You should read the following discussion and analysis in conjunction with the consolidated financial statements, including the notes thereto included in the Accountants' Report in Appendix I to this document and the selected historical financial information presented elsewhere in this document. Our consolidated financial statements were prepared in accordance with IFRSs.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on the assumptions that we consider reasonable, are subject to risks and uncertainties. Our actual performance and results are based on the assumptions about our business and may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including those set out in the sections entitled "Forward-Looking Statements", "Risk Factors" and elsewhere in this document. In addition, certain industry issues also affect our financial condition and results of operations, as described in "Industry Overview".

OVERVIEW

We are a leading fabless chip designer and provider in China specializing in smart vision technologies. We focus on the design of vision processing ICs for security cameras, video recorders, and other vision devices in video, IoT and mobility applications.

According to Frost & Sullivan:

- We ranked No. 1 globally in terms of shipments in 2025 in the global end-side smart vision processing chip market, with a market share of over 20%.
- We ranked No. 1 globally in terms of shipments in 2025 in the global automotive ISP chip market, with a market share of over 20%.
- We ranked No. 2 globally in terms of revenue in 2025 in the global smart vision processing chip market, with a market share of 18.6%.

Our comprehensive offerings from end-side (such as security cameras) to edge-side (such as NVRs) chips combine advanced vision processing ICs with integrated on-chip AI capabilities, enhanced by software development kits, application software and AI algorithms. These integrated solutions enable our customers to accelerate product development, facilitate seamless system integration, and address a wide spectrum of application requirements.

Through continuous investment in technological innovation, stringent quality assurance processes, and a prioritized focus on customer needs, we have fostered a virtuous cycle of technology advancement, product enhancement, ecosystem growth, and constructive feedback. Our commitment to excellence is underscored by our ISO9001 certification, reflecting our dedication to the highest quality standards. These ongoing efforts have strengthened our market position in key specialized market segments. According to Frost & Sullivan, we have established ourselves as a global leading provider of smart vision processing chips and are rapidly emerging as a prominent player in the vision chip markets for smart IoT and smart mobility applications.

In 2023, 2024 and 2025, our total revenue was RMB1,822.4 million, RMB1,790.0 million and RMB1,688.2 million, respectively; while our net profit during those years was RMB252.4 million, RMB232.0 million and RMB120.3 million, respectively.

RECENT DEVELOPMENT

Based on our unaudited management accounts, we recorded a substantial increase in both revenue and net profit for the three months ended March 31, 2026 as compared to the corresponding period in 2025. This growth was primarily underpinned by a robust increase in total sales volume of over 55% and an expansion in blended ASP of more than 10%. Specifically, our smart video segment saw revenue growth exceeding 65% period-on-period, supported by a volume increase of nearly 60% and a relatively stable ASP. Our smart mobility segment recorded revenue growth of over 65%, fueled by a volume surge of more than 70% and a relatively stable ASP. This steady upward trend reflects the overall resilience of end-market demand and our continued successful market penetration. Furthermore, our smart IoT segment achieved a remarkable revenue jump of over 140%, resulting from a volume increase of above 85% and a significant ASP expansion of more than 30%, primarily attributable to overall resilience of end-market demand.

Our 2026 first quarterly report was published on the Shenzhen Stock Exchange in April 2026.

On April 27, 2026, we adopted the 2026 Restricted Stock Incentive Plan to incentivize our key senior management and employees, which is subject to subsequent implementation by our Board within 60 days of such approval. As of the Latest Practicable Date, no shares have been granted under this plan. See "History — Major Shareholding Changes of Our Company" and "Appendix IV — Statutory And General Information — C. Further Information About Our Directors And Substantial Shareholders — 6. Share Incentive Plans" for details.

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial position since December 31, 2025, and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with the IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs that are effective for the accounting period beginning on January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for investments measured at fair value through profit or loss, equity investments designated at fair value through other comprehensive income and derivative financial instruments that are measured at fair values.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations, and financial condition are affected by a number of general factors influencing the overall performance of the industry in which we operate. These factors include macroeconomic trends, industry development, and the competitive landscape in the market. In addition to these general factors, our results of operations are affected by the following specific factors:

Industry Cycle and Downstream Market Demand

As a fabless IC design company, our business and financial performance are inherently influenced by the cyclical nature of the semiconductor industry, which moves through recurring phases of expansion, downturn, and recovery. These cycles are driven by macroeconomic conditions, technological advancements, and shifts in end-market demand and supply dynamics. Our products are primarily used in downstream applications such as security cameras, and automotive electronics, and demand in these sectors directly impacts our sales.

During the Track Record Period, our performance was impacted by a cyclical downturn in the global economy and semiconductor industry. According to Frost & Sullivan, the semiconductor industry entered a downturn in 2022, which lasted through the first quarter of 2024. This period was characterized by inventory buildups, persistent pricing pressure, and weakened market sentiment, despite continued underlying demand for semiconductor products. Throughout this downturn, competition intensified significantly, with many industry players aggressively lowering prices to maintain or expand their market share. This led to a substantial decline in ASP across multiple categories of IC products, even as end-market demand remained fundamentally robust.

Downstream markets developments, which can be affected by a number of factors including economic conditions, technological advancements, and the evolving needs of customers across various sectors, could have a pronounced effect on the industry and therefore our financial performance. We offer a mixed range of product portfolio across our main product lines, including smart video chips, smart IoT chips, and smart mobility chips, which are characterized by intense competition and are largely driven by the evolving needs and preferences of downstream customers. We leverage our strengths in technology, quality and services to meet varied needs from customers across different industries. Our business scale, results of operations and financial conditions will depend on our ability to maintain business relationships with existing customers and expand our customer base, especially for new products in line with downstream market demand.

Customer Concentration and Order Stability

We have a significant concentration of customers, and a substantial portion of our revenue is derived from a small number of key customers. For instance, during the Track Record Period, our largest customer accounted for a majority of our revenue. As a result, our financial performance is highly sensitive to the procurement volumes and inventory management strategies of these major customers. A reduction in orders from, or the loss of, any of our major customers could have a material adverse effect on our revenue and results of operations. For example, a reduction in procurement by our largest customer in 2023 and an inventory clearing policy by such major customer from the third quarter of 2024 to 2025 directly led to a decline in our revenue for respective years. Therefore, maintaining long-term, stable relationships with our key customers, while simultaneously expanding our customer base, is crucial for our continued growth.

Product Mix

Our financial performance relies on our ability to innovate and develop products that align with the latest technological trends and customer preferences and our ability to offer a comprehensive portfolio of products. Our product portfolio, which includes smart video chips, smart IoT chips, and smart mobility chips, caters to a wide range of video processing applications. This diversity is a key strength, enabling us to mitigate the impact of fluctuations in individual markets and capture growth opportunities across different sectors.

During the Track Record Period, as many of our smart mobility chips have passed automotive-grade certification, our product line of smart mobility generated higher and more stable gross margins compared to our product lines of smart video and smart IoT, which faced more intense market competition. For instance, our smart video product line experienced a revenue decline in 2023, primarily due to weakening economic conditions and saturation in China security camera market, which led to a significant reduction in orders from our largest customer, coupled with a decline in the ASP of our products. The ASP and gross margins of our smart video product categories vary due to factors such as competition, product mix, technical complexity, R&D investment, and market demand.

We price each product based on a variety of factors, including costs, gross margin and market prices of similar products. In 2023, 2024 and 2025, our gross profit margins were 37.6%, 37.2% and 36.6%, respectively. Specifically, sales of our smart video chips and smart mobility chips maintained relatively stable gross profit margins. Sales of our smart IoT chips faced pressure to maintain gross profit margin during the Track Record Period due to intense competition and market preference for lower-margin products. However, our product mix may fluctuate in response to the technological changes in the industries and markets to which our products are sold. If there are any significant changes in our product mix, our gross profit margin will be affected by the changes in gross profit margin attributable to each type of product.

We aim to further enrich our product portfolio, and maintain a strong focus on high-margin product categories. By continuously refining our product mix and leveraging technological innovation, we are committed to sustaining robust financial performance and driving long-term growth.

Product Competitiveness and R&D investment

The semiconductor industry is characterized by rapid technological advancements and evolving customer needs. To maintain our competitive edge, we continuously invest in research and development to deliver innovative products that meet market demands for higher performance, lower power consumption, and greater integration. Our ability to successfully launch new products and respond to technological trends is critical to maintaining our market share and profitability. The commercial success of the end-products that incorporate our solutions is a key determinant of our financial performance.

We have invested, and plan to continue investing, significant resources in our R&D efforts. During the Track Record Period, our R&D expenses were RMB334.8 million, RMB349.9 million and RMB351.4 million in 2023, 2024 and 2025, respectively, representing 18.4%, 19.5% and 20.8% of our total revenue during those periods, respectively. As of December 31, 2025, our R&D team consisted of 417 members, representing 76.8% of total employees as of the same date. Employee benefit expenses for our R&D staff accounted for 70.2%, 75.8% and 78.7% of our R&D expenses in 2023, 2024 and 2025, respectively.

As we believe our market success and financial performance will significantly depend on our ability to maintain our technological leadership, we will continue to invest in proprietary technology development and innovation to grow our competitive strengths against our peers.

Supply Chain Management

We operate a fabless business model, focusing on IC design and R&D, while wafer fabrication, packaging, and testing are handled by trusted partners. Consequently, our production costs and delivery capabilities are subject to factors such as wafer manufacturing capacity, raw material price fluctuations, and delivery lead times. The cost of wafers and outsourced packaging and testing services constitutes the vast majority of our cost of sales. Therefore, our ability to secure sufficient capacity from our suppliers and manage procurement costs has been and will continue to be critical to our financial performance.

Government Policies and Grants

We benefit from various preferential government policies. Our recognized government grants primarily derive from two ongoing national policies: (i) the VAT super-deduction policy; and (ii) special funds for the commercialization of high and new technology achievements.

During the Track Record Period, we were entitled to several preferential PRC enterprise income tax policies. During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential EIT rate of 10% in 2023 and 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential EIT rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. During the Track Record Period, our government grants were RMB33.9 million, RMB38.9 million and RMB23.0 million in 2023, 2024 and 2025, respectively.

Any changes to, or discontinuation of, these policies and related grants could adversely affect our profitability. Furthermore, our growing international operations are subject to risks associated with global trade policies. The imposition of export controls, tariff adjustments, or other trade restrictions could negatively impact our overseas business and overall cost structure.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. See note 2.3 to "Appendix I — Accountants' Report" to this document for more details of our material accounting policies.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Revenue	**1,822,382**	**100.0%**	**1,790,007**	**100.0%**	**1,688,230**	**100%**
Cost of Sales	(1,136,711)	(62.4)%	(1,123,382)	(62.8)%	(1,070,902)	(63.4)%
Gross Profit	**685,671**	**37.6%**	**666,625**	**37.2%**	**617,328**	**36.6%**
Other income and gains	82,570	4.5%	116,053	6.5%	95,976	5.7%
Selling expenses	(20,943)	(1.1)%	(27,318)	(1.5)%	(48,058)	(2.8)%
Administrative expenses	(128,430)	(7.0)%	(126,409)	(7.1)%	(138,090)	(8.2)%
Research and development expenses	(334,815)	(18.4)%	(349,898)	(19.5)%	(351,419)	(20.8)%
Reversal of impairment losses/(impairment losses) on financial assets, net	(1,095)	(0.1)%	(228)	0.0%	739	0.0%
Other expenses	(1,306)	(0.1)%	(23,006)	(1.3)%	(26,484)	(1.6)%
Finance costs	(33,149)	(1.8)%	(29,830)	(1.7)%	(31,343)	(1.9)%
Share of loss of associates	(1,429)	(0.1)%	(1,794)	(0.1)%	(3,522)	(0.2)%
Profit/(loss) before tax	**247,074**	**13.6%**	**224,195**	**12.5%**	**115,127**	**6.8%**
Income tax (expense)/credit	5,293	0.3%	7,765	0.4%	5,213	0.3%
Profit for the year/period	**252,367**	**13.8%**	**231,960**	**13.0%**	**120,340**	**7.1%**

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, our revenue primarily derived from the sales of our smart video, smart IoT, and smart mobility IC products. We also generate revenue from providing technical services and other ancillary activities. Our revenue slightly decreased by 1.8% from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024, and further decreased by 5.7% to RMB1,688.2 million in 2025.

Revenue by Product Line

The following table sets forth a breakdown of our revenue by major product lines:

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Smart Video	1,218,584	66.9%	1,203,950	67.3%	1,003,933	59.5%
Smart IoT	313,798	17.2%	278,057	15.5%	338,833	20.1%
Smart Mobility	188,045	10.3%	237,107	13.2%	279,520	16.6%
Others[(1)]	101,955	5.6%	70,893	4.0%	65,944	3.8%
Total	**1,822,382**	**100.0%**	**1,790,007**	**100.0%**	**1,688,230**	**100.0%**

(1) Primarily included technical and other ancillary services, which we mainly provided customized chip solutions for our customers.

During the Track Record Period, our primary revenue sources were the sales of our smart video, smart IoT, and smart mobility ICs. Additionally, we generate revenue through technical services and other ancillary activities.

Our revenue experienced a downward trend during the Track Record Period, decreasing from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024, and further to RMB1,688.2 million in 2025, which was mainly due to a decrease in revenue from the sales of smart IoT and smart video ICs primarily attributed to lower ASP resulting from price competition and changes in product mix during the relevant years.

The table below sets forth the average price range and the sales volume of our products:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume in thousands; ASP in RMB					
	Sales volume	**ASP[(1)]**	**Sales volume**	**ASP[(1)]**	**Sales volume**	**ASP[(1)]**
Smart Video	79,781.6	15.3	90,815.9	13.3	93,281.0	10.8
Smart IoT	27,115.1	11.6	28,870.3	9.6	38,598.6	8.8
Smart Mobility	33,175.8	5.7	39,875.5	6.0	46,269.3	6.0

(1) ASP is calculated through dividing revenue by the relevant sales volume during the same period, which represented the average price at which our products were sold to our customers.

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as a percentage of total revenue, for the period indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands, except for percentages					
Chinese Mainland	1,656,414	90.9%	1,652,472	92.3%	1,516,951	89.9%
Overseas	165,968	9.1%	137,535	7.7%	171,279	10.1%
Total	**1,822,382**	**100.0%**	**1,790,007**	**100.0%**	**1,688,230**	**100.0%**

During the Track Record Period, a majority of our revenue was from Chinese Mainland. Our overseas revenue was mainly from sales to Hong Kong.

Cost of Sales

Our cost of sales consists of (i) raw materials, primarily consist of wafers and KGD, (ii) packaging and testing costs, and (iii) others. The following table sets forth a breakdown of our cost of sales by nature:

	Year ended December 31,					
	2023		2024		2025	
	RMB in thousands					
Raw Materials	821,671	72.3%	854,818	76.1%	827,126	77.2%
Packaging and Testing	207,956	18.3%	181,298	16.1%	181,740	17.0%
Others[1]	107,084	9.4%	87,266	7.8%	62,036	5.8%
Total	**1,136,711**	**100.0%**	**1,123,382**	**100.0%**	**1,070,902**	**100.0%**

(1) Others primarily consist of staff costs, depreciation, and logistics costs.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product line and geographic location for the year 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					
By product line and service						
Smart Video	445,709	36.6%	449,228	37.3%	358,720	35.7%
Smart IoT	96,627	30.8%	74,113	26.7%	70,024	20.7%
Smart Mobility	82,966	44.1%	113,182	47.7%	130,715	46.8%
Others[1]	60,369	59.2%	30,102	42.5%	57,869	87.8%
By geographic location						
Chinese Mainland	618,640	37.3%	607,495	36.8%	528,678	34.9%
Overseas	67,030	40.4%	59,130	43.0%	88,650	51.8%
Total	**685,671**	**37.6%**	**666,625**	**37.2%**	**617,328**	**36.6%**

(1) Primarily included technical and other ancillary services, which we mainly provided customized chip solutions for our customers.

During the Track Record Period, our overall gross profit decreased by 2.8% from RMB685.7 million in 2023 to RMB666.6 million in 2024, and further decreased by 7.4% to RMB617.3 million in 2025. The continuous decrease in our gross profit was largely in line with our revenue contraction over the same period, which was mainly attributable to sustained pricing pressure from market competition and the temporary inventory restructuring policy adopted by a major customer within the smart video segment.

Our gross profit margin slightly decreased from 37.6% in 2023 to 37.2% in 2024, driven by intensifying market competition in our smart video and smart IoT product lines, which were partially offset by the gross profit margin growth of the smart mobility line which rose from 44.1% in 2023 to 47.7% in 2024. Our gross profit margin further decreased to 36.6% in 2025. This decline was caused by a combination of factors, including (i) a higher proportion of sales being derived from lower-margin products across our three product lines as our large customers continued to place orders for more cost-effective products in light of end-market's preference for value of money, and (ii) a continued decline in the gross profit margin of smart IoT chips, driven by our efforts to lower prices to maintain market share and stay competitive in the smart IoT market.

Our gross profit from the others segment was RMB60.4 million, RMB30.1 million, and RMB57.9 million for the years ended December 31, 2023, 2024 and 2025, respectively, representing gross profit margins of 59.2%, 42.5%, and 87.8% for the same years. The year-on-year fluctuations were primarily attributable to changes in the mix of customized technical solutions and ancillary services provided. Specifically, the technical services provided in 2024 yielded lower profitability compared to those in 2023, and the overall margin increase in 2025 was primarily driven by a significant increase in the revenue contribution from our consigned procurement services. These consigned procurement services have been offered since 2023 with high gross margins and experienced a surge in demand in 2025 from a new customer acquired in 2024. We also reduced certain low-margin technical services in 2025.

Other Income and Gains

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

	Year ended December 31,		
	2023	2024	2025
	RMB in thousands		
Government grants	33,863	38,861	22,979
Interest income	28,591	37,223	47,211
Value-added tax additional deduction	9,595	31,590	21,381
Others	186	284	1,780
Total other income	**72,235**	**107,958**	**93,351**
Gain on disposal of investment measured at fair value through profit or loss, net	3,603	3,046	2,616
Gain on settlement of derivative financial instruments	142	918	–
Fair value gains, net: – Investments measured at fair value through profit or loss, net	3,522	3,866	–
Fair value gains, net: – Derivative financial instruments	–	265	–
Gain on sales of property, plant and equipment	–	–	9
Foreign exchange gains, net	3,068	–	–
Total gains	**10,335**	**8,095**	**2,625**
Total	**82,570**	**116,053**	**95,976**

Selling Expenses

Our selling expenses primarily consist of: (i) employee benefit expenses, (ii) share-based payments, (iii) business development expenses, (iv) exhibition fees and (v) marketing expenses. The following table sets forth a breakdown of our selling expenses:

	Year ended December 31,		
	2023	2024	2025
		RMB in thousands	
Employee benefit expenses	15,336	20,269	39,186
Share-based payments	1,545	413	(50)[1]
Exhibition fees	1,359	977	1,075
Business development expenses	1,295	2,038	2,874
Marketing expenses	660	1,468	899
Others	748	2,153	4,074
Total	**20,943**	**27,318**	**48,058**

(1) We recorded a reversal of share-based payment expenses of RMB50.0 thousands in 2025, which was primarily attributable to the lapse of certain share incentives as the relevant performance targets under our share incentive schemes were not achieved, resulting in the reversal of previously recognized expenses.

Administrative Expenses

Our administrative expenses primarily consist of: (i) depreciation and amortization expenses, (ii) office expenses, (iii) employee benefit expenses, (iv) consulting and service fees, (v) utilities and property management fees and (vi) share-based payments. The following table sets forth a breakdown of our administrative expenses:

	Year ended December 31,		
	2023	2024	2025
		RMB in thousands	
Depreciation and amortization expenses	76,145	76,665	77,528
Employee benefit expenses	27,183	30,947	39,241
Office expenses	3,274	2,574	2,926
Consulting and service fees	5,241	4,646	4,107
Utilities and property management fees	2,708	2,867	2,578
Share-based payments	3,438	933	637
Others	10,441	7,777	11,073
Total	**128,430**	**126,409**	**138,090**

Research and Development Expenses

Our research and development expenses primarily consist of: (i) employee benefit expenses, (ii) depreciation and amortization expenses, and (iii) technical service fees. The following table sets forth a breakdown of our research and development expenses:

	Year ended December 31,		
	2023	2024	2025
		RMB in thousands	
Employee benefit expenses	234,943	265,127	276,412
Depreciation and amortization expenses	53,849	49,262	50,051
Technical service fees	11,754	12,788	10,239

	Year ended December 31,		
	2023	2024	2025
	RMB in thousands		
Testing and processing fees	3,389	7,930	3,529
Share-based payments	22,474	7,014	2,422
Material costs	4,489	3,315	4,237
Others	3,917	4,462	4,529
Total	**334,815**	**349,898**	**351,419**

Finance Cost

Our finance costs primarily consist of interest expense on banks borrowings, convertible bonds, bill discounting and lease liabilities. The following table sets forth a breakdown of our financial costs:

	Year ended December 31,		
	2023	2024	2025
	RMB in thousands		
Interest on bank borrowings	4,533	1,938	2,365
Interest on convertible bonds	26,181	27,293	28,237
Interest on bills discounting	1,546	72	431
Interest on lease liabilities	848	522	307
Other finance costs	41	5	3
Total	**33,149**	**29,830**	**31,343**

Income tax (expense)/credit

We recorded an income tax credit of RMB5.3 million, RMB7.8 million and RMB5.2 million in 2023, 2024 and 2025, respectively. The significant variance from the statutory tax rate is primarily attributable to preferential tax rates enjoyed by our Company and certain subsidiaries as well as the impact of the super-deduction policy for qualified research and development expenses.

During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential enterprise income tax (EIT) rate of 10% from 2023 to 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential EIT rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. For the details of statutory tax rate and preferential income tax rates applicable to our Company and our subsidiaries, see note 10 to "Appendix I — Accountants' Report" to this document.

During the Track Record Period and as of the Latest Practicable Date, we did not have any dispute with any tax authority.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

The following discussion compares the major components of our results of operations.

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

Revenue

Our revenue decreased by 5.7% from RMB1,790.0 million in 2024 to RMB1,688.2 million in 2025. This decrease was primarily due to a decrease in revenue from our smart video product line, partially offset by the continued growth in our smart IoT and smart mobility product lines.

Smart Video

Our revenue from this product line decreased by 16.6% from RMB1,204.0 million in 2024 to RMB1,004.0 million in 2025. This revenue decline was primarily due to a shift in product mix as market demand trended towards products with lower ASP, which outweighed the growth in our sales volume. While overall end-market demand remained resilient and total sales volume increased by 2.7% from 90.8 million units in 2024 to 93.3 million units in 2025, customer procurement shifted and became more concentrated on lower-priced products, as the ASP of our smart video products experienced a decrease from RMB13.3 per unit in 2024 to RMB10.8 per unit in 2025. Since 2025, domestic manufacturers have rapidly entered the intelligent vision chip market, increasing competition and driving down prices. Major downstream customers used their bargaining power and cost-cutting strategies to force suppliers to lower prices during inventory restructuring throughout 2025. To cut costs and adapt to shifting demand, downstream buyers shifted toward basic chip models, lowering the overall ASP in the market. Our ASP for smart video products are affected by this overall drop and further led to a decrease in the overall segment revenue despite volume growth.

Smart IoT

Our revenue from this product line increased by 21.8% from RMB278.1 million in 2024 to RMB338.8 million in 2025. Sales volume of our smart IoT products increased by 33.7% from 28.9 million units in 2024 to 38.6 million units in 2025, as we expanded a large number of new customers, leading to an increase in sales of products in 2025. During the same period, the ASP of this product line decreased by 8.6% from RMB9.6 per unit in 2024 to RMB8.8 per unit in 2025, resulted mainly from our proactive market expansion efforts, which successfully broadened our customer base and resulted in increased orders from newly acquired customers.

Smart Mobility

Our revenue from this product line grew by 17.9% from RMB237.1 million in 2024 to RMB279.5 million in 2025, mainly driven by our successful business expansion, new applications of existing products, and the continuous acquisition of new customers in the automotive sector. Our sales volume of this product line increased by 16.0% from 39.9 million units in 2024 to 46.3 million units in 2025. Meanwhile, the ASP of our smart mobility product line remained stable at RMB6.0 per unit for 2024 and 2025 years. The stability in ASP reflects this product line's higher barrier, leading to less price volatility as compared with other product lines.

Others

Our revenue from others decreased from RMB70.9 million in 2024 to RMB65.9 million in 2025, reflecting fluctuations in customer demand for technical and other ancillary services during the period.

Cost of Sales

Our cost of sales decreased by 4.7% from RMB1,123.4 million in 2024 to RMB1,070.9 million period in 2025, generally in line with the decrease in our revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 7.4% from RMB666.6 million in 2024 to RMB617.3 million in 2025. Our overall gross profit margin decreased from 37.2% to 36.6% for the respective years. The decrease in overall gross profit margin was mainly due to decreases in gross profit margins of our smart IoT and smart video product lines.

Smart Video

The gross profit for this product line decreased by 20.1% from RMB449.2 million in 2024, to RMB358.7 million in 2025, and the gross profit margin decreased from 37.3% to 35.7%. This decline was primarily driven by a shift in the sales mix towards products with lower gross profit margins, as well as a decrease in the unit prices of certain products.

Smart IoT

The gross profit for this product line declined by 5.5% from RMB74.1 million in 2024, to RMB70.0 million in 2025. The gross profit margin experienced a sharp compression from 26.7% to 20.7% during the years, primarily due to continued intense competition and our subsequent strategic pricing adjustments to successfully acquire new end customers and maintain current end customers and capture additional market share.

Smart Mobility

The gross profit for the product line increased by 15.5% from RMB113.2 million in 2024 to RMB130.7 million in 2025, generally in line with the revenue growth in this segment. The gross profit margin remained relatively stable at 47.7% and 46.8% for the respective years. Smart mobility chips remained our highest-margin product line. The product line benefits from high technical barriers and a relatively stable competitive landscape, which support a relatively stable ASP.

Others

Our gross profit from the others segment increased to RMB57.9 million in 2025, and our gross profit margin for this segment increased from 42.5% in 2024 to 87.8% in 2025. This increase was primarily driven by a significant increase in the revenue contribution from our consigned procurement services. These services have been offered since 2023 with high gross margins and experienced a surge in demand in 2025 from a new major customer acquired in 2024, which significantly enhanced our overall margin for the others segment in 2025. We also reduced certain low-margin technical services in 2025.

Other Income and Gains

Our other income and gains decreased by 17.3% from RMB116.1 million in 2024 to RMB96.0 million in 2025. This was primarily due to a decrease in government grants from RMB38.9 million to RMB23.0 million in 2024 and 2025 respectively, because many government grants in 2024 were of one-off nature.

Selling Expenses

Our selling expenses increased by 76.2% from RMB27.3 million in 2024 to RMB48.1 million in 2025. This increase was primarily driven by increase in employee benefit expenses attributable to the expanded number of relevant employees. The expansion was specifically focused on adding crucial field application engineers, aimed at boosting technical support and market penetration.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB126.4 million in 2024 and RMB138.1 million in 2025, respectively.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB349.9 million in 2024 and RMB351.4 million in 2025, reflecting our sustained commitment to innovation and product development.

Finance Cost

Our finance costs remained relatively stable at RMB29.8 million in 2024 and RMB31.3 million in 2025, respectively.

Income Tax Credit

Our income tax credit decreased from RMB7.8 million in 2024 to RMB5.2 million in 2025, primarily due to decline in revenue.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 48.1% from RMB232.0 million in 2024 to RMB120.3 million in 2025, and our net profit margin decreased from 13.0% to 7.1% for the respective years.

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

Revenue

Our revenue decreased slightly from RMB1,822.4 million in 2023 to RMB1,790.0 million in 2024. The decrease was mainly due to decreases in revenue from our product lines of smart IoT and smart video, largely offset by an increase in revenue from our smart mobility product line.

Smart Video

Our revenue for this product line decreased slightly from RMB1,218.6 million in 2023 to RMB1,204.0 million in 2024. This slight decline was primarily attributable to a strategic price reduction and the effect of our product mix shift. Specifically, in response to the intensified market competition in the smart video chip market, we actively adopted price reduction strategies to maintain the stability of orders from our largest customer. Furthermore, the ASP was constrained by a change in product mix towards higher volumes of lower-priced products.

Smart IoT

Our revenue from this product line decreased by 11.4% from RMB313.8 million in 2023 to RMB278.1 million in 2024. This decline was primarily a consequence of a decrease in our ASP by 17.2% from RMB11.6 per unit in 2023 to RMB9.6 per unit in 2024. The sales volume for this product line increased by 6.5% from 27.1 million units in 2023 to 28.9 million units in 2024. This was mainly attributable to intensified market competition, where we strategically reduced prices to ensure market share and drive sales volume.

Smart Mobility

Our revenue from this product line increased by 26.1% from RMB188.0 million in 2023 to RMB237.1 million in 2024. This expansion in revenue was the result of a significant increase in sales volume by 20.2% from 33.2 million units in 2023 to 39.9 million units in 2024. The ASP of this product line also increased from RMB5.7 per unit in 2023 to RMB6.0 per unit in 2024.

This strong performance was primarily due to increased demand from our key customers within the electric vehicle market in China, supported by government policy incentives.

Others

Revenue from other activities, mainly technical and other ancillary services, decreased from RMB102.0 million in 2023 to RMB70.9 million in 2024, reflecting changes in client demand for these services.

Cost of Sales

Our cost of sales decreased by 1.2% from RMB1,136.7 million in 2023 to RMB1,123.4 million in 2024, generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 2.8% from RMB685.7 million in 2023 to RMB666.6 million in 2024. Our overall gross profit margin slightly decreased from 37.6% in 2023 to 37.2% in 2024, mainly due to a change in product mix where products with relatively lower gross profit margins accounted for a slightly larger proportion of our sales. This marginal compression was primarily due to fierce market competition in the smart IoT and smart video product lines, which offset the strong margin performance of the smart mobility product line.

Smart Video

The gross profit for this product line remained relatively stable at RMB445.7 million in 2023 and RMB449.2 million in 2024, while the gross profit margin also remained relatively stable at 36.6% in 2023 and 37.3% in 2024, respectively.

Smart IoT

The gross profit for this product line declined by 23.3% from RMB96.6 million in 2023 to RMB74.1 million in 2024. The gross profit margin decreased from 30.8% in 2023 to 26.7% in 2024. This decline was a direct consequence of the intensified market competition as we adopted strategic price concessions to drive volume and ensure market share.

Smart Mobility

The gross profit for this product line achieved strong growth, increasing by 36.4%, from RMB83.0 million in 2023 to RMB113.2 million in 2024. This increase was driven by the 26.1% increase in revenue as the product lines gained penetration in the new energy vehicle market. The gross profit margin increased from 44.1% in 2023 to 47.7% in 2024. This positive movement was supported by robust demand in the electric vehicle market and the high technological barriers of automotive-grade chips.

Others

Our gross profit from the others segment decreased from RMB60.4 million in 2023 to RMB30.1 million in 2024, and our gross profit margin for this segment decreased from 59.2% to 42.5% over the same period, primarily due to shifts in the mix of customized technical solutions and ancillary services provided.

Other Income and Gains, Net

Our other income and gains increased by 40.6% from RMB82.6 million in 2023 to RMB116.1 million in 2024. This was primarily driven by a significant increase in VAT additional deduction, which rose from RMB9.6 million in 2023 to RMB31.6 million in 2024.

Selling Expenses

Our selling expenses increased by 30.4% from RMB20.9 million in 2023 to RMB27.3 million in 2024. The increase was primarily due to a RMB4.9 million rise in employee benefit expenses, driven by the expansion of after-sales support department in a subsidiary and company-wide salary adjustments.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB128.4 million in 2023 and RMB126.4 million in 2024.

Research and Development Expenses

Our R&D expenses increased by 4.5% from RMB334.8 million in 2023 to RMB349.9 million in 2024, reflecting our sustained strategic focus on technological innovation and new product development.

Finance Costs

Our finance costs decreased by 10.0% from RMB33.1 million in 2023 to RMB29.8 million in 2024. This was primarily due to lower interest on bank borrowings resulting from our decreased bank borrowings and declined prevailing marketing interest rate.

Income Tax Credit

Our income tax credit increased from RMB5.3 million in 2023 to RMB7.8 million in 2024. The income tax credit in both years was primarily a result of increased additional deduction on research and development costs.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 8.1% from RMB252.4 million in 2023 to RMB232.0 million in 2024. Our net profit margin decreased from 13.8% in 2023 to 13.0% in 2024.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2023	2024	2025
	RMB in thousands		
Total current assets	2,686,192	2,967,837	3,223,902
Total non-current assets	991,146	914,073	923,857
Total assets	**3,677,338**	**3,881,910**	**4,147,759**
Total current liabilities	317,026	327,816	446,684
Total non-current liabilities	576,107	582,296	602,047
Total liabilities	**893,133**	**910,112**	**1,048,731**
Net current assets	**2,369,166**	**2,640,021**	**2,777,218**
Net assets	**2,784,205**	**2,971,798**	**3,099,028**
Share capital	230,587	231,807	232,533
Treasury shares	–	(70,624)	(70,624)
Reserves	2,315,037	2,597,855	2,749,131
Non-controlling interests	238,581	212,760	187,988
Total Equity	**2,784,205**	**2,971,798**	**3,099,028**

Current Assets and Current Liabilities

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB in thousands			*(unaudited)*
Current assets				
Inventories	353,061	485,657	439,030	568,340
Trade and bills receivables	460,133	532,593	476,396	368,796
Prepayments, other receivables and other assets	69,490	102,606	147,846	124,044
Investments measured at fair value through profit or loss	120,854	100,338	–	330,000
Derivative financial assets	–	265	–	–
Pledged deposits	–	–	58,596	47,933
Cash and bank balances	1,682,654	1,746,378	2,102,034	1,793,958
Total current assets	**2,686,192**	**2,967,837**	**3,223,902**	**3,233,071**
Current liabilities				
Trade and bills payables	90,215	112,162	158,309	175,910
Contract liabilities	19,628	30,132	57,969	48,889
Other payables and accruals	84,890	90,346	110,157	75,809
Derivative financial liabilities	918	–	–	–
Interest-bearing bank borrowings	108,160	85,840	106,387	86,932
Convertible bonds	2,354	3,529	4,705	6,579
Lease liabilities	7,141	5,637	5,552	5,418
Tax payable	3,720	170	3,605	3,381
Total current liabilities	**317,026**	**327,816**	**446,684**	**402,918**
Net current assets	**2,369,166**	**2,640,021**	**2,777,218**	**2,830,153**

Our net current assets increased from RMB2,369.2 million as of December 31, 2023 to RMB2,640.0 million as of December 31, 2024, then remained relatively stable at RMB2,777.2 million as of December 31, 2025, and further increased to RMB2,830.2 million as of February 28, 2026. The overall increase during the Track Record Period was primarily attributable to the growth in cash and bank balances generated from our operating activities, which primarily reflected our strong liquidity position and conservative cash management strategy.

Our net current assets remained relatively stable at RMB2,640.0 million as of December 31, 2024 to RMB2,777.2 million as of December 31, 2025. Our total current assets increased from RMB2,967.8 million as of December 31, 2024 to RMB3,223.9 million as of December 31, 2025, primarily due to: (i) the increase in cash and bank balances of RMB355.7 million; (ii) the recognition of pledged deposits of RMB58.6 million; and partially offset by (iii) the decrease in trade and bills receivables of RMB56.2 million.

Our net current assets increased by 11.4% from RMB2,369.2 million as of December 31, 2023 to RMB2,640.0 million as of December 31, 2024, primarily due to the increase in our total current assets, which outweighted the increase in our total current liabilities. Our total current assets increased from RMB2,686.2 million as of December 31, 2023 to RMB2,967.8 million as of December 31, 2024, primarily due to: (i) the increase in inventories of RMB132.6 million; (ii) the increase in trade and bills receivables of RMB72.5 million; and (iii) the increase in cash and bank balances of RMB63.7 million.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories consisted of raw materials, work-in-progress goods, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB in thousands		
Raw materials	152,869	201,538	157,905
Work in progress	98,131	83,947	172,162
Finished goods	115,687	209,835	115,438
Less: provision for impairment	(13,626)	(9,663)	(6,475)
Total	**353,061**	**485,657**	**439,030**

Our inventories decreased by 9.6% from RMB485.7 million as of December 31, 2024 and RMB439.0 million as of December 31, 2025, primarily due to decrease in finished goods and raw materials, reflecting high consumption to meet customer demand and the ramp-up of our production activities in the second half of 2025. Such production ramp-up also resulted in a corresponding increase in our work-in-progress as of December 31, 2025.

Our inventories increased by 37.6% from RMB353.1 million as of December 31, 2023 to RMB485.7 million as of December 31, 2024, primarily due to an increase in raw materials and finished goods in anticipation of increasing sales and new product launches in second half of 2024. This growth was primarily attributable to the low pricing environment for our major procurement raw material, Known Good Die (KGD), which enabled our Group to strategically pre-stock certain long-term used models.

The table below sets forth an aging analysis for our inventories, net of provision for impairment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB in thousands		
Within 1 year	326,048	445,564	398,585
1 to 2 years	11,867	26,236	31,035
Over 2 years	15,146	13,857	9,410
Total	353,061	485,657	439,030

Our provision for impairment of inventories amounted to RMB12.2 million, RMB4.5 million, and RMB3.4 million as of December 31, 2023, 2024 and 2025, respectively. We adhere to a prudent principle in assessing inventory impairment by making full provisions for raw materials with slowed utilization rates and finished goods with sales performance below our initial expectations. We periodically assess the net realizable value of our inventories and provide for inventory impairment based on the difference between the cost of the inventories and the net realizable value. When estimating the net realizable value of inventories, our management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed. We believe that we have made sufficient provision for inventory impairment during the Track Record Period.

We believe maintaining appropriate levels of inventories dynamically helps us fully address our customers' demand and achieve customer satisfaction without adversely affecting our liquidity. We have in place a set of policies and procedures to manage our inventories. For details, see "Business — Manufacturing and Procurement" and "Business — Inventory Management."

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

	Year ended December 31,		
	2023	2024	2025
Average inventory turnover days[(1)]	138	136	157

(1) Average inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by 365 days for 2023, 2024 and 2025.

Our average inventory turnover days were 138 days and 136 days in 2023 and 2024, respectively, which we consider relatively stable. Our average inventory turnover days slightly increased to 157 days in 2025, primarily attributable to our strategic pre-stocking of KGD for certain long-term used models, which was facilitated by the prevailing low pricing of these principal raw materials in 2024.

As of February 28, 2026, RMB170.8 million, or 38.9% of our total inventories as of December 31, 2025 were subsequently utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables represent outstanding amount due from our customers for sales of products or provision of services in the ordinary course of business. 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		
Trade Receivables	443,068	477,657	426,089
Bills Receivables	22,327	60,242	54,806
Less: Impairment losses	(5,262)	(5,306)	(4,499)
Total	**460,133**	**532,593**	**476,396**

Our trade and bills receivables decreased by 10.6% from RMB532.6 million as of December 31, 2024, to RMB476.4 million as of December 31, 2025, which was generally in line with the trend of revenue decrease.

Our trade and bills receivables increased by 15.7% from RMB460.1 million as of December 31, 2023 to RMB532.6 million as of December 31, 2024. This increase was principally due to (i) slower collection from a new major customer, attributable to the use of a supply chain financial instrument under the payment terms, where cash settlement occurred only upon maturity, and our accounting policy of continuing to recognize the receivables until actual cash receipt. The outstanding balance as at 31 December 2024 was subsequently fully settled by April 2025; and (ii) an increase in bank acceptance bills held by our Group, both of which contributed to the higher year-end balance.

The following table sets forth an aging analysis of our trade and bills receivables, based on invoice date information and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB in thousands		
Within one year	460,126	532,583	476,384
– 0-6 months	459,884	524,489	476,384
– 6-12 months	242	8,094	–
Over one year	7	10	12
Total	**460,133**	**532,593**	**476,396**

The following table sets forth the number of turnover days for our trade and bills receivables for the period indicated:

	Years ended December 31,		
	2023	2024	2025
Average trade and bills receivables turnover days [(1)]	79	101	109

(1) Average trade and bills receivables turnover days equal the average of the opening and closing balances of net trade and bills receivables of the year indicated divided by the revenue of the same year and multiplied by 365 days for 2023, 2024 and 2025.

Our trade and bills receivables turnover days increased from 79 days in 2023 to 101 days in 2024. This trend was primarily due to (i) a slower collection from a new major customer; and (ii) increased bills receivable balance attributed to a rise in our bank acceptance bills.

As of February 28, 2026, RMB386.9 million, or 80.5%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Investments measured at fair value through profit or loss

Our investments measured at fair value through profit or loss primarily include structured deposits and debt investments.

Our investments measured at fair value through profit or loss slightly decreased from RMB188.0 million as of December 31, 2024 to RMB175.0 million as of December 31, 2025.

Our investments measured at fair value through profit or loss increased slightly from RMB178.4 million as of December 31, 2023 to RMB188.0 million as of December 31, 2024.

We have established a formal investment management policy governing our investments measured at fair value through profit or loss. Such investments primarily comprise equity investments, entrusted wealth management products, entrusted loans, and investments in tradable or available-for-sale financial assets. Our investment strategy is aligned with our long-term development objectives and aims to enhance sustainable growth and shareholder value.

Our internal control framework incorporates a tiered approval mechanism based on the materiality of the proposed investment. Depending on the relevant threshold, investment proposals require approval from our general manager, our Board, or our shareholders in general meeting. Our Board is responsible for reviewing major investment initiatives, while designated functional departments conduct feasibility studies, due diligence, and post-investment monitoring. For significant investments, we engage independent auditors or valuers to ensure proper risk assessment.

In terms of management expertise, we rely on the collective experience of our relevant departments, each performing clearly defined roles to ensure disciplined execution and effective risk management throughout the investment process. Our Board is involved in approving investments that meet or exceed prescribed thresholds based on asset value, revenue, net profit, or transaction amount. Transactions above certain higher thresholds additionally require shareholder approval. Following our [**REDACTED**], all such investments will comply with the notifiable transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

Trade and Bills Payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The following table sets a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		RMB in thousands	
Trade payables	90,215	112,162	113,271
Bills payables	–	–	45,038
Total	90,215	112,162	158,309

Our trade and bills payables increased by 41.1% from RMB112.2 million as of December 31, 2024 to RMB158.3 million as of December 31, 2025. This fluctuation was primarily due to the timing of settlement of major outstanding balances and the normal cyclical variations in our procurement volume during 2025. It also reflected the introduction of bills payables of RMB45.0 million as an alternative settlement method for a portion of our obligations.

Our trade and bills payables increased from RMB90.2 million as of December 31, 2023 to RMB112.2 million as of December 31, 2024. This increase was primarily attributable to the extended credit periods granted to us by our major suppliers.

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

	As of December 31,		
	2023	2024	2025
	RMB in thousands		
Within 1 year	88,557	109,092	153,522
1 to 2 years	1,658	1,412	4,036
2 to 3 years	–	1,658	–
Over 3 years	–	–	751
Total	90,215	112,162	158,309

The following table sets forth the number of turnover days for our trade and bills payables for the period indicated:

	As of December 31,		
	2023	2024	2025
Average trade and bills payables turnover days(1)	27	33	46

(1) Trade and bills payables turnover days is calculated as the average of the beginning and ending balances of trade and bills payables for that period, divided by cost of sales for the corresponding period, and then multiplied by 365 days for 2023, 2024 and 2025.

Our average trade and bills payables turnover days increased from 27 days in 2023 to 33 days in 2024, and further increased to 46 days in 2025. This increase trend was primarily attributable to the timing and volume of procurement from suppliers during the year.

As of February 28, 2026, RMB110.3 million, or 69.7%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from operating activities and bank loans. As of December 31, 2023, 2024 and 2025, we had cash and bank balances of approximately RMB1,682.7 million, RMB1,746.4 million and RMB2,102.0 million, respectively.

As of February 28, 2026, we had committed unutilized banking facilities of RMB106.0 million.

Going forward, we anticipate that our operating cash flows, available bank borrowings, and the [**REDACTED**] from the [**REDACTED**] will collectively fulfill our working capital, capital expenditures, and liquidity needs. Our capacity to meet financial commitments will hinge on our operational performance and cash flow generation, which are influenced by economic conditions and various external factors. Should our current funds prove inadequate, we will consider securing additional credit or engaging in equity financing.

Working Capital Sufficiency

Our Directors are of the view that, taking into account our available resources including cash and bank balances on hand and bank borrowings, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the period indicated:

	Years ended December 31,		
	2023	2024	2025
		RMB in thousands	
Net cash flows from operating activities .	453,202	283,566	444,054
Net cash flows used in investing activities	(39,125)	(112,935)	(75,368)
Net cash flows from/(used in) financing activities	(51,976)	(106,282)	8,610
Net increase/(decrease) in cash and cash equivalents	362,101	64,349	377,296
Cash and cash equivalents at beginning of the period	1,316,680	1,682,654	1,746,378
Cash and cash equivalents at end of the period	1,682,654	1,746,378	2,102,034

Net Cash Flows from Operating Activities

In 2025, we had net cash flows from operating activities of RMB444.1 million. This consisted of our profit before tax of RMB115.1 million, adjusted for non-cash items mainly including (i) amortization of other intangible assets of RMB99.8 million and (ii) depreciation of property, plant and equipment of RMB63.5 million. The amount was further affected by changes in working capital, which primarily included (i) a decrease in trade and bills receivables of RMB55.5 million, (ii) a decrease in inventories of RMB43.3 million, and (iii) an increase in trade and bills payables of RMB46.1 million.

In 2024, we had net cash flows from operating activities of RMB283.6 million. This primarily consisted of our profit before tax of RMB224.2 million, adjusted for non-cash items mainly including (i) depreciation and amortization expenses of RMB169.2 million and (ii) share-based payment expenses of RMB8.6 million. The amount was significantly offset by cash used in working capital, which included an increase in inventories of RMB137.1 million.

In 2023, we had net cash flows from operating activities of RMB453.2 million. This primarily consisted of our profit before tax of RMB247.1 million, adjusted for non-cash items mainly including (i) depreciation and amortization expenses of RMB161.4 million and (ii) impairment of inventories of RMB12.2 million. The amount was further affected by changes in working capital, including (i) a decrease in inventories of RMB139.0 million, which was partially offset by (ii) an increase in trade and bills receivables of RMB149.7 million.

Net Cash Flows Used in Investing Activities

In 2025, we had net cash used in investing activities of RMB75.4 million. This primarily consisted of (i) purchases of investments measured at FVTPL at RMB739.0 million, (ii) RMB42.0 million purchase of items of property, plant, and equipment, and (iii) RMB27.1 million purchase of shares in associates. These outflows were partially offset by RMB750.1 million used in proceeds from disposal of investments measured at FVTPL.

In 2024, we had net cash used in investing activities of RMB112.9 million. This was primarily driven by cash outflows for (i) purchases of financial assets at FVTPL of RMB876.5 million and (ii) purchases of items of property, plant and equipment of RMB79.6 million. These outflows were largely offset by proceeds from the maturity of financial assets at FVTPL of RMB873.9 million.

In 2023, we had net cash used in investing activities of RMB39.1 million. The net cash outflow resulted from (i) purchases of financial assets at FVTPL of RMB300.0 million and (ii) purchases of items of property, plant and equipment of RMB74.1 million. These outflows were substantially offset by proceeds from the maturity of financial assets at FVTPL of RMB395.4 million.

Net Cash Flows from/(Used in) Financing Activities

In 2025, we had net cash flows from financing activities of RMB8.6 million. This was primarily driven by cash outflows for (i) proceeds from the issuance of shares of RMB46.4 million and (ii) new bank loans of RMB157.6 million. These inflows were substantially offset by cash outflows used in (i) repayment of bank loans of RMB135.5 million, (ii) dividends paid to shareholders of RMB27.6 million, and (iii) payment of [**REDACTED**] of RMB[**REDACTED**].

In 2024, we had net cash used in financing activities of RMB106.3 million. This was primarily driven by cash outflows for (i) repayment of bank loans of RMB198.1 million and (ii) the repurchase of treasury shares of RMB70.6 million. These were partially offset by cash inflows from (i) new bank loans of RMB174.3 million and (ii) proceeds from the issue of shares of RMB32.0 million.

In 2023, we had net cash used in financing activities of RMB52.0 million. This resulted from cash outflows for (i) the repayment of bank loans of RMB145.7 million and (ii) dividends paid of RMB41.4 million. These outflows were largely offset by cash inflows from (i) new bank loans of RMB115.6 million and (ii) proceeds from the issue of shares of RMB36.5 million.

INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB in thousands			*(unaudited)*
Current				
Interest-bearing bank and other borrowings	108,160	85,840	106,387	86,932

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB in thousands			
				(unaudited)
Convertible bonds	2,354	3,529	4,705	6,579
Lease liabilities	7,141	5,637	5,552	5,418
Non-current				
Convertible bonds	518,609	538,758	557,028	555,154
Lease liabilities	7,596	2,180	7,940	6,596
Total	**643,860**	**635,944**	**681,612**	**660,679**

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings consist of bank loans and endorsed bills that have not matured.

We had interest-bearing bank and other borrowings of RMB108.2 million, RMB85.8 million and RMB106.4 million as of December 31, 2023, 2024 and 2025, primarily related to finance our working capital. For details, see note 31 to "Appendix I — Accountants' Report."

Convertible Bonds

The balance of our convertible bonds (comprising both current and non-current portions) increased during the Track Record Period, rising from RMB521.0 million as of December 31, 2023 to RMB561.7 million as of December 31, 2025. The persistent increase in the carrying value of the convertible bonds is primarily attributable to the amortization of the interest adjustment component related to the bond's liability element. As a compound financial instrument, the bond's liability element is systematically amortized over the life of the bond. This amortization process corresponds to an increase in the recorded carrying value of the bond liability on our statement of financial position. There is an inherent risk that the bonds may not be fully converted into equity upon maturity, which would require us to use cash resources for settlement. We believe that we maintain sufficient monetary funds and a robust liquidity position, which is expected to cover this potential cash settlement obligation.

Lease Liabilities

Our lease liabilities (comprising both current and non-current portions) primarily relate to the leasing of office premises used for business operations. The total lease liabilities consistently decreased throughout the Track Record Period, which amounted to RMB14.7 million as of December 31, 2023, RMB7.8 million as of December 31, 2024, and RMB13.5 million as of December 31, 2025. This sustained reduction was mainly driven by the regular scheduled repayment of principal on the lease obligations and the amortization of the related right-of-use assets.

Except as disclosed above, as of Latest Practicable Date, we did not have any material mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, debt securities, loans, bank overdrafts or other indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees. Our Directors have confirmed that there has been no material change in our indebtedness from December 31, 2025 to the Latest Practicable Date.

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures were primarily for the acquisition of (i) property, plant and equipment, such as machinery and electronic devices, and (ii) intangible assets, such as non-patent technology and software. All research and development expenses were charged to profit or loss as incurred and were not capitalized.

Our total capital expenditures were RMB124.2 million, RMB85.5 million and RMB59.8 million in 2023, 2024 and 2025, respectively. The fluctuations in capital expenditure reflect our ongoing investments in equipment and technology to support our business operations and growth.

Capital Commitments

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

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the period/as of the date indicated:

	As of/Year ended December 31,		
	2023	2024	2025
Gross profit margin[(1)]	37.6%	37.2%	36.6%
Current ratio[(2)]	8.47	9.05	7.22
Gearing ratio[(3)]	23.1%	21.4%	22.0%

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

(2) Current ratio is calculated as current assets divided by current liabilities as of the end of the relevant period.

(3) Gearing ratio is calculated as total debts, comprising borrowings, convertible bonds and lease liabilities, divided by total equity as of the end of the relevant period.

Current ratio

We maintained a strong and consistently high current ratio, which amounted to 8.47 times as of December 31, 2023, 9.05 times as of December 31, 2024, and 7.22 times as of December 31, 2025. This demonstrates our strong ability to maintain ample short-term liquidity and financial flexibility. This strength is primarily due to our consistent strategy of holding a substantial portion of our operating cash in highly liquid current assets.

Gearing ratio

Our gearing ratio remained at a consistently healthy and low level throughout the Track Record Period, stabilizing between 21.4% and 23.1%. This ratio slightly decreased from 23.1% as of December 31, 2023 to 21.4% as of December 31, 2024, indicating a modest decrease in financial leverage and strengthening of the capital structure relative to the growth in equity. Our gearing ratio then remained relatively stable at 22.0% as of December 31, 2025.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL RISK DISCLOSURE

The main risks arising from our financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. See note 43 to "Appendix I — Accountants' Report."

Interest rate risk

At the end of each of the Track Record Periods, we had no significant interest risk as we did not have long-term debt obligations with a floating interest rate.

Foreign Exchange Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

We are primarily exposed to changes in RMB/USD exchange rates. We use derivative financial instruments, such as currency swap contracts, to manage our foreign currency risk.

Credit Risk

Credit risk refers to the risk that our counterparties may default on their contractual obligations, resulting in financial losses. Our maximum exposure to credit risk that will cause a financial loss to the us due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized assets as stated in the consolidated statements of financial position.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulty in meeting our financial obligations. We monitor and maintain a level of cash and cash equivalents that management deems adequate to finance our operations and mitigate the effects of cash flow fluctuations. We aim to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

DIVIDEND POLICY

In 2023, 2024 and 2025, we declared and paid final dividends in respect of the previous year of RMB41.4 million, RMB27.4 million and RMB27.6 million, respectively. Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號—上市公司現金分紅(2025年修訂)》) and pursuant to our dividend policy under the Articles of Association, if we record profit and positive accumulated undistributed profits for a given year, we will distribute no less than 10% of the distributable profits realized in that year (calculated based on the lower of the distributable profits in the consolidated financial statements or the parent company' financial statements), except for under special circumstances as stipulated in our Articles of Association. Our future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of both. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings as well as our Articles of Association and the relevant PRC laws.

We do not have a fixed dividend distribution ratio. Our Board may recommend dividend distributions after considering factors such as industry characteristics, stage of development, business model, profitability, debt repayment capacity, significant capital expenditure plans, investor returns, and any other matters deemed relevant. Subject to applicable PRC laws and regulations and in accordance with our Articles of Association, provided the conditions for cash dividend distribution are satisfied, we shall distribute not less than 10% of the lower of distributable profits between the consolidated financial statements and the parent company for the relevant fiscal year as cash dividends annually.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had RMB1,873.5 million in distributable reserves, available for distribution to our shareholders.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the [**REDACTED**] of the H Shares on the Stock Exchange.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 40 to "Appendix I — Accountants' Report." Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

[**REDACTED**]

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to the owners of our Company has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets attributable to owners of our Company as of December 31, 2025 as if the [**REDACTED**] had taken place on December 31, 2025.

The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as of December 31, 2025 or any future date following the [**REDACTED**]. See "Appendix IIA — Unaudited [**REDACTED**] Financial Information" to this document for more detail.