

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in “Accountants’ Report” as set out in Appendix I to this document. The financial information as set out in the Accountants’ Report incorporates the financial statements of our Company during the Track Record Period. You should read the whole Accountants’ Report as set out in Appendix I to this document and not rely merely on the information in this section. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors,” “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are a provider of semiconductor assembly and testing technical solutions, principally engaged in developing packaging design, offering customized packaging products as well as packaging product testing service. According to Frost & Sullivan, upon the “post-Moore era” where growth in transistor density reaches its scaling limit, reliance on new semiconductor packaging architectures as a critical link between chip design and application, such as advanced packaging techniques like miniaturization, thinning, high efficiency, and heterogeneous integration, becomes the key driver for enhancing performance, efficiency and flexibility of chip functionality. We are one of the companies in the PRC which has capability in advanced packaging technologies to drive breakthroughs in semiconductor innovation in the “post-Moore era” and support the development wave of the “AI+ era”. Since our establishment in September 2020, we have explored the field of advanced packaging, accumulated extensive know-how on our packaging technology and equipped ourselves with mass-production capability for advanced packaging products, covering QFN, BGA, LGA, WLP and 2.5D/3D. We are among the few advanced packaging product providers to have mastered this capability in the PRC. We launched “Chiplet and Advanced Package integration Center (CAPiC)”, a platform to advance our technological know-how and continue to develop new technologies across all technical branches of the advanced packaging domain.

Our packaging products and testing service gained recognition from various well-established customers, resulting in a strong revenue growth during the Track Record Period. Our revenue increased from RMB509.1 million in 2023 to RMB827.4 million in 2024, and further to RMB1,012.2 million in 2025. We had a loss for the period of RMB358.9 million, RMB376.6 million and RMB483.1 million in 2023, 2024 and 2025, respectively. Our adjusted net loss (non-IFRS measure), which was adjusted by adding back (i) interest on redemption liabilities, and (ii) share-based payment expense, amounted to RMB266.3 million, RMB237.9 million, and RMB273.9 million in 2023, 2024 and 2025, respectively.

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”). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. Our

FINANCIAL INFORMATION

historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, derivative financial instruments and debt investments at fair value through other comprehensive income.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

- overall economic growth and conditions;
- development and prosperity of the global semiconductor industry, in particular the semiconductor packaging and testing market;
- conditions of the downstream markets of the semiconductor industry and the resulting fluctuations in customer demand;
- technology development and competition in the semiconductor industry; and
- relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our Customer Relationship and Sales Network

During the Track Record Period, our products were all sold through direct sales. As many of our customers are well-known companies with a significant market share in their respective end-customer markets, having direct connections with them enables us to precisely understand and respond to their requirements. We gain customers primarily by capitalizing on the brand reputation and substantial industry influence established through collaboration with top-tier companies across diverse application areas, together with other marketing activities. Our ability to expand and efficiently manage our sales network remains critical to our business and financial performance. During the Track Record Period, the PRC was a focus in our business development, and customers in the PRC contributed to a majority of our revenue while we also generated revenue from overseas customers. Building on such foundation, we plan to optimize and expand our sales network and to further expand our customer base in the PRC and overseas. Specifically, we plan to attract new customers across a broader spectrum of industries by continually launching advanced packaging solutions and deepen collaborations with existing customers by exploring new areas of cooperation with our new and enhanced offerings. Through stable and lasting collaboration with customers, we have acquired know-how in their respective application scenarios. A loyal and growing customer base will help us increase solutions and services we provide.

Our Ability to Control Costs and Improve Operational Efficiency

We incurred operational expenses, which consisted of R&D expenses, selling and distribution expenses and administrative expenses. The R&D and provision of packaging products and testing service are capital intensive. Our focus on the R&D of new technologies and products also necessitates significant investment. High upfront investment in R&D enabled us to build our market leadership and is expected to yield long-term results. As our business grows, we expect to benefit from our accumulated technological expertise to foster sustained innovation with heightened efficiency. The potential of advanced packaging is vast, and we are poised to tap into this potential by broadening its applications. Accordingly, we are committed to furthering our R&D efforts to maintain a solid position in the industry. As we continue to scale up the provision of our packaging

FINANCIAL INFORMATION

products and testing service, we expect to be able to manage the increase in our cost of sales, while sustaining more rapid revenue growth and fully unleashing economies of scale. In addition, our proprietary technologies in relation to packaging products and testing service are expected to help us enhance our efficiency and lower material costs.

Product and Service Mix

We maintain a diversified product and service portfolio to meet evolving customer demands and deliver long-term growth and profitability. We offer diverse packaging products and testing service, including QFN, BGA, LGA, WLP and 2.5D/3D, across a range of application scenarios and a wide spectrum of end markets. Within each product category, we offer multiple series with different specifications to meet the specific performance and functional requirements of different application scenarios diversified customer demands. Our diversified product and service portfolio can help us mitigate reliance on one single product category and enhance our resilience against industry-wide volatility. The selling prices for different products and services are different due to, among others, the differences in product complexity, R&D investment and costs. Our product and service mix may change in response to the market condition and technological changes in the end markets to which our products and services are adopted. Significant changes in product mix can directly affect our financial performance, which in turn affects our results of operations.

Our Ability to Enhance Technology and Offer New Products

The growth of our revenue depends on our ability to make technological advancements and develop products and solutions that meet the evolving needs of our customers. Our success depends on our ability to anticipate industry trends and develop advanced packaging solutions with high performance that meet the evolving demands of our customers. We are able to offer packaging products and testing service, including QFN, BGA, LGA, WLP and 2.5D/3D, to make them compatible with diverse customer needs. We are able to rapidly respond to specialized customer needs, develop and validate customized solutions and put viable projects into production, thereby unleashing the full potential of our R&D and technological strengths. Our continued success depends significantly on our ability to advance our technologies and offer innovative solutions to cater for customers’ evolving demands. We endeavor to further iterate and diversify our products and solutions to seize market opportunities in a broad range of application scenarios.

Our Continual Investment in R&D Talent

Highly skilled and talented R&D personnel enable us to maintain a solid position in the packaging and testing market and are therefore critical to our success. Our leadership is sustained by a robust R&D team, many of whom are semiconductor industry veterans with profound expertise in technology innovation. To compete for top talents in a competitive market, we offer attractive compensation and have a comprehensive training system designed to help employees grow knowledge and expertise in new semiconductor technology areas. We also intend to continue attracting top talents in the packaging and testing market, thereby further strengthening our R&D capabilities. While this strategy may elevate R&D expenses, it will position us closer to our leading international customers, enable us to respond promptly to their requirements, expedite product launches and bolster customer retention.

MATERIAL ACCOUNTING POLICY INFORMATION

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in note 2 of the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit (“CGU”)’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGU.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

We assess whether there is any indication of impairment for all non-financial assets (mainly including property, plant and equipment, right-of-use assets and intangible assets) of CGUs in accordance with IAS 36 Impairment of Assets, and there is no indication of impairment for non-financial assets of other CGUs other than the Nanjing CGU. Given that we sustained losses throughout the Track Record Period as we were still at the stage of expanding our business and operations, and are continuously investing in research and development, indicating potential impairment of our non-financial assets of the Nanjing CGU (including property, plant and equipment, right-of-use assets and other intangible assets), we carried out impairment testing of Nanjing CGU as of December 31, 2023, 2024 and 2025. The carrying amount of non-financial assets (including property, plant and equipment, right-of-use assets and other intangible assets) as of December 31, 2023, 2024 and 2025 is RMB1,900.6 million, RMB2,080.9 million and RMB2,263.0 million, respectively. Property, plant and equipment consist of machinery, general electronic equipment, transportation equipment, office equipment, buildings, construction in progress, leasehold improvements. The right-of-use assets consist of buildings and land use right. Other intangible assets consist of software, patents and licenses. We considered that property, plant and equipment, right-of-use assets and other intangible assets are all attributable to the Nanjing CGU.

For the purpose of impairment review, the carrying amount of non-financial assets were compared to the corresponding recoverable amount, which were based predominantly on value-in-use. Value in use is the present value of the future cash flows expected to be derived from an asset or the Nanjing CGU. Since the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the Nanjing CGU to which the asset belongs. We estimated the expected future cash flows from the CGU and selected the suitable discount rate in order to calculate the present value of those cash flows. In

FINANCIAL INFORMATION

In addition, we engaged an independent external valuer to assess the recoverable amount of the Nanjing CGU and leveraged our experiences in the packaging and testing market and provided forecast based on past performance and expectation of future business plans and market developments.

As of December 31, 2023, 2024 and 2025, the recoverable amount of the Nanjing CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a 9.5-year period for 2023 year-end impairment test, a 8.5-year period for 2024 year-end impairment test, and a 7.5-year period for 2025 year-end impairment test. We consider the length of the forecast period to be appropriate considering the fact that the packaging and testing market in China is an emerging industry with fast growth in the coming years and we are still at the stage of expanding our business and operations. The projected cash flows have been updated to reflect the demand for products and services. We are also of the view that the length of the forecast period reflects the remaining weighted average estimated useful life of assets. The accuracy and reliability of the information is reasonably assured by our appropriate budgeting, forecast and control process. Based on the assessment result, value in use is greater than carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, hence, no impairment was recognized.

The following table sets out our key assumptions used in the impairment assessment of the Nanjing CGU as of the dates indicated:

	As of December 31,		
	2023	2024	2025
Annual revenue growth rate	12.08%-63.31%	13.25%-86.60%	9.86%-50.61%
Pre-tax discount rate	11.55%	11.66%	11.90%

The forecasted annual revenue growth rate used in the impairment testing were determined by us based on our past performance and expectation for market development. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. These estimates and judgments may be affected by unexpected changes in the future market or economic conditions. Our Directors have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered such changes would not result in any impairment charge to be recognized.

SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of our Group’s historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. For details on our judgments and estimates, which are important for understanding our financial condition and results of operations, see note 2 to the Accountants’ Report as set out in Appendix I.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	509,077	827,374	1,012,159
Cost of sales	<u>(704,700)</u>	<u>(993,932)</u>	<u>(1,194,623)</u>
Gross loss	<u>(195,623)</u>	<u>(166,558)</u>	<u>(182,464)</u>
Other income and gains	70,597	101,699	68,326
Selling and distribution expenses	(9,007)	(10,302)	(11,887)
Administrative expenses	(53,425)	(62,313)	(117,374)
R&D expenses	(76,623)	(93,764)	(86,166)
(Provision for impairment)/ reversal of impairment of financial assets, net	(2,372)	(3,818)	1,605
Other expenses	(4,954)	(12,800)	(1,458)
Finance costs	(88,502)	(129,355)	(153,670)
Share of profit of a joint venture	1,017	633	–
Loss before tax	<u>(358,892)</u>	<u>(376,578)</u>	<u>(483,088)</u>
Income tax expense	–	–	–
Loss for the year/period	<u>(358,892)</u>	<u>(376,578)</u>	<u>(483,088)</u>
Other comprehensive income	–	–	–
Total comprehensive loss for the year/period	<u>(358,892)</u>	<u>(376,578)</u>	<u>(483,088)</u>
Total comprehensive loss attributable to:			
Owners of the parent	(348,795)	(356,118)	(437,165)
Non-controlling interests	<u>(10,097)</u>	<u>(20,460)</u>	<u>(45,923)</u>
	<u>(358,892)</u>	<u>(376,578)</u>	<u>(483,088)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)	(0.44)	(0.40)	(0.47)

Non-IFRS Financial Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss (Non-IFRS measure) and adjusted EBITDA (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items. We believe these measures provide useful information to [REDACTED] and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, such non-IFRS financial measures we presented may not be directly comparable to similar measures presented by other companies. The use of these non-IFRS measures should not be considered as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

FINANCIAL INFORMATION

The following table reconciles our adjusted net loss (Non-IFRS measure) and adjusted EBITDA (Non-IFRS measure).

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year/period	(358,892)	(376,578)	(483,088)
Add:			
Interest on redemption liabilities ⁽¹⁾	66,499	103,028	124,957
Share-based payment expenses ⁽²⁾	26,080	35,682	74,529
[REDACTED] expenses ⁽³⁾	–	–	9,695
Adjusted net loss (non-IFRS measure) . .	<u><u>(266,313)</u></u>	<u><u>(237,868)</u></u>	<u><u>(273,907)</u></u>
Add:			
Interest on bank and other borrowings & interest on lease liabilities & others ⁽⁴⁾ . .	22,003	26,327	28,713
Depreciation and amortization ⁽⁵⁾	200,933	272,743	330,116
Subtract:			
Interest income ⁽⁶⁾	3,452	1,432	1,011
Adjusted EBITDA (non-IFRS measure) .	<u><u>(46,829)</u></u>	<u><u>59,770</u></u>	<u><u>83,911</u></u>

Notes:

- (1) We adjust interest on redemption liabilities because it is a non-cash and non-operating item. It arises from redemption rights issued to [REDACTED], which will be terminated and re-designated to equity upon [REDACTED]. Excluding this item eliminates the impact of [REDACTED] financing arrangements, thereby better reflecting our underlying operating performance.
- (2) We adjust share-based payment expenses because they are non-cash in nature. Excluding these expenses eliminates the impact of non-cash employee compensation, providing a more relevant basis for evaluating our core operating performance.
- (3) We adjust [REDACTED] expenses because it is considered non-recurring, one-off [REDACTED] expenses rather than part of the company’s ordinary operating performance. Excluding this item prevents distortion of operating results by extraordinary costs.
- (4) We adjust interest on bank and other borrowings, interest on lease liabilities and others because they are non-operating financing costs. Excluding these items eliminates the impact of our capital structure and financing decisions, thereby better reflecting our operational profitability.
- (5) We adjust depreciation and amortization because they are non-cash expenses. Excluding the systematic allocation of historical capital expenditures allows for a clearer assessment of our underlying cash-generating capability and core operating performance.
- (6) We subtract interest income because it is non-operating in nature. Excluding returns from cash management activities provides a more accurate reflection of the operating performance of our principal business activities.

We recorded adjusted net loss (non-IFRS measure), which eliminates the impact of interest on redemption liabilities, share-based payment expenses and [REDACTED] expenses, was RMB266.3 million, RMB237.9 million and RMB273.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our adjusted net loss (non-IFRS measure) decreased from RMB266.3 million in 2023 to RMB237.9 million in 2024. This improvement was primarily driven by: (i) the narrowing of our gross loss from RMB195.6 million in 2023 to RMB166.6 million in 2024 due to initial economies of scale; and (ii) an increase in other income and gains from RMB70.6 million to RMB101.7 million. Our adjusted net loss (non-IFRS measure) subsequently increased to RMB273.9 million in 2025. This widening of adjusted net loss (non-IFRS measure) was primarily attributable to (i) an increase in depreciation and amortization expenses, which increased from RMB272.7 million in 2024 to RMB330.1 million in 2025, reflecting the massive investments in property, plant and equipment as we scaled up our mass production capacity; and (ii) a decrease in other income and gains from RMB101.7 million in 2024 to RMB68.3 million in 2025. Despite the widening of our adjusted net loss (non-IFRS measure) in 2025, by further excluding depreciation, amortization,

FINANCIAL INFORMATION

and net interest items, our adjusted EBITDA (non-IFRS measure) turned from a loss of RMB46.8 million in 2023 to positive RMB59.8 million in 2024, and further improved to positive RMB83.9 million in 2025. This continuous improvement in adjusted EBITDA (non-IFRS measure) demonstrates the growing operational efficiency and underlying profitability of our business model as we scale.

Revenue

During the Track Record Period, we generated revenue from (i) providing packaging products and testing service (including providing QFN, BGA, LGA, WLP and 2.5D/3D); and (ii) others.

Revenue by type of goods or services

During the Track Record Period, we generated revenue from the provision of packaging products and testing service and others. We recorded total revenue of RMB509.1 million, RMB827.4 million and RMB1,012.2 million for the years ended December 31, 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our revenue by business segments for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Provision of packaging products and testing service	508,351	99.9	823,661	99.6	1,008,549	99.6
Others ⁽¹⁾	726	0.1	3,713	0.4	3,610	0.4
Total	509,077	100.0	827,374	100.0	1,012,159	100.0

Note:

(1) Others mainly include the sales of scrap and materials.

Provision of packaging products and testing service

Provision of packaging products and testing service are the backbone of our business. During the Track Record Period, we continued expanding our business presence by offering packaging products and testing service. As our order volume continued to grow, our provision of packaging products and testing service experienced robust revenue growth. Revenue generated from provision of packaging products and testing service increased from RMB508.4 million for the year ended December 31, 2023 to RMB823.7 million for the year ended December 31, 2024, and further to RMB1,008.5 million for the year ended December 31, 2025 accounting for 99.9%, 99.6% and 99.6% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our revenue from providing packaging and testing service by types for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
QFN ⁽¹⁾	172,831	34.0	277,016	33.6	313,183	31.1
BGA ⁽²⁾	183,455	36.1	244,084	29.6	305,549	30.3
LGA ⁽³⁾	82,003	16.1	149,955	18.2	213,032	21.1
WLP ⁽⁴⁾	70,057	13.8	152,003	18.5	176,541	17.5
2.5D/3D ⁽⁵⁾	5	–	603	0.1	244	–
Total	508,351	100.0	823,661	100.0	1,008,549	100.0

FINANCIAL INFORMATION

Notes:

- (1) QFN includes FC-QFN, WB-QFN and FC-SOT.
- (2) BGA includes FC-BGA, WB-BGA and Hybrid-BGA.
- (3) LGA includes FC-LGA, WB-LGA, Hybrid LGA and SiP-LGA.
- (4) WLP includes Bumping, DPS, WLP (Fan-In) and WLP (Fan-Out).
- (5) 2.5D/3D includes FOCT-R.

During the Track Record Period, revenue from the provision of QFN, BGA, LGA and WLP increased consistently. This positive performance was primarily attributable to (i) the growth of the PRC’s consumer electronics market has driven an increase in demand for semiconductor products among our end-customers, which has led to higher demand from our customers for our packaging products and testing service; (ii) we have enhanced our overall production capacity by investing in additional equipment and recruiting more personnel. This expanded capacity has enabled us to fulfill the needs of a larger number of customers; (iii) the stable yield rate of our products has strengthened customers’ confidence in our manufacturing quality and reliability, thereby driving an increase in their order volumes; and (iv) as we have gradually established a stronger market reputation and brand presence, we have continued to secure new customers, thereby expanding our customer base. For details, see “Period-to-period Comparisons of Results of Operations” in this section.

Others

We sell scrap and materials, primarily consisting of scrap copper and other metal materials to our customers. Revenue derived from the sales of scrap and materials amounted to RMB0.7 million, RMB3.7 million and RMB3.6 million for the years ended December 31, 2023, 2024 and 2025, respectively. The higher revenue in 2024 and 2025 as compared to 2023 was primarily due to the disposal of accumulated scrap and a general increase in materials available for sale, which aligned with our overall business growth during these periods.

Revenue by geographical markets

We predominantly market and provide our products and services within the PRC, which is and will remain to be the core focus of our business. The table below details the percentage of our total sales during the Track Record Period based on geographical regions as follows:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	489,264	96.1	807,167	97.6	957,873	94.6
Overseas	19,813	3.9	20,207	2.4	54,286	5.4
– Taiwan, China . . .	–	–	253	–	9,154	0.9
– Hong Kong	18,826	3.7	19,289	2.3	9,703	1.0
– United States	987	0.2	665	0.1	35,429	3.5
Total	509,077	100.0	827,374	100.0	1,012,159	100.0

Our sales in the PRC comprise over 90% of the total revenue for each period of the Track Record Period. We recorded revenue generated from the PRC of RMB489.3 million, RMB807.2 million and RMB957.9 million for the years ended December 31, 2023, 2024 and 2025, accounting for 96.1%, 97.6% and 94.6% of our total revenue for same periods, respectively. In addition, we established our business presence overseas primarily in Asia and the United States. We recorded revenue generated from overseas of RMB19.8 million, RMB20.2 million and RMB54.3 million for the years ended December 31, 2023, 2024 and 2025, accounting for 3.9%, 2.4% and 5.4% of our total revenue for same periods, respectively.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales primarily consists of (i) raw material costs, (ii) labor expenses, (iii) power expenses, (iv) depreciation and amortization, and (v) others. We recorded the cost of sales of RMB704.7 million, RMB993.9 million, and RMB1,194.6 million for the years ended December 31, 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw material costs	239,307	34.0	346,192	34.8	417,751	35.0
Labor expenses	155,555	22.1	224,899	22.7	255,710	21.4
Power expenses	45,124	6.4	71,711	7.2	86,334	7.2
Depreciation and amortization	181,529	25.8	240,516	24.2	304,643	25.5
Others ⁽¹⁾	83,185	11.7	110,614	11.1	130,185	10.9
Total	<u>704,700</u>	<u>100.0</u>	<u>993,932</u>	<u>100.0</u>	<u>1,194,623</u>	<u>100.0</u>

Note:

(1) Others mainly include equipment and facilities maintenance costs and tooling costs.

During the Track Record Period, raw material costs, depreciation and amortization and labor expenses accounted for the majority of our cost of sales. Raw material costs mainly include the costs for purchasing substrates, lead frame, adhesive, electronic components and bonding wire. Raw material costs increased from RMB239.3 million in 2023 to RMB346.2 million in 2024, and further to RMB417.8 million in 2025, primarily due to our growing demand for raw materials driven by the rapid business growth. Depreciation and amortization increased from RMB181.5 million in 2023 to RMB240.5 million in 2024, and further to RMB304.6 million in 2025, mainly attributable to our purchase of new manufacturing equipment to support our business development. Labor expenses mainly include salaries, bonuses, social insurance contributions, housing provident funds, other employee benefits and share-based payment. Labor expenses increased from RMB155.6 million in 2023 to RMB224.9 million in 2024, and further to RMB255.7 million in 2025, primarily due to our hiring of more employees as our business expanded.

Gross Loss and Gross Margin

The following table sets forth a breakdown of our gross loss and gross margin by type of goods or service for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Gross loss	Gross margin	Gross loss	Gross margin	Gross loss	Gross margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Packaging products and testing service	(196,347)	(38.6)	(170,009)	(20.6)	(184,955)	(18.3)
Others ⁽¹⁾	724	99.7	3,451	92.9	2,491	69.0
Total	<u>(195,623)</u>	<u>(38.4)</u>	<u>(166,558)</u>	<u>(20.1)</u>	<u>(182,464)</u>	<u>(18.0)</u>

Note:

(1) Others mainly include the sales of scrap and materials.

FINANCIAL INFORMATION

Our gross loss represents our revenue less our cost of sales, and our gross margin represents gross loss divided by our revenue, expressed as a percentage. Our gross loss decreased from RMB195.6 million in 2023 to RMB166.6 million in 2024 and increased to RMB182.5 million in 2025. Our gross loss margin decreased from 38.4% in 2023 to 20.1% in 2024, and further decrease to 18.0% in 2025. During the Track Record Period, we have been steadily scaling up mass production in line with the increase of our sales volume, and hence revenue. As we had increased production volume, we were able to capitalize on the increasing market demands, and started to benefit from economies of scale in line with the increase of our sales volume, and hence revenue. As a result, our overall gross loss and gross loss margin continued to be narrowed. In addition, the demands from our existing and new customers for packaging products and testing service grew alongside the development of consumer electronics market and their satisfaction with the yield rate of our packaging products. Going forward, we expect our gross loss margin to improve as we continue to capture market demands and benefit from economies of scale.

Movement of accumulated loss

The following table sets forth the movement of accumulated loss as extracted from the consolidated statements of changes in equity during the Track Record Period:

	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1,	(523,311)	(872,106)	(544,042)
Loss for the year	(348,795)	(356,118)	(437,165)
Other comprehensive income for the year.	—	—	—
Total comprehensive loss for the year . . .	(348,795)	(356,118)	(437,165)
Conversion of the Company to a joint stock company	—	684,182	—
At December 31,	(872,106)	(544,042)	(981,207)

As of December 31, 2023, 2024 and 2025, we recorded accumulated losses of RMB872.1 million, RMB544.0 million and RMB981.2 million, respectively. The movement of our accumulated losses during the Track Record Period was primarily driven by our annual net losses, offset by a one-off accounting adjustment in 2024. Specifically, our accumulated loss decreased from RMB872.1 million as of December 31, 2023 to RMB544.0 million as of December 31, 2024, which was primarily due to the offset of RMB684.2 million attributable to the conversion of our Company into a joint stock limited company in that (i) as of November 30, 2023, our net assets, as audited by an independent auditor, amounted to approximately RMB1,228.5 million; (ii) the aforesaid net assets were converted into the share capital of the joint stock limited company at a ratio of 1.43:1, resulting in 857,061,732 shares; of this amount, RMB857.1 million was recorded as registered capital, while the remaining RMB371.5 million was recorded as capital reserve; and (iii) the accumulated loss of the original limited liability company, totaling approximately RMB684.2 million, was transferred into and absorbed by the capital reserve. Our accumulated loss increased from RMB544.0 million as of December 31, 2024 to RMB981.2 million as of December 31, 2025, reflecting the net loss attributable to owners of the parent of RMB437.2 million incurred during the year.

FINANCIAL INFORMATION

Our accumulated loss position is a culmination of our capital-intensive early-stage expansion and significant non-cash expenses incurred to support our strategic growth. The underlying reasons for our historical net losses, which continuously fed into our accumulated losses, include: (i) as we remain in a period of commercial scaling, we have incurred significant fixed costs, predominantly comprising heavy depreciation and amortisation expenses related to our production facilities, such as our Nanjing production base, and our recently established Yangzhou production base which is currently in its initial ramp-up phase with relatively low utilisation rates; and (ii) a large proportion of our accumulated losses is derived from non-operational accounting charges. Notably, the continuous accrual of interest on redemption liabilities associated with our shares, and substantial share-based payment expenses incurred to incentivize key personnel, have heavily burdened our bottom line. Our accumulated loss profile is consistent with technology and manufacturing businesses in their rapid scaling phases, prioritizing the establishment of operational capacity and infrastructure ahead of realizing full operational leverage and scale-driven profitability.

Other Income and Gains

Our other income and gains consist primarily of: (i) government grants, (ii) investment income, (iii) gain on disposal of items of property, plant and equipment, (iv) interest income, and (v) others. The following table sets forth a breakdown of our other income and gains for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants ⁽¹⁾	60,736	97,040	61,881
Investment income	4,998	2,531	1,339
Gain on disposal of items of property, plant and equipment	553	–	3,354
Interest Income	3,452	1,432	1,011
Others	858	696	741
Total	70,597	101,699	68,326

Note:

(1) We received our government grants from local government authorities to support our Group’s capital and operating expenditure. For the years ended December 31, 2023, 2024 and 2025, government grants amounting to RMB50.5 million, RMB94.3 million and RMB60.2 million respectively, were released from deferred income.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of (i) employee benefit expenses, including wages and salaries and equity-settled share-based payment expenses for sales and marketing personnel, (ii) advertising expenses, (iii) business development expenses, and (iv) others.

The following table sets forth a breakdown of our selling and distribution expenses by nature for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses						
– Wages and salaries	5,259	58.3	5,934	57.7	6,444	54.2

FINANCIAL INFORMATION

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
– Equity-settled share-based payment expenses	1,251	13.9	1,176	11.4	1,993	16.8
Advertising expenses	277	3.1	653	6.3	761	6.4
Business development expenses	1,682	18.7	2,043	19.8	2,070	17.4
Others	538	6.0	496	4.8	619	5.2
Total	<u>9,007</u>	<u>100.0</u>	<u>10,302</u>	<u>100.0</u>	<u>11,887</u>	<u>100.0</u>

Our selling and distribution expenses as a percentage of our revenue amounted to approximately 1.8%, 1.2%, and 1.2% of our revenue in 2023, 2024 and 2025, respectively.

Administrative expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, including wages and salaries and equity-settled share-based payment expenses for our management team and administrative personnel, (ii) depreciation and amortization expenses primarily related to land and leased properties, (iii) consulting and professional service expenses, including consulting service fees and legal service fees, (iv) office expenses, (v) IPO expenses, and (vi) other administrative expenses. The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses						
– Wages and salaries	19,765	37.0	25,099	40.3	39,953	34.0
– Equity-settled share-based payment expenses	13,569	25.4	12,649	20.3	39,826	33.9
Depreciation and amortization expenses	11,295	21.1	9,427	15.1	12,057	10.3
Consulting and professional service expenses	1,290	2.4	3,166	5.1	2,455	2.1
Office expenses	4,902	9.2	5,314	8.5	7,821	6.7
IPO expenses	–	–	–	–	9,695	8.3
Others ⁽¹⁾	2,604	4.9	6,658	10.7	5,567	4.7
Total	<u>53,425</u>	<u>100.0</u>	<u>62,313</u>	<u>100.0</u>	<u>117,374</u>	<u>100.0</u>

Note:

(1) Other administrative expenses mainly include hospitality expenses, insurance fees, fire safety expenses and environment protection fees.

Our administrative expenses as a percentage of our revenue amounted to approximately 10.5%, 7.5%, and 11.6% of our revenue in 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

R&D expenses

Our R&D expenses primarily comprise (i) employee benefit expenses, including wages and salaries and equity-settled share-based payment expenses for R&D personnel, (ii) depreciation and amortization expenses, mainly related to our equipment and facilities for R&D of our products and services, (iii) material costs associated with R&D activities, and (iv) other R&D expenses. The following table sets forth a breakdown of our R&D expenses by nature for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses						
– Wages and salaries . . .	54,211	70.8	57,823	61.6	50,680	58.8
– Equity-settled share-based payment expenses	6,178	8.1	11,901	12.7	20,920	24.3
Depreciation and amortization expenses	5,594	7.3	11,993	12.8	5,191	6.0
Material costs	2,257	2.9	2,699	2.9	2,088	2.4
Others ⁽¹⁾	8,384	10.9	9,348	10.0	7,287	8.5
Total	<u>76,623</u>	<u>100.0</u>	<u>93,764</u>	<u>100.0</u>	<u>86,166</u>	<u>100.0</u>

Note:

(1) Other R&D expenses mainly include mold expenses and testing fees for R&D activities and travel expenses for R&D personnel.

Our R&D expenses as a percentage of our revenue amounted to approximately 15.1%, 11.3%, and 8.5% of our revenue in 2023, 2024 and 2025, respectively.

(Provision for impairment)/reversal of impairment of financial assets, net

We recorded provision for impairment of financial assets, net, which represented our trade and other receivables, of RMB2.4 million and RMB3.8 million for the years ended December 31, 2023 and 2024. We recorded reversal of impairment of financial assets, net of RMB1.6 million for the year ended December 31, 2025.

Other expenses

Our other expenses mainly comprised (i) foreign exchange losses; and (ii) changes in the fair value of the redemption rights of Yangzhou Chiplet. Our other expenses amounted to RMB5.0 million, RMB12.8 million, and RMB1.5 million for the years ended December 31, 2023, 2024 and 2025, respectively.

Finance costs

Our finance costs represent (i) interest on bank and other borrowings, (ii) interest on lease liabilities, (iii) interest on redemption liabilities, and (iv) others, which amounted to RMB88.5 million, RMB129.4 million, and RMB153.7 million for the years ended December 31, 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest on bank and other borrowings	19,184	21.7	24,009	18.6	26,539	17.3
Interest on lease liabilities	2,819	3.2	2,318	1.8	1,860	1.2
Interest on redemption liabilities	66,499	75.1	103,028	79.6	124,957	81.3
Others	–	–	–	–	314	0.2
Total	88,502	100.0	129,355	100.0	153,670	100.0

The interest on bank and other borrowings increased from RMB19.2 million in 2023 to RMB24.0 million in 2024 and further to RMB26.5 million in 2025, primarily due to (i) the increased bank borrowings to meet our capital needs and to support our business expansion; and (ii) we entered into new sale and leaseback agreements for our equipment and machinery in 2023 and 2024. The interest on lease liabilities decreased from RMB2.8 million in 2023 to RMB2.3 million in 2024 and further decreased to RMB1.9 million in 2025, primarily due to the remaining lease term of our lease agreements decreased. The interest on redemption liabilities increased from RMB66.5 million in 2023 to RMB103.0 million in 2024 and further to RMB125.0 million in 2025, primarily due to our cumulative redemption liabilities arising from the granting of new redemption rights to our shareholders.

Share of profit of a joint venture

We recorded share of profit of a joint venture of RMB1.0 million, RMB0.6 million and nil for the years ended December 31, 2023, 2024 and 2025, respectively.

Total comprehensive loss for the year

We recorded net losses of RMB358.9 million, RMB376.6 million and RMB483.1 million for the years ended December 31, 2023, 2024 and 2025, respectively. The increase in our net losses was primarily attributable to (i) we made substantial strategic investments in property, plant, and equipment to build our mass production capabilities, and our depreciation of property, plant and equipment surged from RMB186.3 million in 2023 to RMB313.8 million in 2025; (ii) our finance costs increased significantly from RMB88.5 million in 2023 to RMB153.7 million in 2025. This was primarily driven by the interest accretion on the redemption liabilities associated with the shares issued to our Pre-IPO investors. Such liabilities will be automatically reclassified into equity upon the [REDACTED], after which these related finance costs will no longer be incurred; (iii) to attract and retain key talents for our long-term strategic growth, we incurred share-based payment expenses which increased from RMB26.1 million in 2023 to RMB74.5 million in 2025, notably driving the increase in our administrative expenses in 2025; (iv) while our revenue grew rapidly, our products were still in a gross loss position. The scaling of our business resulted in an absolute gross loss of RMB182.5 million in 2025, although we have been continuously realizing economies of scale.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISONS OF RESULTS OF OPERATIONS

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

Revenue

Our total revenue increased from RMB827.4 million in 2024 to RMB1,012.2 million in 2025, primarily driven by the expansion of our packaging and testing services, which was underpinned by the following factors: (i) following the ramp-up of our Nanjing and Yangzhou production bases, we achieved an increase in the sales volume of our advanced packaging products, particularly in QFN, BGA and LGA, which enabled us to effectively capture the growing market demand within the communication and data center supply chains; (ii) our strategic expansion into high-growth downstream applications resulted in revenue from products applied in car electronics and data center applications surging from RMB2.7 million in 2024 to RMB12.2 million in 2025, a substantial growth attributable to our successful qualification by several players in these sectors; (iii) the increase also reflected a broader recovery and our continued penetration in the communication sector, where revenue maintained its upward trajectory as we deepened cooperation with major existing customers while successfully onboarding new clients; and (iv) our revenue from the industrial and medical sectors recovered from RMB35.8 million in 2024 to RMB43.4 million in 2025, representing a rebound primarily driven by the stabilized procurement schedules of our long-term customers and our successful entry into new niche medical device applications.

Cost of Sales

Our cost of sales increased from RMB993.9 million for the year ended December 31, 2024 to RMB1,194.6 million for the year ended December 31, 2025, primarily due to (i) the increase raw material costs, labor expenses and power expenses, which were attributable to the growth of our business and aligned with the increase in revenue; and (ii) an increase in depreciation and amortization as we acquired new manufacturing equipment in 2025.

Gross Loss and Gross Margin

Our overall gross loss increased from RMB166.6 million for the year ended December 31, 2024 to RMB182.5 million for the year ended December 31, 2025, while our gross loss margin improved from 20.1% to 18.0% over the same period. The decrease in our gross loss margin was mainly driven by economies of scale achieved through the continuous expansion of our mass production. This expansion enabled more efficient utilization of equipment, facilities, power, human resources, and other resources, thereby diluting our overall unit costs.

Other Income and Gains

Our other income and gains decreased from RMB101.7 million for the year ended December 31, 2024 to RMB68.3 million for the year ended December 31, 2025, primarily due to (i) a decrease in government grants, as government grants released from deferred income decreased; and (ii) a decrease in investment income, as the amount of wealth management products we purchased reduced.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB10.3 million for the year ended December 31, 2024 to RMB11.9 million for the year ended December 31, 2025, primarily due to (i) an increase in wages and salaries; and (ii) an increase in equity-settled share-based payment expenses, which was primarily due to the new units being awarded to our sales and marketing personnel under our equity incentive scheme in 2025.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expense increased from RMB62.3 million for the year ended December 31, 2024 to RMB117.4 million for the year ended December 31, 2025, primarily due to (i) an increase in wages and salaries as the number of our administrative personnel increased in 2025; (ii) an increase in equity-settled share-based payment expenses, which was primarily due to the new units being awarded to our senior management under our equity incentive scheme in 2025; and (iii) an increase in [REDACTED] expenses.

R&D Expenses

Our R&D expenses decreased from RMB93.8 million for the year ended December 31, 2024 to RMB86.2 million for the year ended December 31, 2025, primarily due to a decrease in wages and salaries and a decrease in depreciation and amortization expenses, as R&D activities at our Yangzhou Chiplet facility decreased during the first half of 2025 due to a longer initiation and approval process for certain new projects, partially offset by an increase in equity-settled share-based payment expenses, which was primarily due to the new units being awarded to our R&D personnel under our equity incentive scheme in 2025.

(Provision for Impairment)/Reversal of Impairment Losses of Financial Assets, Net

We recorded provision for impairment of financial assets, net of RMB3.8 million for the year ended December 31, 2024 and recorded reversal of impairment losses of financial assets, net of RMB1.6 million for the year ended December 31, 2025, primarily due to we have strengthened the management of our trade receivables.

Other Expenses

Our other expenses decreased from RMB12.8 million for the year ended December 31, 2024 to RMB1.5 million for the year ended December 31, 2025, primarily due to fluctuations in the USD-RMB exchange rate leading to changes in foreign exchange losses, as we purchase imported equipment using US dollars.

Finance Costs

Our finance costs increased from RMB129.4 million for the year ended December 31, 2024 to RMB153.7 million for the year ended December 31, 2025, primarily due to an increase in interest on redemption liabilities attributable to (i) the redemption rights granted in February 2024 gave rise to additional interest for the year ended December 31, 2025 compared to the year ended December 31, 2024; and (ii) we granted new redemption rights to our shareholders in 2025.

Share of Profit of a Joint Venture

Our share of profit of a joint venture decreased from RMB0.6 million for the year ended December 31, 2024 to nil for the year ended December 31, 2025, primarily due to the joint venture we invested in has been disposed in September 2024. For details, see “Investment in a joint venture” in this section.

Total Comprehensive Loss for the Year/Period

As a result of the foregoing, we recorded loss for the period of RMB376.6 million and RMB483.1 million for the years ended December 31, 2024 and 2025, respectively.

FINANCIAL INFORMATION

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

Revenue

Our total revenue increased significantly from RMB509.1 million in 2023 to RMB827.4 million in 2024, primarily driven by the expansion of our packaging and testing services, which was underpinned by the following factors: (i) revenue from products applied in the consumer electronics and communication sectors increased by 69.1% and 88.4% year-on-year, respectively. This growth was driven by our strategic efforts to expand application scenarios and reinforced focus on customers embedded in these supply chains, who experienced strong procurement demands from their end-markets; (ii) we enhanced our overall production capacity, which supported the increased sales volume across our major product lines, such as QFN, BGA, LGA, and WLP; (iii) we continued to secure new customers and expand our customer base, while the stable yield rate of our products strengthened existing customers' confidence, leading to higher order volumes; (iv) revenue from WLP products more than doubled from RMB70.1 million in 2023 to RMB152.0 million in 2024, reflecting our successful commercialization of advanced packaging technologies; and (v) revenue from our 2.5D/3D products increased from RMB5,000 to RMB0.6 million, primarily as a result of initial FOCT-R orders, marking the early-stage commercialization of our most sophisticated packaging technologies.

Cost of Sales

Our cost of sales increased from RMB704.7 million for the year ended December 31, 2023 to RMB993.9 million for the year ended December 31, 2024, primarily due to (i) the increase in raw material costs, labor expenses and power expenses, which were attributable to the growth of our business and hence in line with the increase in revenue; and (ii) an increase in depreciation and amortization as we acquired new manufacturing equipment in 2024.

Gross Loss and Gross Margin

As a result of the foregoing, our overall gross loss decreased from RMB195.6 million for the year ended December 31, 2023 to RMB166.6 million for the year ended December 31, 2024. Our gross loss margin decreased from 38.4% for the year ended December 31, 2023 to 20.1% for the year ended December 31, 2024, primarily due to (i) increased sales of QFN, BGA, LGA, WLP and 2.5D/3D products, which were supported by our mass production capabilities and driven by the growth in demand for our products from both existing and new customers; and (ii) economies of scale achieved through the continuous expansion of our mass production, which enabled more efficient utilization of equipment, facilities, power, human resources and other resources, thereby further diluting overall costs. Together, these factors allowed our revenue growth to outpace the increase in our cost of sales, leading to a meaningful reduction in our absolute gross loss for the year.

Other Income and Gains

Our other income and gains increased from RMB70.6 million for the year ended December 31, 2023 to RMB101.7 million for the year ended December 31, 2024, primarily due to government grants released from deferred income increased, as we received new rental subsidies in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses increased from RMB9.0 million for the year ended December 31, 2023 to RMB10.3 million for the year ended December 31, 2024, primarily due to (i) an increase in wages and salaries; and (ii) an increase in business development expenses, which was mainly due to our efforts to drive continuous sales, business growth and expansion.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expense increased from RMB53.4 million for the year ended December 31, 2023 to RMB62.3 million for the year ended December 31, 2024, primarily due to an increase in wages and salaries, which was primarily due to our recruitment of additional administrative staff to support business growth and the increased number of staff for the establishment of Yangzhou Chiplet.

R&D Expenses

Our R&D expenses increased from RMB76.6 million for the year ended December 31, 2023 to RMB93.8 million for the year ended December 31, 2024, primarily due to (i) an increase in depreciation and amortization expenses, as R&D activities of Yangzhou Chiplet increased in 2024, which was fundamentally driven by the full-year effect of its R&D activities in 2024 compared to only seven months of actual R&D inputs in 2023 following its establishment; and (ii) an increase in other R&D expenses, in line with our increased R&D activities, reflecting a continuous scale-up of R&D investments at our Nanjing production base in tandem with its robust revenue growth during the same period.

(Provision for Impairment)/Reversal of Impairment Losses of Financial Assets, Net

Our provision for impairment of financial assets, net increased from RMB2.4 million for the year ended December 31, 2023 to RMB3.8 million for the year ended December 31, 2024, primarily due to increase in expected credit loss in trade receivables, in line with the increase in revenue and trade receivables in the same period.

Other Expenses

Our other expenses increased from RMB5.0 million for the year ended December 31, 2023 to RMB12.8 million for the year ended December 31, 2024, primarily due to (i) fluctuations in the USD-RMB exchange rate leading to changes in foreign exchange losses, as we purchase imported equipment using US dollars; and (ii) the increase in fair value loss of the redemption rights of Yangzhou Chiplet.

Finance Costs

Our finance costs increased from RMB88.5 million for the year ended December 31, 2023 to RMB129.4 million for the year ended December 31, 2024, primarily due to (i) an increase in interest on bank and other borrowings from our increased interest-bearing bank loans and new sale and leaseback agreements we entered into; and (ii) an increase in interest on redemption liabilities, as we granted new redemption rights to our shareholders in 2024.

Share of Profit of a Joint Venture

Our share of profit of a joint venture decreased from RMB1.0 million for the year ended December 31, 2023 to RMB0.6 million for the year ended December 31, 2024, primarily due to the joint venture we invested in has been disposed in September 2024. For details, see “Investment in a joint venture” in this section.

Total Comprehensive Loss for the Year/Period

As a result of the foregoing, we recorded loss for the period of RMB358.9 million and RMB376.6 million for the years ended December 31, 2023 and 2024, respectively.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	2,144,066	2,603,009	3,184,933
Total current assets	691,763	618,688	816,764
Total assets	2,835,829	3,221,697	4,001,697
Total non-current liabilities	(2,584,858)	(2,917,727)	(3,546,089)
Total current liabilities	(1,001,533)	(1,219,650)	(1,687,748)
Total liabilities	(3,586,391)	(4,137,377)	(5,233,837)
Net liabilities	(750,562)	(915,680)	(1,232,140)
Equity attributable to owners of the parent			
Paid-in capital/Share capital	857,062	896,335	959,062
Reserves	(1,729,067)	(2,136,998)	(2,632,262)
Non-controlling interests	121,443	324,983	441,060
Total deficits	(750,562)	(915,680)	(1,232,140)

We recorded net liabilities of RMB750.6 million, RMB915.7 million and RMB1,232.1 million as of December 31, 2023, 2024 and 2025, respectively. The continuous increase in our net liabilities during the Track Record Period was primarily a combined result of: (i) our significant net losses recorded during the Track Record Period, which continuously eroded our equity base; and (ii) the recognition of redemption liabilities on equity shares. As we conducted several series of Pre-IPO financings, certain investors were granted certain rights, including redemption rights. The obligations arising from these rights are recognized and presented as financial liabilities, which substantially reduced our total equity and drove us into a net liability position. Upon the [REDACTED], the relevant special rights will be terminated and the associated redemption liabilities will be derecognized and reclassified as equity. This conversion will eliminate the redemption liability balance from our consolidated statements of financial position. Accordingly, our net liabilities are expected to be reversed into net assets upon the [REDACTED], reflecting the reclassification of shares from liabilities to equity and the corresponding material uplift in shareholders' equity.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
CURRENT ASSETS				
Inventories	164,277	176,396	205,453	224,404
Trade and bills receivables	146,157	168,216	205,885	212,156

FINANCIAL INFORMATION

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Prepayments, other receivables and other assets	88,428	137,686	139,998	182,140
Debt investments at fair value through other comprehensive income	1,955	4,001	1,264	168
Financial assets at fair value through profit or loss	85,414	26,183	90,482	55,778
Derivative financial instruments	9,026	4,276	3,397	2,954
Pledged deposits	–	11,741	12,000	15,532
Restricted cash	32,811	7,023	14,587	14,273
Cash and cash equivalents	163,695	83,166	143,698	157,800
Total current assets	691,763	618,688	816,764	865,205
CURRENT LIABILITIES				
Trade and bills payables	110,016	151,067	196,455	213,760
Other payables and accruals	443,216	574,048	763,184	653,739
Interest-bearing bank and other borrowings	424,889	483,002	707,105	769,629
Lease liabilities	23,412	11,533	21,004	23,713
Total current liabilities	1,001,533	1,219,650	1,687,748	1,660,841
Net current liabilities	(309,770)	(600,962)	(870,984)	(795,636)

Our net current liabilities decreased to RMB795.6 million as of March 31, 2026 from RMB871.0 million as of December 31, 2025, primarily due to (i) an increase of RMB42.1 million in prepayments, other receivables and other assets; (ii) an increase of RMB14.1 million in cash and cash equivalents; and (iii) a decrease of RMB109.4 million in other payables and accruals, partially offset by (i) a decrease of RMB34.7 million in financial assets at fair value through profit or loss; (ii) an increase of RMB17.3 million in trade and bills payables; and (iii) an increase of RMB62.5 million in interest-bearing bank and other borrowings.

Our net current liabilities increased to RMB871.0 million as of December 31, 2025 from RMB601.0 million as of December 31, 2024, primarily due to (i) an increase of RMB45.4 million in trade and bills payables; (ii) an increase of RMB189.1 million in other payables and accruals; (iii) an increase of RMB224.1 million in current portion of interest-bearing bank and other borrowings, partially offset by (i) an increase of RMB29.1 million in inventories; (ii) an increase of RMB37.7 million in trade and bills receivables; (iii) an increase of RMB64.3 million in financial assets at fair value through profit or loss; and (iv) an increase of RMB60.5 million in cash and cash equivalents.

Our net current liabilities increased to RMB601.0 million as of December 31, 2024 from RMB309.8 million as of December 31, 2023, primarily due to (i) a decrease of RMB59.2 million in financial assets at fair value through profit or loss; (ii) a decrease of RMB25.8 million in restricted cash; (iii) a decrease of RMB80.5 million in cash and cash equivalents; (iv) an increase of RMB41.1 million in trade and bills payables; (v) an increase of RMB130.8 million in other

FINANCIAL INFORMATION

payables and accruals; and (vi) an increase of RMB58.1 million in current portion of interest-bearing bank and other borrowings, partially offset by (i) an increase of RMB12.1 million in inventories; (ii) an increase of RMB22.1 million in trade and bills receivables; (iii) an increase of RMB49.3 million in prepayments, other receivables and other assets; (iv) an increase of RMB11.7 million in pledged deposits; and (v) a decrease of RMB11.9 million in lease liabilities.

The continuous widening of our net current liabilities position during the Track Record Period was a structural outcome of our capital-intensive expansion phase, as we utilized short-term financing and payables to fund our long-term investments in property, plant, and equipment for our production bases. Specifically, the increase in our net current liabilities was primarily driven by (i) an increase in our other payables and accruals from RMB443.2 million in 2023 to RMB763.2 million in 2025, primarily due to the consistent increase in payables for the purchase of long-term assets, which represent short-term obligations incurred for the procurement of new machinery, equipment, and construction activities related to the ramp-up of our capacity, such as our Yangzhou production base; (ii) an increase in the current portion of our interest-bearing bank and other borrowings from RMB424.9 million in 2023 to RMB707.1 million in 2025 to meet the substantial working capital requirements for our expanding operations and bridge the funding gap for our capital expenditures; and (iii) an increase in our trade and bills payables from RMB110.0 million in 2023 to RMB196.5 million in 2025 as our production volume grew, which primarily represented the amounts due to our suppliers for purchasing raw materials to support our increasing sales volume. While our current assets also expanded, with trade and bills receivables reaching RMB205.9 million and inventories reaching RMB205.5 million in 2025, the growth in operational and capital-related short-term liabilities significantly outpaced the accumulation of current assets.

We expect to improve our net current liabilities position as (i) we expect to improve our operating cash flow as a result of our enhanced profitability, and (ii) we expect to receive the [REDACTED] from the [REDACTED]. We believe that our net current liabilities position will improve with net cash inflows generated from operating activities with the growth of our business. We also plan to improve our net current liabilities position by: (i) leveraging our industry position to negotiate for more favorable contractual terms with our customers and suppliers, (ii) continuing to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion plan, (iii) properly managing the level of our cash and current assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations, (iv) better managing the collection of our accounts receivables, and (v) assigning designated personnel to liaise with different customers, and performing monthly reconciliation of receivables and follow up with the customers.

Property, plant and equipment

Our property, plant and equipment primarily consist of machinery, general electronic equipment, transportation equipment, office equipment, buildings, construction in progress and leasehold improvements. The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Machinery	1,611,290	1,957,399	2,281,182
General electronic equipment	30,834	32,286	38,938
Transportation equipment	156	53	471
Office equipment	1,263	837	472
Buildings	–	–	429,710
Construction in progress	113,342	262,193	97,466
Leasehold Improvements	238,454	210,936	205,558
Total	1,995,339	2,463,704	3,053,797

FINANCIAL INFORMATION

The carrying amount of our property, plant and equipment increased from RMB1,995.3 million as of December 31, 2023 to RMB2,463.7 million as of December 31, 2024, primarily due to (i) an increase of RMB346.1 million in machinery, as we purchased new equipment; and (ii) an increase of RMB148.9 million in construction in progress, as we were constructing a manufacturing facility in Yangzhou, Jiangsu Province. The carrying amount of our property, plant and equipment increased from RMB2,463.7 million as of December 31, 2024 to RMB3,053.8 million as of December 31, 2025, primarily due to an increase of RMB429.7 million in buildings, offset by decreased construction in progress, as the manufacturing facility in Yangzhou, Jiangsu Province has been established.

Right-of-use assets

Our Group has lease contracts for leasehold land and buildings used in its operations. Lump sum payments were made upfront to lease the leasehold land with lease periods of 50 years. No ongoing payments will be made under the terms of the lease for the land use right. The carrying amount decreased from RMB85.3 million as of December 31, 2023 to RMB76.2 million as of December 31, 2024, mainly due to the reduction in the remaining lease term of the lease agreements for our manufacturing facilities, offices and staff dormitories. The carrying amount then increased to RMB103.8 million as of December 31, 2025, primarily due to our acquisition of a new land use right in Nanjing, Jiangsu Province in 2025.

Other intangible assets

Our other intangible assets primarily consist of software and patents and license. The following table sets forth the net carrying amount of our other intangible assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Software	15,990	14,401	15,978
Patents and licenses	396	283	726
Total	16,386	14,684	16,704

Our intangible assets decreased from RMB16.4 million as of December 31, 2023 to RMB14.7 million as of December 31, 2024, primarily due to amortization of our intangible assets in 2024. Our intangible assets increased from RMB14.7 million as of December 31, 2024 to RMB16.7 million as of December 31, 2025, primarily due to we purchased our equipment automation program system in 2025.

Investment in a joint venture

Our investment in a joint venture amounted to RMB11.4 million, nil and nil as of December 31, 2023, 2024 and 2025, respectively. Our investment in joint ventures represent our 50% interest in Nanjing Changxin Testing Technology Co., Ltd. (南京長芯檢測科技有限公司) (“**Nanjing Changxin**”), a company providing testing service. The carrying amount of Nanjing Changxin decreased from RMB11.4 million as of December 31, 2023 to nil as of December 31, 2024, primarily due to the disposal of the shares held by our Company in Nanjing Changxin in September 2024. The disposal was primarily a strategic move to streamline our corporate structure and enhance operational independence by consolidating our testing functions in-house, thereby optimizing overall management efficiency.

FINANCIAL INFORMATION

Other non-current assets

Our other non-current assets increased from RMB35.7 million as of December 31, 2023 to RMB48.4 million as of December 31, 2024, primarily due to we continued to expand our production capacity, which drove a steady growth in the scale of our equipment, and prepayments were required for the procurement of our machinery and equipment under the terms of our supply agreements. Our other non-current assets decreased from RMB48.4 million as of December 31, 2024 to RMB10.7 million as of December 31, 2025, primarily due to the reduction in prepayments classified as non-current assets, which resulted from the gradual delivery of the equipment we purchased previously.

Inventories

Our inventories primarily consist of (i) raw materials which are substrates, lead frame, adhesive, electronic components and bonding wire; (ii) work in progress inventories consist primarily of semi-finished packaging products that have been produced to ensure timely delivery to customers and (iii) finished goods which are packaging products that are in readiness for delivery or in delivery transit to fulfill customer orders.

The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	112,507	105,494	124,706
Work in progress	29,346	41,241	52,298
Finished goods	22,424	29,661	28,449
Total	<u>164,277</u>	<u>176,396</u>	<u>205,453</u>

Our inventories increased from RMB164.3 million as of December 31, 2023 to RMB176.4 million as of December 31, 2024, mainly due to the increase in work in progress products and finished goods, as our actual production volume continues to increase. Our inventories further increased to RMB205.5 million as of December 31, 2025, primarily due to the increase in raw materials and finished goods, as we continued to scale up our production and were able to capture growing market demands. As of December 31, 2023, 2024 and 2025, the age of the majority of our inventories was less than three months. The following table sets forth our inventory turnover days for the periods indicated:

	As of December 31,		
	2023	2024	2025
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Inventory turnover days ⁽¹⁾	72.3	62.6	58.3

Note:

(1) Inventory turnover days for a period equals to the ending inventories balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period, which is 365 days for each year.

As of March 31, 2026, RMB196.9 million, or 95.8% of our inventories and contract costs as of December 31, 2025 had been utilized.

FINANCIAL INFORMATION

Trade and bills receivables

During the Track Record Period, our trade receivables primarily represent receivables from customers for provision of packaging products and testing service. The credit period granted to our customers was generally one to two months, extending up to three months from the date of invoice. Our bills receivables primarily represent receivables from banks for purchase payments to be made on behalf of our customers. The maturity term of bills receivable is generally three to six months. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	134,833	175,982	181,067
Impairment	(4,288)	(8,096)	(6,514)
	130,545	167,886	174,553
Bills receivable	15,612	330	31,332
Total	146,157	168,216	205,885

Our trade receivables increased from RMB134.8 million as of December 31, 2023, to RMB176.0 million as of December 31, 2024, and further to RMB181.1 million as of December 31, 2025, which were in line with the increase in revenue. The following table sets forth an aging analysis of our trade receivable at the end of each period of the Track Record Period, based on the invoice dates and net of loss allowance:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	130,545	167,886	174,553

We perform an impairment analysis at the end of each period of the Track Record Period. An impairment analysis was made based on expected credit loss model on the recoverability of trade receivables and performed using a provision matrix to measure expected credit losses. The identification of impairment requires management’s judgments and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macroeconomy. The following table sets forth the average turnover days of our trade receivables for the periods indicated:

	As of December 31,		
	2023	2024	2025
	(days)	(days)	(days)
Average trade receivables turnover days ⁽¹⁾	68.5	65.8	61.7

Note:

(1) Average trade receivables turnover days equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 365 days (for a year).

As of March 31, 2026, RMB191.8 million, or 93.2% of our trade and bills receivables as of December 31, 2025 had been settled. Our Group maintains a collection policy for trade credits. If customers fail to make payments on time, our sales department will notify the relevant customers that their deliveries will be put on hold until such outstanding purchase amount is settled.

FINANCIAL INFORMATION

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets mainly consisted of (i) value-added tax recoverable, (ii) deposits, (iii) prepayments, (iv) due from shareholders, (v) others, and (vi) impairment allowance. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	74,425	114,710	123,936
Deposits	1,365	1,428	767
Prepayments	11,881	21,330	12,924
Due from shareholders	–	–	2,087
Others	778	249	292
Impairment allowance	(21)	(31)	(8)
Total	88,428	137,686	139,998

Our prepayments, other receivables and other assets increased from RMB88.4 million as of December 31, 2023 to RMB137.7 million as of December 31, 2024, primarily due to the increase in value-added tax recoverable as a result of our capital expenditure on property, plant and equipment generated value-added tax that was entitled to be recovered but had not yet been refunded by the tax authorities. Our prepayments, other receivables and other assets remained relatively stable at RMB137.7 million and RMB140.0 million as of December 31, 2024 and 2025. As of March 31, 2026, RMB51.7 million, or 36.9%, of our prepayments, other receivables and other assets as of December 31, 2025 had been settled.

Debt investments at fair value through other comprehensive income

For bills receivable that were held both for collection of contractual cash flows and selling, where the contractual cash flows of these bills receivable represented solely payments of principal and interest on the principal amount outstanding, they were classified as financial assets at fair value through other comprehensive income. Our debt investments at fair value through other comprehensive income amounted to RMB2.0 million, RMB4.0 million and RMB1.3 million as of December 31, 2023, 2024 and 2025.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly consisted of wealth management products issued by banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Our management closely monitors the performance and fair values of these investments on a regular basis. Our financial assets at fair value through profit or loss amounted to RMB85.4 million, RMB26.2 million and RMB90.5 million as of December 31, 2023, 2024 and 2025, respectively.

Our financial assets at fair value through profit or loss decreased from RMB85.4 million as of December 31, 2023, to RMB26.2 million as of December 31, 2024, primarily due to decrease in our purchase in wealth management products issued by banks in the PRC. This was driven by a reduction in our surplus cash available for such short-term investments. Although we generated higher net cash from operating activities in 2024, this was more than offset by an increase of approximately RMB200.0 million in our repayment of matured debt financings compared to 2023. Our financial assets at fair value through profit or loss increased from RMB26.2 million as of

FINANCIAL INFORMATION

December 31, 2024 to RMB90.5 million as of December 31, 2025. This increase was primarily due to a higher unredeemed balance of wealth management products as of year-end, despite a decrease in our total purchases of such products throughout 2025.

We have standard internal procedures to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such wealth management products. Our management, including our finance department, has substantial experience in managing the financial aspects of an enterprise’s operations. Upon [REDACTED], we intend to continue our investments strictly in accordance with our internal control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders’ approval requirements (if applicable). Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to structured deposits and low risk wealth management products, after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Derivative financial instruments

Our derivative financial assets amounted to RMB9.0 million, RMB4.3 million and RMB3.4 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, we entered into an investment agreement with Yangzhou Longtou, a shareholder of Yangzhou Chiplet, pursuant to which Yangzhou Chiplet was granted a right to repurchase up to 455,000,000 of its own shares, representing 55.5% of Yangzhou Chiplet’s shares, within five years from the date of capital contribution by Yangzhou Longtou, at its discretion. We identified the redemption right as a derivative financial instrument measured at fair value and with its changes recognized in the statements of profit and loss. For details, see Note 24 to the Accountants’ Report in Appendix I to this document.

Trade and bills payables

Our trade and bills payables primarily represent the amounts due to our suppliers for purchasing of raw materials. For supplier who grant to us a credit period, the typical term ranges from 60 days to 90 days. We generally settle such payables by cash or bills. The following table sets forth details of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	110,016	129,985	172,505
Bills payable	–	21,082	23,950
Total	<u>110,016</u>	<u>151,067</u>	<u>196,455</u>

FINANCIAL INFORMATION

Our trade and bills payables increased from RMB110.0 million as of December 31, 2023 to RMB151.1 million as of December 31, 2024, and further increased to RMB196.5 million as of December 31, 2025, as we purchased more raw materials to support our sales volume during the Track Record Period. The following is an aging analysis of our trade and bills payables based on the invoice date as of dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	109,888	150,707	195,916
Over one year	128	360	539
Total	110,016	151,067	196,455

The following table sets forth our trade payables turnover days for the years/periods indicated.

	As of December 31,		
	2023	2024	2025
	<i>(days)</i>	<i>(days)</i>	<i>(days)</i>
Average trade payables turnover days ⁽¹⁾	47.5	44.1	46.2

Note:

(1) Calculated as the average of the beginning and ending balance of trade payables for the year/period divided by the cost of sales for that year/period and multiplied by 365 days (for a year).

As of March 31, 2026, RMB174.1 million, or 88.6% of our trade and bills payables as of December 31, 2025 had been settled.

Other payables and accruals

Our other payables and accruals mainly represent (i) payable for purchase of long-term assets, (ii) contract liabilities, (iii) payroll and welfare payables, (iv) accrued expense, (v) deposits, (vi) other tax payables, and (vii) other payables, which mainly consist of service fees to suppliers, such as, greening fees, canteen expenses and property management fees. The following table sets forth details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payable for purchase of long-term assets	379,175	495,074	658,109
Contract liabilities ⁽¹⁾	14,416	5,411	2,835
Payroll and welfare payables	35,303	38,304	36,681
Accrued expense	8,445	11,622	8,374
Deposits ⁽²⁾	–	15,000	50,000
Other tax payables	3,476	2,491	3,274
Other payables ⁽³⁾	2,401	6,146	5,400
Total	443,216	574,048	764,673
Analysed into:			
Current portion	443,216	574,048	763,184
Non-current portion	–	–	1,489

FINANCIAL INFORMATION

Notes:

- (1) Contract liabilities include short-term advances received from customers regarding to sales of goods.
- (2) Deposits include capacity guarantee deposit we received from our customers.
- (3) Other payables are non-interest-bearing.

Our other payables and accruals analysed into current portion increased from RMB443.2 million as of December 31, 2023 to RMB574.0 million as of December 31, 2024, primarily because an increase in payable for purchase of long-term assets as a result of our increased purchases of equipment. Our other payables and accruals analysed into current portion further increased to RMB763.2 million as of December 31, 2025, primarily because an increase in payable for purchase of long-term assets and capacity guarantee deposit we received from our customers increased.

As of March 31, 2026, RMB285.4 million, or 37.4% of our other payables and accruals analysed into current portion as of December 31, 2025 had been settled.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our operations and other capital requirements primarily through cash generated from our business operations, bank borrowings and equity contributions from our shareholders, and we plan to continue to do so. Our anticipated cash needs primarily include costs associated with the our business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the [REDACTED] from [REDACTED] and, when necessary, bank and other borrowings. As of March 31, 2026, the latest practicable date for determining our indebtedness, we had cash and bank balances of RMB187.6 million. Considering our internal resources, our cash flow from operations and the estimated [REDACTED] from the [REDACTED], our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Cash flow

The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the periods indicated. This information should be read together with the consolidated financial information contained in the Accountants’ Report in Appendix I to this document.

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows generated from/(used in)			
operating activities	(70,661)	135,372	39,960
Cash flows used in investing activities . . .	(655,440)	(644,620)	(804,966)
Cash flows from financing activities	703,902	428,292	825,180
Net increase/(decrease) in cash and cash equivalents	(22,199)	(80,956)	60,174
Cash and cash equivalents at beginning of year/period	185,841	163,695	83,166
Effect of foreign exchange rate changes, net	53	427	358
Cash and cash equivalents at the end of year/period.	163,695	83,166	143,698

FINANCIAL INFORMATION

Cash flows from/(used in) operating activities

During the Track Record Period, our Group derives its cash inflows from operating activities principally from the receipt of payments for the provision of packaging products and testing service. Our Group’s cash outflow from operating activities is principally for purchases of raw materials and labor expenses.

In 2025, our net cash generated from operating activities was RMB40.0 million. Our net cash generated from operating activities is calculated by adjusting our loss before tax of RMB483.1 million by (i) non-cash items, which primarily included (a) depreciation of property, plant and equipment of RMB313.8 million; (b) depreciation of right-of-use assets of RMB10.1 million; (c) deferred government grants of RMB60.2 million; (d) share-based payment expenses of RMB74.5 million; and (e) finance costs of RMB153.7 million; and (ii) changes in working capital, which primarily included (a) increase in inventories of RMB25.1 million; (b) decrease in prepayments, other receivables and other assets of RMB73.7 million; (c) increase in trade and bills payables of RMB45.4 million; (d) increase in trade and bills receivables of RMB110.5 million; (e) increase in other payables and accruals of RMB25.2 million; and (f) increase in deferred income of RMB29.5 million.

In 2024, our net cash generated from operating activities was RMB135.4 million. Our net cash generated from operating activities is calculated by adjusting our loss before tax of RMB376.6 million by (i) non-cash items, which primarily included (a) depreciation of property, plant and equipment of RMB257.9 million; (b) depreciation of right-of-use assets of RMB10.1 million; (c) deferred government grants of RMB94.3 million; (d) share-based payment expenses of RMB35.7 million; (e) finance costs of RMB129.4 million; and (ii) changes in working capital, which primarily included (a) decrease in restricted and pledged bank deposits of RMB14.0 million; (b) increase in inventories of RMB10.0 million; (c) decrease in prepayments, other receivables and other assets of RMB60.5 million; (d) increase in trade and bills payables of RMB40.8 million; (e) increase in trade and bills receivables of RMB46.8 million; and (f) increase in deferred income of RMB90.6 million.

In 2023, our net cash used in operating activities was RMB70.7 million. Our cash used in operating activities is calculated by adjusting our loss before tax of RMB358.9 million by (i) non-cash items, which primarily included (a) depreciation of property, plant and equipment of RMB186.3 million; (b) depreciation of right-of-use assets of RMB10.7 million; (c) deferred government grants of RMB50.5 million; (d) share-based payment expenses of RMB26.1 million; (e) finance costs of RMB88.5 million; and (ii) changes in working capital, which primarily included (a) increase in restricted and pledged bank deposits of RMB29.2 million; (b) increase in inventories of RMB51.2 million; (c) decrease in prepayments, other receivables and other assets of RMB67.4 million; (d) increase in trade and bills payables of RMB26.8 million; (e) increase in trade and bills receivables of RMB87.2 million; and (f) increase in deferred income of RMB95.6 million.

Cash flows from/(used in) investing activities

During the Track Record Period, our cash flows used in investing activities primarily consisted of purchase of financial assets at fair value through profit or loss, which were primarily wealth management products issued by banks in the PRC and our unlisted equity investment.

In 2025, our net cash used in investing activities was RMB805.0 million, which was mainly due to (i) purchases of items of property, plant and equipment of RMB708.9 million; (ii) purchases of other intangible assets of RMB9.3 million; (iii) additions of prepaid land lease payments of RMB35.1 million; and (iv) purchases of financial assets at fair value through profit or loss of RMB569.2 million, partially offset by (i) proceeds from disposal of property, plant and equipment of RMB10.5 million; and (ii) proceeds from financial assets at fair value through profit or loss of RMB507.0 million.

FINANCIAL INFORMATION

In 2024, our net cash used in investing activities was RMB644.6 million, which was mainly due to (i) purchases of items of property, plant and equipment of RMB711.3 million; (ii) purchases of other intangible assets of RMB1.8 million; and (iii) purchases of financial assets at fair value through profit or loss of RMB617.6 million, partially offset by (i) proceeds from financial assets at fair value through profit or loss of RMB674.9 million; (ii) proceeds from disposal of a joint venture of RMB10.0 million; and (iii) dividend received from a joint venture of RMB1.1 million.

In 2023, our net cash used in investing activities was RMB655.4 million, which was mainly due to (i) purchases of items of property, plant and equipment of RMB723.6 million; (ii) purchases of other intangible assets of RMB11.9 million; (iii) additions of prepaid land lease payments of RMB25.6 million; (iv) purchases of financial assets at fair value through profit or loss of RMB1,174.0 million; and (v) advances to related parties of RMB2.6 million, partially offset by (i) proceeds from disposal of property, plant and equipment of RMB3.8 million; (ii) proceeds from financial assets at fair value through profit or loss of RMB1,265.8 million; and (iii) repayment of loans to related parties of RMB12.6 million.

Cash flows from/(used in) financing activities

During the Track Record Period, our cash flows used in financing activities primarily consisted of repayment of interest-bearing bank and other borrowings. During the same period, our cash inflow from financing activities primarily consisted of proceeds from issuance of new shares and new interest-bearing bank and other borrowings.

In 2025, our flows generated from financing activities were RMB825.2 million, primarily due to (i) proceeds from issuance of shares of RMB345.0 million; (ii) new interest-bearing bank and other borrowings of RMB965.8 million; and (iii) contribution from non-controlling shareholders of RMB162.0 million, partially offset by (i) payments of [REDACTED] of RMB1.8 million; (ii) repayment of interest-bearing bank and other borrowings of RMB621.0 million; and (iii) interest paid of RMB24.3 million.

In 2024, our flows generated from financing activities were RMB428.3 million, primarily due to (i) proceeds from issuance of new shares of RMB216.0 million; (ii) new interest-bearing bank and other borrowings of RMB583.6 million; and (iii) contribution from non-controlling shareholders of RMB224.0 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB545.9 million; (ii) lease payments of RMB26.2 million; and (iii) interest paid of RMB23.2 million.

In 2023, our flows generated from financing activities were RMB703.9 million, primarily due to (i) proceeds from issuance of new shares of RMB421.5 million; (ii) new interest-bearing bank and other borrowings of RMB486.3 million; and (iii) contribution from non-controlling shareholders of RMB124.0 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB295.3 million; (ii) lease payments of RMB14.6 million; and (iii) interest paid of RMB18.1 million.

INDEBTEDNESS

Our indebtedness primarily consists of interest-bearing bank and other borrowings, lease liabilities and redemption liabilities on equity shares. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current				
Interest-bearing bank and other borrowings	424,889	483,002	707,105	769,629
Lease liabilities	23,412	11,533	21,004	23,713
	<u>448,301</u>	<u>494,535</u>	<u>728,109</u>	<u>793,342</u>

FINANCIAL INFORMATION

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current				
Interest-bearing bank and other borrowings	151,041	131,455	254,711	400,670
Lease liabilities	39,154	28,113	22,580	20,214
Redemption liabilities on equity shares	2,057,659	2,424,909	2,964,767	2,997,563
	2,247,854	2,584,477	3,242,058	3,324,757
Total	2,696,155	3,079,012	3,970,167	4,211,789

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings primarily consisted of interest-bearing bank loans and the transfer proceeds received from sale and leaseback transactions. As of December 31, 2023, 2024 and 2025 and March 31, 2026, we had total interest-bearing bank and other borrowings of RMB575.9 million, RMB614.5 million and RMB961.8 million and RMB1,170.3 million, respectively. The effective interest rates of our RMB denominated bank loans ranged from 2.8%-3.8%, 2.7%-3.7%, 2.5%-3.3%, and 2.5%-3.1% per annum in 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively. The effective interest rates of our sale and leaseback borrowings ranged from 4.6%-5.9%, 4.2%-5.6%, 3.8%-5.2% and 3.8%-5.2% in 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively. We consider these interest rates to be within the range of market interest rates. We consider our bank borrowing agreements and sale and leaseback agreements to contain standard terms, conditions and covenants that are customary. As of March 31, 2026, we had unutilized banking facilities of RMB1,260.5 million.

Lease liabilities

Leases are initially recognized as right-of-use assets and corresponding liability at the date when the leased asset is available for use by our Group. As of December 31, 2023, 2024 and 2025 and March 31, 2026, we recognized total lease liabilities, including current and non-current lease liabilities, of RMB62.6 million, RMB39.6 million, RMB43.6 million and RMB43.9 million, respectively. The total lease liabilities decreased from RMB62.6 million as of December 31, 2023 to RMB39.6 million as of December 31, 2024, primarily as a result of the reduction of the remaining term of our leases. The total lease liabilities remained relatively stable at RMB43.6 million and RMB43.9 million as of December 31, 2025 and March 31, 2026.

Indebtedness Statement

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and that our Group did not experience any difficulty in obtaining bank loans and other borrowings, material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the date of this document.

Save as disclosed above, as of March 31, 2026, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since March 31, 2026 and up to the date of this document.

FINANCIAL INFORMATION

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, available banking facilities, cash flows generated from our operations and the estimated [REDACTED] from the [REDACTED], and in the absence of unforeseen circumstances, our Directors are of the opinion, and the Sole Sponsor concurs, that our Group has available sufficient working capital for our present requirements for at least 12 months from the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures, which comprises payment for the purchases of items of property, plant and equipment, other intangible assets and addition of prepaid land lease payments, were RMB761.1 million, RMB713.1 million, and RMB753.3 million in 2023, 2024 and 2025, respectively. In these periods, our capital expenditures were primarily used for construction in progress and purchasing equipment. We expect to finance such capital expenditures through existing cash on hand, bank loans and the [REDACTED] from the [REDACTED]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

Our capital commitments as of December 31, 2023, 2024 and 2025 were related to property, plant and equipment and other intangible assets. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	418,422	282,984	466,366
Other intangible assets	9,756	7,814	–
Total	428,178	290,798	466,366

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods or as of the dates indicated.

	For the year ended/as at December 31,		
	2023	2024	2025
Revenue growth ⁽¹⁾	89.0%	62.5%	22.3%
Gross margin ⁽²⁾	(38.4)%	(20.1)%	(18.0)%
Adjusted net loss margin (non-IFRS measure) ⁽³⁾	(52.3)%	(28.7)%	(27.1)%
Current ratio (<i>times</i>) ⁽⁴⁾	0.7	0.5	0.5

Notes:

- (1) Revenue growth is calculated as the period-on-period growth rate of revenue.
- (2) The calculation of gross margin is based on gross loss for the period divided by revenue and multiplied by 100%. See “Description of Key Components of Our Results of Operations — Gross Loss and Gross Margin.”

FINANCIAL INFORMATION

- (3) Adjusted net loss margin (non-IFRS measure) is calculated based on adjusted net loss (non-IFRS measure) divided by revenue and multiplied by 100%. See “Non-IFRS Measures” in this section for a reconciliation from our loss for the year/period to adjusted net loss (non-IFRS measure).
- (4) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

Revenue growth

Our revenue growth was approximately 89.0%, 62.5% and 22.3% for the years ended December 31, 2023, 2024 and 2025. For further analysis of our revenue, see “Period-to-Period Comparison of Result of Operations” in this section.

Gross margin

Our gross loss margin was approximately 38.4%, 20.1% and 18.0% for the years ended December 31, 2023, 2024 and 2025. For further analysis of our gross margin, see “Period-to-Period Comparison of Result of Operations” in this section.

Adjusted net loss margin (Non-IFRS Measure)

Our adjusted net loss margin (non-IFRS measure) decreased from 52.3% in 2023 to 28.7% in 2024, and further to 27.1% in 2025, primarily due to the decrease in our loss for the periods. See “Description of Selected Components of Consolidated Statements of Profit or Loss and other Comprehensive Income” in this section for a discussion of the factors affecting our adjusted net profit margin (non-IFRS measure) during the Track Record Period.

Current ratio

Our current ratio decreased from 0.7 times as of December 31, 2023, to 0.5 times as of December 31, 2024, primarily due to (i) a decrease in financial assets at fair value through profit or loss; (ii) a decrease in cash and cash equivalents; (iii) an increase in trade and bills payables; (iv) an increase in other payables and accruals; and (v) an increase in interest-bearing bank and other borrowings. Our current ratio remained stable at 0.5 times as of December 31, 2025.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025 and March 31, 2026, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since March 31, 2026 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 38 to the Accountants’ Report in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that we had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

FINANCIAL RISKS DISCLOSURE

Credit risk

Our Group trades only with recognized and creditworthy third parties. It is our Group’s 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. For further details and an analysis of our credit quality and the maximum exposure to credit risk at the end of each period during the Track Record Period, see Note 42 to the Accountants’ Report set out in Appendix I to this document.

Liquidity risk

Our Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis. For further details and an analysis of our financial liabilities as at the end of each period during the Track Record Period, see Note 42 to the Accountants’ Report set out in Appendix I to this document.

Interest rate risk

Our Group’s exposure to risk for changes in market interest rates relates primarily to our Group’s interest-bearing bank and other borrowings with a floating rate set out in note 28 to the Accountants’ Report in Appendix I to this document. Our Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a floating rate.

Foreign currency risk

Our Group principally conducted business in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

Capital Management

The primary objectives of our Group’s capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value. We manage our capital structure and make adjustments to us in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders’ approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations. Under the PRC Company Law, the Company is prohibited from declaring or paying dividends while it is in a net loss and net liability position. Dividend distribution is conditional upon sufficient distributable profits after making up historical losses and allocating statutory and surplus reserves, which the Company does not currently have. In any event,

FINANCIAL INFORMATION

we will pay dividends out of our profit after tax only after we have made the following allocations: (a) recovery of accumulated losses, if any; (b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF (the “PRC GAAP”) until such fund has reached more than 50% of our registered capital; and (c) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders’ meeting. Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

DISTRIBUTABLE RESERVES

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

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] will be approximately HK\$[REDACTED] million (assuming the [REDACTED] are not exercised and based on the [REDACTED] of HK\$[REDACTED]), which accounts for approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. We estimate the [REDACTED] to consist of approximately HK\$[REDACTED] million in [REDACTED] and HK\$[REDACTED] million in [REDACTED] fees (which consist of fees and expenses of legal advisors and our Reporting Accountants of approximately HK\$[REDACTED] million and other fees and expenses of approximately HK\$[REDACTED] million). Among the total [REDACTED], approximately HK\$[REDACTED] million will be directly attributable to the [REDACTED] of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining approximately HK\$[REDACTED] million will be expensed in our consolidated statements of comprehensive loss.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save for the estimated non-recurring [REDACTED] as disclosed in the paragraph headed “[REDACTED]” in this section, since December 31, 2025 and up to the date of this document: (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, profitability, cost structure, financial and trading position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in the Accountants’ Report in Appendix I to this document materially and adversely.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited [REDACTED] adjusted consolidated net tangible assets, see “Unaudited [REDACTED] Financial Information” in Appendix II to this document.