as well as the impact of deductible share-based payment expenses and additional deduction on research and development expenses in 2024.

Loss for the year

As a result of the foregoing, our loss for the year increased by 49.0% from RMB384.1 million for 2023 to RMB572.2 million for 2024.

DISCUSSION OF MAJOR BALANCE SHEET ITEMS

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	324,585	1,559,681	1,280,404
Right-of-use assets	36,343	27,625	31,671
Goodwill	—	20,367	20,367
Intangible assets	2,408	35,417	26,868
Financial assets at FVTOCI	67,000	145,248	197,776
Trade and bills receivables	144,431	73,761	45,953
Interest in associates	—	16,714	24,554
Prepayments, deposits and other receivables	93,333	42,463	17,782
Deferred tax assets	6,428	13,031	11,542
Total non-current assets	674,528	1,934,307	1,656,917
Total current assets	4,179,055	2,984,189	3,823,638
Total current liabilities	418,768	787,412	1,152,463
Net current assets	3,760,287	2,196,777	2,671,175
Total assets less current liabilities	4,434,815	4,131,084	4,328,092
Non-current liabilities			
Borrowings	—	85,749	320,236
Deferred income	27,763	75,943	176,183
Lease liabilities	22,856	14,183	17,837
Deferred tax liabilities	5,578	9,256	8,386
Total non-current liabilities	56,197	185,131	522,642
Net assets	**4,378,618**	**3,945,953**	**3,805,450**
Equity			
Share capital	355,134	355,134	358,827
Reserves	4,025,191	3,581,536	3,426,972
Non-controlling interest	(1,707)	9,283	19,651
Total equity	**4,378,618**	**3,945,953**	**3,805,450**

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

	As of December 31,			As of March 1,
	2023	2024	2025	2026
	(RMB in thousands)			(Unaudited)
Current assets				
Non-current assets classified as held for sale	—	—	24,779	—
Inventories	135,908	249,410	285,936	317,831
Trade and bills receivables	489,401	741,320	682,558	655,177
Contract assets	11,733	9,945	8,337	9,384
Financial assets at FVTPL	2,635,574	701,005	882,604	771,426
Financial assets at FVTOCI	910	12,843	7,657	12,944
Prepayments, deposits and other receivables	98,898	315,739	316,735	298,511
Amounts due from related companies	2,085	27,186	12,630	12,630
Income tax recoverable	2	2	95	2
Time deposit	250,000	—	80,293	80,468
Restricted bank deposits	30,933	17,802	20,048	130,780
Cash and cash equivalents	523,611	908,937	1,501,966	1,504,323
Total current assets	**4,179,055**	**2,984,189**	**3,823,638**	**3,793,476**
Current liabilities				
Trade and bills payables	246,183	465,309	413,014	452,173
Other payables and accruals	113,727	170,347	147,704	148,071
Contract liabilities	44,888	63,748	72,182	86,097
Lease liabilities	13,817	15,159	15,926	13,813
Borrowings	—	72,551	503,410	503,703
Tax payable	153	298	227	105
Total current liabilities	**418,768**	**787,412**	**1,152,463**	**1,203,962**
Net current assets	**3,760,287**	**2,196,777**	**2,671,175**	**2,589,514**

Net current assets decreased from RMB3,760.3 million as of December 31, 2023 to RMB2,196.8 million as of December 31, 2024, primarily due to (1) the decrease in financial assets at FVTPL due to our redemption of relevant wealth management products and structured deposits, as well as the decrease in time deposit; and (2) the increases in certain current liability items, mainly including (i) the increase in trade and bills payables; (ii) the increase in the current portion of our borrowings to meet the needs of our expanding operations; and (iii) the increase in other payables and accruals. Net current assets then increased to RMB2,671.2 million as December 31, 2025, primarily due to the increases in cash and cash equivalents driven by improved operating cash flow, as well as the increase in financial assets at FVTPL, partially offset by the increase in current portion of borrowings. Net current assets then decreased slightly to RMB2,589.5 million as of March 1, 2026, primarily due to the decrease in financial assets at FVTPL.

Property, Plant and Equipment

Our property, plant and equipment during the Track Record Period primarily consisted of (1) machinery and equipment, which primarily comprised computing power servers, (2) electronic devices used in our R&D activities; (3) office equipment and others, (4) leasehold improvement, and (5) transportation equipment. The following table sets forth our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
Machinery and equipment	274,134	1,501,247	1,165,442
Electronic devices	39,533	49,679	106,615
Office equipment and others	6,370	5,966	6,147
Leasehold improvement	3,532	1,562	1,514
Transportation equipment	1,016	1,227	686
Total	**324,585**	**1,559,681**	**1,280,404**

Property, plant and equipment increased from RMB324.6 million as of December 31, 2023 to RMB1,559.7 million as of December 31, 2024, primarily due to (1) an addition to machinery and equipment of RMB1,318.4 million, which primarily represented the procurement of computing power servers; and (2) an addition to electronic devices of RMB36.8 million, partially offset by the depreciation of our property, plant and equipment.

Property, plant and equipment then decreased to RMB1,280.4 million as of December 31, 2025, primarily due to the depreciation and transfer to non-current assets classified as held for sale of our property, plant and equipment, in particular machinery and equipment. For details, see "—Key Components of our Results of Operations—Impairment Loss on Non-current Assets Classified as Held for Sale"

Right-of-use Assets

Our right-of-use assets during the Track Record Period primarily consisted of our interests in leased properties. Right-of-use assets decreased from RMB36.3 million as of December 31, 2023 to RMB27.6 million as of December 31, 2024, primarily due to the amortization of right-of-use assets. Right-of-use assets then increased to RMB31.7 million as of December 31, 2025, primarily due to the additions of new leased premises in Chengdu and Shanghai.

Goodwill

We recorded goodwill of RMB20.4 million as of both December 31, 2024 and 2025, respectively. Our goodwill as of these dates primarily arose from our acquisition of the equity interests of D-infuture Tech. In March 2024, we entered into a stock acquisition agreement with D-infuture Tech and certain other parties thereto, pursuant to which we shall acquire 100% of the equity interests in D-infuture Tech for a total consideration of RMB180.0 million through three installments. We completed the first step of the acquisition in April 2024 at a cash consideration of RMB60.0 million, which resulted in a goodwill of RMB20.4 million that represented the difference of such cash consideration and the value of identifiable net assets of D-infuture Tech acquired at the acquisition date of RMB39.6 million.

For the purpose of impairment testing, goodwill acquired through business combination is allocated to D-infuture Tech ("D-infuture Tech CGU"), which constituted a CGU. In addition to goodwill, property, plant and equipment, right-of-use assets and other intangible assets that generate cash flows together with the related goodwill are included in the D-infuture Tech CGU for the purpose of impairment assessment. As at December 31, 2024 and 2025, the carrying amount of the D-infuture Tech CGU amounted to RMB86.2 million and RMB135.9 million, respectively.

We engaged an independent qualified professional valuer to assist the preparation of the goodwill impairment testing. The recoverable amount has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management, covering a five-year period as the key assumptions to the value in use.

	As of December 31,			Valuation technique	Significant unobservable input	As of December 31,		Sensitivity relationship to unobservable input to fair value
	2023	2024	2025			2024	2025	
	(RMB in thousands)							
Goodwill	N/A	20,367	20,367	Income approach	Average revenue growth rate	5.50%	2.58%	The higher the growth rate, the higher the value in use
					Perpetual revenue growth rate	0.00%	0.00%	The higher the growth rate, the higher the value in use
					Pre-tax discount rate	9.01%	9.29%	The higher the discount rate, the lower the value in use

The headroom of the recoverable amounts over the carrying amount of the D-infuture Tech as at December 31, 2024 and 2025 are RMB77.3 million and RMB61.4 million, respectively. As the recoverable amounts as of December 31, 2024 and 2025 are significantly above the carrying amount of D-infuture Tech CGU, our management believes that any reasonably possible change in any of these assumptions would not result in impairment.

Our management have performed sensitivity analysis on the impairment test of D-infuture Tech. The following table sets forth the hypothetical changes to the percentage points of average annual growth rate of revenue, perpetual revenue growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as of December 31, 2024 and 2025:

	As of December 31	
	2024	2025
Average revenue growth rate	-2.03%	-3.43%
Perpetual revenue growth rate	-5.97%	-1.48%
Pre-tax discount rate	3.98%	1.12%

Intangible Assets

Our intangible assets during the Track Record Period primarily consisted of (1) software; and (2) copyright, patent and trademark arising from the acquisition of D-infuture Tech. Our intangible assets increased from RMB2.4 million as of December 31, 2023 to RMB35.4 million as of December 31, 2024, primarily due to an addition to copyright, patent and trademark of RMB39.5 million in connection with the acquisition of D-infuture Tech, partially offset by amortization. Our intangible assets decreased to RMB26.9 million as of December 31, 2025, primarily due to amortization.

Financial Assets at FVTOCI

Our financial assets at FVTOCI during the Track Record Period consisted of (1) unlisted equity instruments at FVTOCI, which primarily represented multiple strategic investments into technology companies and other ventures; and (2) bills receivables measured at FVTOCI. We accounted for such equity investments at FVTOCI as these investments were strategic in nature. We accounted for such bills receivables as financial assets at FVTOCI (as opposed to at amortized cost) pursuant to relevant guidance in the PRC, as these instruments have low credit risks. The following table sets forth our financial assets at FVTOCI as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current			
Unlisted equity instruments at FVTOCI	67,000	145,248	197,776
Current			
Bills receivables measured at FVTOCI	910	12,843	7,657
Total	**67,910**	**158,091**	**205,433**

Our financial assets at FVTOCI increased from RMB67.9 million as of December 31, 2023 to RMB158.1 million as of December 31, 2024, primarily due to (1) further increases in equity investments, mainly attributable to our investments into Shanghai Quqingruxu Venture Capital Partnership (Limited Partnership) (上海渠清如許創業投資合夥企業(有限合夥)) ("Shanghai Quqingruxu") and ShargeTech (Shenzhen) Co., Ltd. (閃極科技(深圳)有限公司); and (2) the increase in bills receivables at FVTOCI in the ordinary course of our sales operations. Our financial assets at FVTOCI further increased to RMB205.4 million as of December 31, 2025, primarily due to the increase in the balance of unlisted equity instruments at FVTOCI, as a result of (1) the fair value enhancements of certain investees; and (2) our further capital injection to Shanghai Quqingruxu.

We recorded fair value loss on equity investments at FVTOCI, net of tax, of nil and RMB12.7 million and fair value gain of RMB38.0 million in 2023, 2024 and 2025, respectively. Such fair value change in 2024 and 2025 was primarily due to the valuation adjustment of certain equity investments. The fair value measurements of certain of our unlisted equity investments at FVTOCI involve using significant unobservable inputs under level 3 of the fair value hierarchy. For details of the fair value measurement, see Note 43 to the Accountants' Report in Appendix I to this document. For details of our financial assets at FVTOCI, see Note 21 to the Accountants' Report in Appendix I to this document.

Our strategic investments in the form of financial assets at FVTOCI after the **[REDACTED]** will be subject to compliance with Chapter 14 of the Listing Rules.

Trade and Bills Receivables

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current			
Long-term trade receivables	164,600	103,454	94,083
Less: ECL allowance	(20,169)	(29,693)	(48,130)
Subtotal of non-current	**144,431**	**73,761**	**45,953**
Current			
Trade receivables	551,215	838,891	806,114
Less: ECL allowance	(62,079)	(101,379)	(126,513)
Trade receivables, net	489,136	737,512	679,601
Bills receivables	279	3,898	2,957
Less: ECL allowance	(14)	(90)	—
Bills receivables, net	265	3,808	2,957
Subtotal of current	**489,401**	**741,320**	**682,558**
Total	**633,832**	**815,081**	**728,511**

Trade and bills receivables increased from RMB633.8 million as of December 31, 2023 to RMB815.1 million as of December 31, 2024, primarily due to the increase in the current portion of trade receivables, primarily driven by the acquisition of D-infuture Tech and the consolidation of its trade receivables. Trade and bills receivables then decreased to RMB728.5 million as of December 31, 2025, primarily due to the collection of certain trade receivables.

During the Track Record Period, we typically granted credit period to customers ranging from 30 days to two years. According to CIC, such credit period granted to customers is generally in line with the industry norm. The following table sets forth an aging analysis of our trade receivables, based on date of revenue recognition and net of loss allowance, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
0–90 days	323,976	383,271	342,317
91–180 days	63,347	28,886	53,167
181–270 days	44,959	43,839	54,146
271–360 days	9,175	43,343	13,743
1 to 2 years	122,440	214,997	156,753
Over 2 years	69,670	96,937	105,428
Total	**633,567**	**811,273**	**725,554**

We applied a simplified approach in calculating ECL for trade receivables and recognize a loss allowance based on lifetime ECL at the end of each year/period. In calculating the ECL, we have established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. As of December 31, 2023, 2024 and 2025, the amount of ECL allowance recognized was RMB82.2

million, RMB131.1 million and RMB174.6 million, respectively. For details of the impairment provision of our trade receivables and the credit risk exposure of our trade receivables, see Note 24 and 44 to the Accountants' Report in Appendix I to this document.

We have implemented measures to enhance the collection and management of our trade receivables and improve our cash conversion cycle. We perform enhanced diligence procedures at the customer intake stage to limit our risk exposure to potential customer with unsatisfactory credit profile. With respect to collections, our sales personnel work together with our business department and legal department to strengthen our collection activities. Our business department specialists are responsible for breaking down project trade receivables according to contractually agreed payment schedules, reminding the sales department in advance to timely initiate collection when payment milestones are reached, and regularly flagging overdue payments to responsible sales personnel through task reminders to prompt collection follow-up. Additionally, we have aligned the performance-based compensation of relevant sales personnel to actual payment collection progress. Furthermore, our business department regularly circulates sales reports summarizing payment status, with separate notifications regularly issued to project managers for severely delinquent cases. Our sales personnel will first contact customers with payment notices and issue formal payment reminder letter if the customer is irresponsive. We will also escalate the issue to legal demand letter and other legal procedures in severe cases where we deem appropriate. We have also adopted more selective approach to our industry-class scenario business, focusing on projects with better payment cycle. As a result of the foregoing, we have improved the collection of our trade receivables in 2025.

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days(1)	415	287	209

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables, net of allowance for credit losses, for the relevant period, divided by the revenue for the same period, and multiplied by the number of days for that period (365 days for a given year).

Our trade receivables turnover days decreased from 415 days in 2023 to 287 days for 2024, primarily due to the development of our consumer-class scenario business and its shorter settlement cycle as compared with other scenarios, driven by the acquisition of D-infuture Tech. Our trade receivables turnover days further decreased to 209 days in 2025, driven by (1) the further development of our consumer-class scenario business and its shorter settlement cycle as compared with other scenarios; and (2) our enhanced management of existing trade receivables, as discussed above.

As of March 1, 2026, approximately RMB247.4 million, or 34.1%, of our trade receivables as of December 31, 2025 had been settled.

Our management considers that sufficient provision has been made for our trade receivables, based on the following reasons. Most of our trade receivables aged over one year were due from state-owned enterprise customers, which are sizable and reputable companies. Historical records show that these entities have consistently made payments, with no instances of bad debts. The extended aging profile is aligned with the timelines of long-term projects and milestone-based billing arrangements typical of such customers. Our management has reviewed the credit history of these customers, subsequent information available, and applied an ECL model under HKFRS 9. Progressive provision rates are applied to receivables with longer aging profiles, with higher percentages assigned to balances with extended aging periods. Based on this assessment, our management considers that sufficient provision has been made in accordance with the ECL requirements. The low level of subsequent utilization and settlement is consistent with the timing of revenue recognition and cash collection in milestone-driven projects. There is no indication of material impairment or recoverability issues beyond those already provided for.

Interest in Associates

We recorded interest in associates of RMB16.7 million and RMB24.6 million as of December 31, 2024 and 2025, respectively. Our interest in an associate as of December 31, 2024 primarily represented our interest in Sichuan Tianfu Intelligent Computing Technology Co., Ltd. (四川天府智算科技有限公司) ("Tianfu Intelligent Computing"). We made a cash capital contribution of RMB20.0 million in July 2024 for 20% of equity interests and had significant influence over Tianfu Intelligent Computing. Our interest in associates as of December 31, 2025 primarily represented our interest in Tianfu Intelligent Computing and Suining Yunsu Technology Co., Ltd. (遂寧雲速科技有限公司) ("Suining Yunsu"). We made a cash capital contribution of RMB6.5 million in September 2025 for 10% of equity interests and had significant influence over Suining Yunsu. We recorded share of profit of associate of RMB37,000 and RMB1.3 million in 2024 and 2025, respectively.

For details of our interest in associates, including our interests in and share of net assets and results of the associates, see Note 19 to the Accountants' Report in Appendix I to this document. For details of our internal procedures and policies for investments, see "—Discussion of Major Balance Sheet Items—Financial Assets at FVTPL—Our investment policies."

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consisted of (1) prepayments, which mainly represented our prepayments to suppliers for purchases of property, plant and equipment and inventories; (2) other tax receivables, which mainly represented prepaid tax and surcharges; and (3) deposits and other receivables, including guarantee deposits for undertaking certain projects. The following table sets forth the breakdown of our prepayment, deposits and other receivables by nature as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Non-current			
Prepayments	93,333	42,463	17,782
Current			
Other tax receivables	16,243	223,731	225,455
Deposits and other receivables	27,582	69,523	74,476
Prepayments	59,778	43,844	52,476
Less: ECL allowance	(4,705)	(21,359)	(35,672)
Subtotal of current	**98,898**	**315,739**	**316,735**
Total	**192,231**	**358,202**	**334,517**

Prepayments, deposits and other receivables increased from RMB192.2 million as of December 31, 2023 to RMB358.2 million as of December 31, 2024, primarily due to (1) the increase in other tax receivables, mainly due to the input VAT paid to be offset in the future, due to the procurement of machinery and equipment; and (2) the increase in deposits and other receivables, mainly due to the termination of certain procurement, resulting in an accounting adjustment of transfer of prepayments previously recognized to other receivables. Prepayments, deposits and other receivables then decreased to RMB334.5 million as of December 31, 2025, primarily due to the decrease in the non-current portion of prepayments, mainly due to the derecognition of relevant amounts.

As of March 1, 2026, approximately RMB40.0 million, or 12.0% of our prepayments, deposits and other receivables as of December 31, 2025 had been settled.

Inventories

Our inventories consisted primarily of (1) finished goods; (2) raw materials; (3) work in progress; and (4) contract fulfilment cost, such as costs incurred as we were undertaking customer projects. The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
Finished goods	113,829	171,094	166,663
Raw material	—	—	44,782
Work in progress	2,986	41,560	42,405
Contract fulfilment cost	19,093	36,756	32,086
Total	**135,908**	**249,410**	**285,936**

Inventories increased from RMB135.9 million as of December 31, 2023 to RMB249.4 million as of December 31, 2024, primarily due to (1) the increase in finished goods, driven by the acquisition of D-infuture Tech and consolidation of relevant balances and our procurement for undertaking a major customer contract for the enterprise-class scenario; (2) the increase in contract fulfilment cost in line with the delivery progress of various projects; and (3) the increase in work in progress, mainly by the acquisition of D-infuture Tech. Inventories further increased to RMB285.9 million as of December 31, 2025, in line with the enlarged scale of our business operations.

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[1]	95	97	101

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance (net of impairment allowances) for the relevant period divided by the cost of sales for the same period, and multiplied by the number of days for that period (365 days for a given year).

Our inventory turnover days remained relatively stable at 95 and 97 days for 2023 and 2024, respectively. Our inventory turnover days increased slightly to 101 days for the 2025, primarily due to the increase in inventories for the reasons discussed above.

As of March 1, 2026, approximately RMB69.3 million, or 24.2%, of the gross amount of our inventories as of December 31, 2025 had been consumed or sold.

Our management considers that sufficient provision has been made for our inventories, based on the following reasons. Our inventories primarily consist of finished goods designated for use in project-based deployments. Many of these projects involve long construction and acceptance cycles. As of the reporting date, certain items had already been delivered to the customer sites but had not yet passed the formal acceptance process. Accordingly, these items continue to be classified as "goods dispatched but not yet accepted." The limited subsequent utilization is consistent with the nature of such long-term projects. Our management has conducted an impairment assessment and made appropriate write-downs to reflect net realizable value and no further impairment appears necessary at this stage.

Contract Assets

Our contract assets primarily arise from the operation and maintenance services that we provide to customers. Contract assets represent our rights to receive considerations when we have unconditional rights to receive payments. Our contract assets decreased from RMB11.7 million as of December 31, 2023 to RMB9.9 million as of December 31, 2024, and further to RMB8.3 million as of December 31, 2025, respectively, as the payment conditions were met.

Financial Assets at FVTPL

Our financial assets at FVTPL during the Track Record Period primarily represented our investments in wealth management products and structured deposits managed by several licensed financial institutions in the PRC. Our financial assets at FVTPL amounted to RMB2,635.6 million, RMB701.0 million and RMB882.6 million as of December 31, 2023, 2024 and 2025, respectively, the fluctuations of which were primarily due to purchases of and proceeds from the redemption of underlying products across the relevant periods. For details of our financial assets at FVTPL, see Note 20 to the Accountants' Report in Appendix I to this document.

Our investment policies

We have established and implemented a treasury management policy. Under this policy, we may utilize a portion of temporarily idle funds for treasury management purposes, provided that such usage does not affect normal business operations or compromise fund security. Based on annual capital requirements while maintaining sufficient liquidity, our finance department proposes treasury management quotas for temporarily idle funds, which are subject to the approval of the Board. To mitigate risks, investments are restricted to high-security, liquid products (including but not limited to structured deposits, term deposits, and certificates of deposit), and shall not be used to invest in equity securities. Within the approved quota and timeframe, our finance department executes treasury management activities in accordance with corporate governance procedures. This includes: (1) selecting qualified product issuers; (2) determining investment amounts; (3) selecting investment products; and (4) executing relevant legal documentation.

Our investment in such wealth management products and structured deposits after the **[REDACTED]** will be subject to compliance with Chapter 14 of the Listing Rules.

Amounts Due from Related Companies

Our amounts due from related companies increased from RMB2.1 million as of December 31, 2023 to RMB27.2 million as of December 31, 2024, primarily due to the amounts due from our associate, Tianfu Intelligent Computing, which was of trade nature for provision of our products and services. Amounts due from related companies then decreased to RMB12.6 million as of December 31, 2025, primarily due to repayment from Tianfu Intelligent Computing.

Restricted Bank Deposits

We recorded restricted bank deposits during the Track Record Period primarily in connection with guarantee deposits for letter of bank acceptance notes, letters of guarantee, letters of credit and issuance of bills payable. We recorded restricted bank deposits of RMB30.9 million, RMB17.8 million and RMB20.0 million as of December 31, 2023, 2024 and 2025, respectively, due to fluctuations in the ordinary course of our operations and capital needs.

Trade and Bills Payables

Our trade and bills payables increased RMB246.2 million as of December 31, 2023 to RMB465.3 million as of December 31, 2024, primarily due to the acquisition of D-infuture Tech and consolidation of its trade payables. Our trade and bills payables then decreased to RMB413.0 million as of December 31, 2025, primarily due to reduced procurement relating to our industry-class scenario, in line with the overall declining downstream demand primarily driven by a decline in customers' budget.

Our suppliers generally grant us a credit period of 30 days to two years. The following table sets forth an aging analysis of our trade payables, based on the invoice dates, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Within one year	199,453	394,441	238,549
Over one year but within two years	16,026	43,230	97,255
Over two years but within three years	19,422	8,185	19,743
Over three years but within four years	10,650	8,666	4,929
Over four years but within five years	309	9,623	5,670
Over five years	—	309	5,143
Total	**245,860**	**464,454**	**371,289**

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

	Year ended December 31,		
	2023	2024	2025
Trade payable turnover days(1)	233	179	157

(1) Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant period, divided by the cost of sales for the same period, multiplied by the number of days for that period (365 days for a given year).

Our trade payable turnover days decreased from 233 days in 2023 to 179 days in 2024, primarily caused by the temporary impact of acquisition of D-infuture Tech in 2024 that led to an increase in our business scale and corresponding level of cost of sales, which offset the impact of the increase in trade payables during the same period. Our trade payable turnover days then decreased to 157 days in 2025, for the reasons discussed above.

As of March 1, 2026, approximately RMB95.3 million, or 25.7%, of our trade payables as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals during the Track Record Period primarily consisted of (1) staff cost payables, which represented salaries and bonuses accrued and payable to our employees; (2) accrued expenses; (3) deposits recevied and other payables; (4) other tax liabilities, which mainly represented tax payable other than enterprise income tax; and (5) dividend payable. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Staff cost payables	90,938	87,432	113,300
Accrued expenses	12,400	39,810	13,640
Deposits received and other payables	3,683	8,085	10,475
Other tax liabilities	6,706	20,375	10,289
Dividend payable	—	14,645	—
Total	**113,727**	**170,347**	**147,704**

Other payables and accruals increased from RMB113.7 million as of December 31, 2023 to RMB170.3 million as of December 31, 2024, primarily due to (1) the increase in accrued expenses representing certain IP licensing fees; (2) the increase in other tax liabilities representing certain value-added tax; and (3) the increase in dividend payable arising from our acquisition of equity interests in D-infuture Tech, pursuant to which certain undistributed profits of D-infuture Tech after the acquisition date shall be distributed to the previous shareholder of D-infuture Tech. Other payables and accruals then decreased to RMB147.7 million as of December 31, 2025, primarily due to the decreases in staff cost payables, other tax liabilities and accrued expenses, as we paid for the relevant amount.

As of March 1, 2026, approximately RMB6.0 million, or 4.1% of our other payables and accruals as of December 31, 2025 had been settled.

Contract Liabilities

Contract liabilities represent our obligation to transfer goods to customers in consideration of payments received or receivable from customers. Our contract liabilities amounted to RMB44.9 million, RMB63.7 million and RMB72.2 million as of December 31, 2023, 2024 and 2025. Such increase of our contract liabilities was primarily due to the payment and delivery progress of certain projects.

As of March 1, 2026, approximately RMB1.3 million, or 1.8% of our contract liabilities as of December 31, 2025 had been recognized as revenue.

Deferred Income

Our deferred income during the Track Record Period primarily consisted of government grants. Deferred income increased from RMB27.8 million as of December 31, 2023 to RMB75.9 million as of December 31, 2024, and further to RMB176.2 million as of December 31, 2025, primarily due to certain new government grants received, partially offset by the amounts released to profit or loss.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary use of cash is to fund our working capital requirements and payment for the purchase of property, plant and equipment. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through our existing cash, cash flows from our operations and bank loans, as well as capital raised from our A-Share listing. Going forward, we believe that our liquidity requirements will be satisfied with our existing cash, cash inflows from our operations, available bank facilities, net **[REDACTED]** from the **[REDACTED]**, and other debt and equity financing from time to time according to our needs. As of March 1, 2026, we had cash and cash equivalents of RMB1,504.3 million and financial assets at FVTPL of RMB771.4 million, respectively. As of March 1, 2026, we had utilized bank facilities of RMB1,291.1 million, and our remaining bank facilities available for use were RMB975.9 million. Taking into account the financial resources available to us, including our cash and cash equivalents, financial assets at FVTPL that are convertible into cash and available bank facilities, 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.

We recorded net cash generated from our operating activities for 2025, compared with net cash used in operating activities for 2023 and 2024. We expect to drive the enhancement of our operating cash flow condition for the year ended December 31, 2025 through the following measures: (1) driving the sales of our enterprise-class scenario services and products, in particular our computing power services and AI inference chips and related products, as well as our consumer-class products, which generally had more robust cash-generating capacity and more efficient cash collection cycle; (2) enhancing our control of corporate spending, such as streamlining our team structure; and (3) optimizing our trade receivable profile, including stricter management of our existing trade receivables.

Cash Flows

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

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Operating cash flows before movements in working capital	(261,581)	(202,111)	182,951
Changes in working capital	(292,006)	(103,085)	79,015
Cash (used in)/generated from operating activities	(553,587)	(305,196)	261,966
Income tax paid	(102)	(182)	(112)
Interest income received	12,678	10,858	3,972
Net cash (used in)/generated from operating activities	(541,011)	(294,520)	265,826
Net cash (used in)/generated from investing activities	(2,862,887)	600,981	(371,391)
Net cash generated financing activities	3,552,277	78,756	698,737
Net increase in cash and cash equivalents	148,379	385,217	593,172
Cash and cash equivalents at beginning of the year	375,167	523,611	908,937
Effects of foreign exchange rate changes	65	109	(143)
Cash and cash equivalents at end of the year	**523,611**	**908,937**	**1,501,966**

Net cash generated from/(used in) operating activities

Net cash generated from operating activities was RMB265.8 million in the year ended December 31, 2025, primarily due to our loss before tax of RMB414.6 million and interest income received of RMB4.0 million, as adjusted by (1) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB348.4 million, share-based payment expenses of RMB128.7 million, net provisions for impairment losses under ECL model of RMB57.5 million, impairment loss on non-current assets classified as held for sale of RMB25.4 million, fair value change on financial assets at FVTPL of RMB20.5 million, and depreciation of right-of-use assets of RMB14.6 million, and (2) changes in working capital that positively affected our cash flows, primarily including (i) a decrease in trade and other receivables of RMB53.5 million; and (ii) an increase in deferred income of RMB100.2 million; partially offset by changes in working capital that negatively affected our cash flows, primarily including (i) an increase in inventories of RMB49.0 million; and (ii) a decrease in trade payables and other payables of RMB48.0 million.

Net cash used in operating activities was RMB294.5 million in 2024, primarily due to our loss before tax of RMB576.5 million and interest income received of RMB10.9 million, as adjusted by (1) certain non-cash and non-operating items, primarily including share-based payment expenses of RMB189.5 million, depreciation of property, plant and equipment of RMB128.5 million, net provisions for impairment losses under ECL model of RMB61.3 million, fair value gain on financial assets at FVTPL of RMB33.6 million and depreciation of right-of-use assets of RMB16.6 million, and (2) changes in working capital that negatively affected our cash flows, primarily including (i) an increase in trade and other receivables of RMB412.5 million; and (ii) an increase in inventories of RMB100.1 million; partially offset by changes in working capital that positively affected our cash flows, primarily including an increase in trade payables and other payables of RMB352.6 million, and an increase in deferred income of RMB48.2 million.

Net cash used in operating activities was RMB541.0 million in 2023, primarily due to our loss before tax of RMB384.7 million and interest income received of RMB12.7 million, as adjusted by (1) certain non-cash and non-operating items, primarily including share-based payment expenses of RMB86.7 million, depreciation of property, plant and equipment of RMB44.6 million, net provisions for impairment losses under ECL model of RMB25.0 million, fair value gain on financial assets at FVTPL of RMB41.7 million and depreciation of right-of-use assets of RMB15.4 million, and (2) changes in working capital that negatively affected our cash flows, primarily including (i) an increase in trade and other receivables of RMB275.6 million; and (ii) an increase in inventories of RMB72.7 million; partially offset by changes in working capital that positively affected our cash flows, primarily including an increase in trade payables and other payables of RMB78.9 million.

Net cash generated from/(used in) investing activities

Net cash used in investing activities was RMB371.4 million in 2025, primarily due to purchases of financial assets at FVTPL of RMB6,058.0 million, partially proceeds from disposal of the same of RMB5,898.9 million, representing purchases and redemption of relevant wealth management and structured deposit products; and the purchase of property, plant and equipment of RMB115.9 million.

Net cash generated from investing activities was RMB601.0 million in 2024, primarily due to (1) proceeds from disposal of financial assets at FVTPL of RMB4,629.4 million, partially offset by purchases of the same of RMB2,660.5 million, (2) decrease in investment in time deposits with original maturity over three months of RMB250.0 million, and (3) deposit refund for property, plant and equipment of RMB92.3 million; partially offset by (1) purchases of property, plant and equipment of RMB1,562.5 million in connection with procurement of computing power servers; and (2) acquisition of equity instruments of RMB90.9 million in connection with the increase in our strategic investments (see "—Discussion of Major Balance Sheet Items—Financial Assets at FVTOCI").

Net cash used in investing activities was RMB2,862.9 million in 2023, primarily due to (1) purchases of financial assets at FVTPL of RMB7,565.9 million, partially offset by proceeds from disposal of the same of RMB5,458.6 million; (2) increase in investment in time deposits with original maturity over three months of RMB250.0 million; (3) acquisition of equity instruments of RMB67.0 million in connection with the increase in our strategic investments (see "—Discussion of Major Balance Sheet Items—Financial Assets at FVTOCI"); and (4) purchases of property, plant and equipment of RMB436.6 million in connection with procurement of computing power servers.

Net cash (used in)/generated from financing activities

Net cash generated from financing activities was RMB698.7 million in 2025, primarily due to new bank loans raised of RMB1,122.2 million, partially offset by repayment of bank loans of RMB457.3 million and interest paid of RMB27.4 million.

Net cash generated from financing activities was RMB78.8 million in 2024, primarily due to new bank loans raised of RMB147.2 million, partially offset by (1) repurchases of ordinary shares of RMB39.5 million; and (2) payment of lease liabilities of RMB15.8 million.

Net cash generated from financing activities was RMB3,552.3 million in 2023, primarily due to proceeds from issue of shares of RMB3,602.0 million in connection with the capital raised from the A-Share listing, partially offset by (1) transaction costs for issue of shares of RMB32.3 million in connection with the same; and (2) payment of lease liabilities of RMB17.0 million.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period were primarily related to purchases of property, plant and equipment, and, to a much lesser extent, purchases of intangible assets. The following table sets forth our capital expenditures during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Purchase of property, plant and equipment	436,611	1,562,390	115,917
Purchase of intangible assets	1,970	362	—
Total	**438,581**	**1,562,752**	**115,917**

We funded our capital expenditure requirements during the Track Record Period mainly from a combination of our existing cash, cash flows from our operations and bank loans, as well as capital raised from our A-Share listing. We plan to fund our planned capital expenditure with a combination of existing cash, cash flows from our operations and net **[REDACTED]** from the **[REDACTED]**, and other debt and equity financing from time to time according to our needs. See "Future Plans and Use of **[REDACTED]**" for the portion of capital expenditures to be funded by the **[REDACTED]** from the **[REDACTED]**.

Capital Commitments

The following sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Contracted, but not provided for, net of deposits/investments paid			
- Property, plant and equipment	215,250	—	193
- Investments to be paid	26,256	10,000	150,000

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of lease liabilities and borrowings. The following table sets forth the balances of our indebtedness items as of the dates indicated.

	As of December 31,			As of March 1, 2026
	2023	2024	2025	
	(RMB in thousands)			(Unaudited)
Current				
Borrowings	—	72,551	503,410	503,703
Lease liabilities	13,817	15,159	15,926	13,813
Subtotal of current	**13,817**	**87,710**	**519,336**	**517,516**
Non-current				
Borrowings	—	85,749	320,236	321,625
Lease liabilities	22,856	14,183	17,837	15,093
Subtotal of non-current	**22,856**	**99,932**	**338,073**	**336,718**
Total	**36,673**	**187,642**	**857,409**	**854,234**

Borrowings

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Credit loan	—	108,491	130,069
Guaranteed loan[(1)]	—	49,743	33,091
Guaranteed, pledged and mortgaged loan[(2)]	—	—	660,486
Pledged loan[(3)]	—	66	—
Total	**—**	**158,300**	**823,646**

(1) As of December 31, 2024 and 2025, RMB42.0 million and nil was guaranteed by one of subsidiaries, respectively, and RMB7.7 million and RMB33.1 million was guaranteed by a non-controlling shareholder of such subsidiary, respectively. We expect that the guarantee provided by the non-controlling shareholder of our subsidiary will be released upon the maturity of the underlying loan. For details, see "Relationship with Our Single Largest Group of Shareholders—Independence from Our Single Largest Group of Shareholders—Financial independence."

(2) As of December 31, 2025, we had a borrowing of RMB0.7 billion secured by certain items of machinery and equipment with a carrying amount of RMB1.0 billion.

(3) As of December 31, 2024, our pledged loan was secured by the pledge of a motor vehicle. The pledged borrowing has been fully repaid and discharged.

Our borrowings increased significantly from RMB158.3 million as of December 31, 2024 to RMB823.6 million as of December 31, 2025, as we obtained a series of bank loans from multiple banks to meet the needs of our business expansion. As of December 31, 2024 and 2025, our borrowings had effective interest rates ranging from 2.50% to 5.99% and 2.50% to 3.50% per annum, respectively.

The following table sets forth the maturity schedule of our borrowings as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Within one year	—	72,551	503,410
One year to two years	—	58,427	320,236
Over two years but within five years	—	27,322	—
Total	**—**	**158,300**	**823,646**

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Lease Liabilities

Our lease liabilities were primarily related to our leased properties. We recorded lease liabilities of RMB36.7 million, RMB29.3 million and RMB33.8 million as of December 31, 2023, 2024 and 2025, respectively.

Statement of Indebtedness

Saved as disclosed above, as of March 1, 2026, we had no bank loans, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

[REDACTED]

We recorded **[REDACTED]** of RMB**[REDACTED]** million in connection with the **[REDACTED]** during the Track Record Period. We expect to incur a total of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million) of **[REDACTED]** in connection with the **[REDACTED]**, representing approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to our Share Incentive Schemes), including (1) sponsor fees and **[REDACTED]**, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all **[REDACTED]** of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (2) non-**[REDACTED]** of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), which consist of (a) fees and expenses of legal advisors and accountants of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (b) other fees and expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million). Approximately RMB**[REDACTED]** million of our **[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** million is expected to be deducted from equity. The **[REDACTED]** above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin	23.5%	20.9%	27.5%
Current ratio (times) (1)	10.0	3.8	3.3
Quick ratio (times) (2)	9.7	3.5	3.1

(1) Current assets divided by current liabilities as of period end.

(2) Current assets less inventories divided by current liabilities as of period end.

Analysis of Key Financial Ratios

Gross profit margin

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Current ratio and quick ratio

Our current ratio decreased from 10.0 as of December 31, 2023 to 3.8 as of December 31, 2024, and our quick ratio decreased from 9.7 as of December 31, 2023 to 3.5 as of December 31, 2024, primarily due to (1) the decrease in financial assets at FVTPL due to our redemption of relevant wealth management products and structured deposits, as well as the decrease in time deposit; and (2) the increases in certain current liability items, mainly including (i) the increase in trade and bills payables; (ii) the increase in the current portion of our borrowings to meet the needs of our expanding operations; and (iii) the increase in other payables and accruals. Our current ratio and quick ratio then decreased to 3.3 and 3.1 as of December 31, 2025, respectively, primarily due to the increase in the current portion of our borrowings and trade and bills payables. See "—Discussion of Major Balance Sheet Items" for a discussion of the factors affecting our current assets and current liabilities during the Track Record Period.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into certain sales transactions with related parties. For details of our related party transactions, see Note 41 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that each of the related party transactions was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties and does not distort our Track Record Period results or make our historical results not reflective of future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our principal financial instruments comprise financial assets at FVTPL, trade receivables, cash and cash equivalents, and time deposits and restricted cash, the main purpose of which is to support for our operations. We have various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from our operations.

The risks of our financial instruments are mainly arising from foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. Our directors review and agree on policies for managing each of these risks, as summarized below.

Foreign Currency Risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

We are exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entities to which the transactions relate. The foreign currencies giving rise to this risk are primarily United States dollars.

Foreign currency risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. To ensure our currency risk exposure is kept to an acceptable level and seek to minimize the gap between assets and liabilities in the same currency. Foreign exchange risk contracts are usually used to manage foreign currency risk associated with foreign currency-denominated assets and liabilities. For details of our foreign currency risk exposure, including an analysis of our major monetary assets and liabilities exposed to foreign currency risk, see Note 44 to the Accountants' Report to this document.

Price Risk

We are exposed to equity price risk mainly arising from equity instruments held by us that are classified as financial assets at FVTPL or FVTOCI.

Sensitivity analysis is performed by management to assess the exposure of our financial results to equity price risk of financial assets at FVTPL and FVTOCI at the end of each reporting period. For details of our price risk, see Note 44 to the Accountants' Report to this document.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from borrowings and lease liabilities. Borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively.

We have been monitoring the level of interest rates. The increase in interest rates will increase the interest costs of borrowings at variable rates, which will further impact our performance. To hedge against the variability in the cash flows arising from a change in market interest rates, we may enter into certain interest rate swap contracts to swap variable rates into fixed rates. For details of our interest rate profiles of our variable interest-bearing financial instruments, see Note 44 to the Accountants' Report to this document.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations and from our investing activities. Our exposure to credit risk arising from cash and cash equivalents and restricted cash and financial assets measured at FVTPL are limited because the counterparties are banks with sound credit ratings, for which we consider to have low credit risk.

Our maximum exposure to credit risk is represented by the carrying amount of each financial asset measured at amortized cost and bills receivables measured at FVTOCI as disclosed in Note 44 to the Accountants' Report to this document.

Trade receivables and contract assets

We consider the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. We consider available reasonable and supportive forward-looking information. Especially (1) internal credit rating; (2) external credit rating; (3) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations; (4) actual or expected significant changes in the operating results of the debtors; and (5) significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in our Group and changes in the operating results of the debtors.

We apply the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets. For details of our ECL provision, including the expected loss rate, see Note 44 to the Accountants' Report to this document.

Other receivables, bills receivables at amortized cost and amount due from related companies

For other receivables, bills receivables at amortized cost and amount due from related companies, we assessed their recoverability through both group and individually evaluations based on historical settlement records and experience management.

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost included restricted bank deposits and cash and cash equivalents.

Credit risk for restricted bank deposits and cash and cash equivalents is considered to be immaterial, as the counterparts are banks/financial institutions with high credit ratings by international credit rating agencies.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate balances of such. For details of our financial liabilities by maturity groupings, see Note 44 to the Accountants' Report to this document.

DIVIDEND POLICY

We did not declare any dividends during the Track Record Period. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make.

Pursuant to our Articles of Association, our Board may propose to declare dividends by cash and/or by stock in the future after taking into account our profitability, capital needs and plans on shareholder returns. We may declare cash dividends provided that, among others, our distributable profits of the relevant fiscal year and our accumulated distributable profits are positive, and that we do not have significant investment plans or cash expenditures as defined in our Articles of Association.

Based on the aforementioned regulatory requirement, as advised by our PRC Legal Advisor, we cannot pay dividend in view of our accumulated losses. If the conditions for cash dividends are met, we shall distribute annual cash dividends of not less than 10% of the distributable profits generated in the relevant fiscal year. Our Board shall also propose customized cash dividend policies based on the industry characteristic, business model, the development stage of our businesses, profitability and capital expenditure plans. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company did not have any distributable reserves.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2025, being the end date of the period reported in Appendix I to this document, and that there has been no event since December 31, 2025 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for details.

FINANCIAL INFORMATION OF D-INFUTURE TECH

On March 22, 2024, our Company entered into the Share Purchase Agreement with D-infuture Tech, Ms. Wang Qian and certain other parties thereto, pursuant to which our Company agreed to purchase from Ms. Wang Qian 100% equity interest in D-infuture Tech at a consideration of RMB180 million, subject to certain price adjustment mechanism. The acquisition of D-infuture Tech aims to leverage China's rapidly growing AI market by combining our proprietary AI algorithms and chip technologies with D-infuture Tech's expertise in wearable IoT devices. As of the Latest Practicable Date, the First Phase Acquisition was properly and legally completed and settled, and all applicable regulatory approvals with respect to the First Phase Acquisition have been obtained. Upon completion of the First Phase Acquisition, D-infuture Tech was owned as to 51% by our Company. For details, see "History, Development and Corporate Structure—Major Acquisitions and Disposals—Acquisition of D-infuture Tech."

Set out below is certain pre-acquisition financial information of D-infuture Tech from January 1, 2023 to March 31, 2024. The financial information of D-infuture Tech was consolidated in our Group's financial information from April 2024.

Description of Major Components of D-infuture Tech's Results of Operations

The following table summarizes the statement of comprehensive income of D-infuture Tech for the periods indicated.

	Year ended December 31, 2023	Three months ended March 31, 2024
	(RMB in thousands)	
Revenue	284,415	75,043
Cost of sales	(242,987)	(63,701)
Gross profit	41,428	11,342
Other income	1,860	64
Other gains and losses, net	259	(255)
(Provision for)/reversal of impairment losses under expected credit loss model, net	268	245
Write-down of inventories	(606)	(792)
Selling and distribution expenses	(3,560)	(967)
Administrative expenses	(18,729)	(4,306)
Research and development expenses	(19,063)	(4,967)
Finance costs	(582)	(138)
Profit before income tax	1,275	226
Income tax credit	2,397	644
Total comprehensive income for the year/period	**3,672**	**870**

Revenue

Revenue of D-infuture Tech was primarily related to sales of smart wearables. We recorded revenue of RMB284.4 million in 2023 and RMB75.0 million for the three months ended March 31, 2024.

Cost of sales

Cost of sales of D-infuture Tech primarily consists of cost of inventories. We recorded cost of sales of RMB243.0 million in 2023 and RMB63.7 million for the three months ended March 31, 2024.

Gross profit

We recorded gross profit of RMB41.4 million in 2023 and RMB11.3 million for the three months ended March 31, 2024, representing a gross profit margin of 14.6% and 15.1% for the same periods, respectively.

Our acquisition of D-infuture Tech was primarily based on our strategic planning to enter the consumer market, which was also in line with the prevailing industry trend of AI companies acquiring smart hardware companies since early 2023. We consider D-infuture Tech as a suitable target, as we can leverage its expertise in smart devices to combine with our proprietary AI algorithms and chip technologies, as well as their customer base and sales channels. For details of our rational for the acquisition of D-infuture Tech, see "—History, Development and Corporate Structure—Major Acquisitions and Disposals—Acquisition of D-infuture Tech—Reasons for and Benefits of the Acquisition of D-infuture Tech."

Selling and distribution expenses

We recorded selling and distribution expenses of RMB3.6 million in 2023 and RMB1.0 million for the three months ended March 31, 2024.

Administrative expenses

We recorded administrative expenses of RMB18.7 million in 2023 and RMB4.3 million for the three months ended March 31, 2024.

Research and development expenses

We recorded research and development expenses of RMB19.1 million in 2023 and RMB5.0 million for the three months ended March 31, 2024.

Income tax credit

We recorded income tax credit of RMB2.4 million in 2023 and RMB0.6 million for the three months ended March 31, 2024.

Profit for the year/period

As a result of the foregoing, we recorded net profit of RMB3.7 million in 2023 and RMB0.9 million for the three months ended March 31, 2024.

Discussion of Major Balance Sheet Items of D-infuture Tech

The following table sets forth selected information from D-infuture Tech's summary consolidated statements of financial position as of the dates indicated.

	As of December 31, 2023	As of March 31, 2024
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	4,002	3,806
Right-of-use assets	732	490
Intangible assets	25	19
Deferred tax assets	3,861	4,469
Total non-current assets	8,620	8,784
Current assets		
Inventories	19,079	23,752
Trade and bills receivables	93,767	92,161
Financial assets at FVTPL	9,964	716
Prepayments, deposits and other receivables	6,023	4,662
Cash and cash equivalents	6,077	23,436
Total current assets	134,910	144,727
Current liabilities		
Trade and bills payables	92,764	100,321
Other payables and accrual	10,546	25,310
Contract liabilities	6	6
Lease liabilities	499	716
Borrowings	13,542	19,998
Total current liabilities	117,357	146,351
Net current assets	**17,553**	**(1,624)**
Total assets less current liabilities	**26,173**	**7,160**
Non-current liabilities		
Borrowings	48	17
Lease liabilities	421	—
Deferred tax liabilities	110	74
Total non-current liabilities	579	91
Net assets	**25,594**	**7,069**
EQUITY		
Share capital	4,030	4,030
Reserves	21,564	3,039
Total equity	**25,594**	**7,069**

Property, plant and equipment

Property, plant and equipment of D-infuture Tech primarily consisted of electronic devices, motor vehicles and office equipment. Property, plant and equipment of D-infuture Tech decreased from RMB4.0 million as of December 31, 2023 to RMB3.8 million as of March 31, 2024, primarily due to depreciation.

Inventories

Inventories of D-infuture Tech primarily consisted of work in progress inventories. Inventories of D-infuture Tech increased from RMB19.1 million as of December 31, 2023 to RMB23.8 million as of March 31, 2024, generally in line with its expanded business scale and sales growth.

Trade and bills receivables

Trade and bills receivables of D-infuture Tech amounted to RMB93.8 million and RMB92.2 million as of December 31, 2023 and March 31, 2024, respectively. The following table sets forth details of its trade and bills receivables as of the dates indicated.

	As of December 31, 2023	As of March 31, 2024
	(RMB in thousands)	
Trade receivables	98,674	97,011
Less: ECL allowance	(4,957)	(4,850)
Trade receivables, net	93,717	92,161
Bills receivables	50	—
Less: ECL allowance	—	—
Bills receivables, net	50	—
Total	**93,767**	**92,161**

Financial assets at FVTPL

Financial assets at FVTPL of D-infuture Tech primarily consisted of wealth management products and structured deposits, and, to a much lesser extent, listed equity instruments at fair value. Financial assets at FVTPL of D-infuture Tech decreased from RMB10.0 million as of December 31, 2023 to RMB0.7 million as of March 31, 2024, primarily due to redemption of wealth management products and structured deposits.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables of D-infuture Tech amounted to RMB6.0 million and RMB4.7 million as of December 31, 2023 and March 31, 2024, respectively. The following table sets forth details of its prepayments, deposits and other receivables as of the dates indicated.

	As of December 31, 2023	As of March 31, 2024
	(RMB in thousands)	
Prepayments(1)	969	79
Deposits and other receivables	3,717	1,975
Other tax receivables(2)	1,638	2,770
Less: ECL allowance	(301)	(162)
Total	**6,023**	**4,662**

(1) These represent advance payments for purchase of inventories.

(2) The amounts represent prepaid tax and surcharges levied.

Cash and cash equivalents

Cash and cash equivalent of D-infuture Tech increased from RMB6.1 million as of December 31, 2023 to RMB23.4 million as of March 31, 2024, primarily due to the joint impact of its operating cash flows, redemption of wealth management products and structured deposits, and incurrence of new borrowings.

Trade and bills payables

Trade and bills payables of D-infuture Tech amounted to RMB92.8 million and RMB100.3 million as of December 31, 2023 and March 31, 2024, respectively.

Other payables and accruals

Other payables and accruals of D-infuture Tech amounted to RMB10.5 million and RMB25.3 million as of December 31, 2023 and March 31, 2024, respectively. The following table sets forth details of its other payables and accruals as of the dates indicated.

	As of December 31, 2023	As of March 31, 2024
	(RMB in thousands)	
Current		
Other tax liabilities	4,950	6,558
Staff cost payables	5,382	3,346
Accrued expenses	214	136
Dividend payable	—	15,270
Total	**10,546**	**25,310**

The increase in other payables and accruals of D-infuture Tech from that as of December 31, 2023 to that as of March 31, 2024 arose from its acquisition by our Company. For details, see "—Discussion of Major Balance Sheet Items—Other Payables and Accruals."

Borrowings

Borrowings of D-infuture Tech amounted to RMB13.6 million and RMB20.0 million as of December 31, 2023 and March 31, 2024, respectively. As of December 31, 2023 and March 31, 2024, the borrowings bear effective interest rates from 3.80% to 5.99% per annum. The following table sets forth details of its borrowings as of the dates indicated.

	As of December 31, 2023	As of March 31, 2024
	(RMB in thousands)	
Credit loan	—	10,005
Guaranteed loan(1)	13,336	9,801
Pledged and guaranteed loan(2)	254	209
Total	**13,590**	**20,015**

(1) The amount was guaranteed by a shareholder of our Company.

(2) The amounts were secured by a motor vehicle.

Discussion of D-infuture Tech's Cash Flows

The following table sets forth a summary of D-infuture Tech's cash flows for the periods indicated.

	Year ended December 31, 2023	Three months ended March 31, 2024
	(RMB in thousands)	
Net cash generated from operating activities	1,838	6,491
Net cash generated from/(used in) investing activities	(10,066)	8,910
Net cash generated from financing activities	4,024	1,958
Net increase/(decrease) in cash and cash equivalents	(4,204)	17,359
Cash and cash equivalents at the beginning of the year/period	10,508	6,077
Effect of foreign exchange rate change	(227)	—
Cash and cash equivalents at the end of the year/period	6,077	23,436

Net cash generated from operating activities

Net cash generated from operating activities of D-infuture Tech was RMB6.5 million for the three months ended March 31, 2024, primarily due to profit before tax of RMB0.2 million, as adjusted primarily by the non-cash write-down of inventories of RMB0.8 million; further adjusted by changes in working capital items, primarily including increase in trade payables and other payables of RMB7.1 million and decrease in trade and other receivables of RMB3.8 million, partially offset by increase in inventories of RMB5.5 million.

Net cash generated from operating activities of D-infuture Tech was RMB1.8 million for 2023, primarily due to profit before tax of RMB1.3 million, as adjusted primarily by the non-cash depreciation of right-of-use assets of RMB0.9 million, depreciation of property, plant and equipment of RMB0.7 million and write-down of inventories of RMB0.6 million; further adjusted by changes in working capital items, primarily including increase in trade payables and other payables of RMB1.1 million and decrease in trade and other receivables of RMB1.2 million, partially offset by increase in inventories of RMB4.0 million.

Net cash generated from/(used in) investing activities

Net cash generated from investing activities of D-infuture Tech was RMB8.9 million for the three months ended March 31, 2024, primarily due to the net effects of proceeds from disposal of financial assets at FVTPL and purchase of the same.

Net cash used in investing activities of D-infuture Tech was RMB10.1 million for 2023, primarily due to the net effects of purchase of financial assets at FVTPL and proceeds from disposal of the same.

Net cash generated from financing activities

Net cash generated from financing activities of D-infuture Tech was RMB2.0 million for the three months ended March 31, 2024, primarily due to the net effects of new borrowings raised and repayment and interest paid for the same.

Net cash generated from financing activities of D-infuture Tech was RMB4.0 million for 2023, primarily due to the net effects of new borrowings raised and repayment and interest paid for the same.