

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in the Accountants’ Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

OVERVIEW

We are a leading software-focused L2-L2+ and L4 driving solutions provider in China, with a track record of commercialization at each of these automation levels.

For L2-L2+ solutions, we offer driving and parking solutions as well as intelligent cockpit solutions with active safety features such as DMS. We are the second largest software-focused L2-L2+ solutions provider in China that provides both driving and parking solutions in terms of installation volume in 2024, according to CIC. We are committed to serving the mass-market and making vehicle automation solutions accessible to a broader population. We had secured L2-L2+ solutions design wins for 198 vehicle models as of the Latest Practicable Date. Our comprehensive, high-performance and highly adaptable L2-L2+ solutions help OEMs accelerate product iteration and improve R&D cost efficiency in an increasingly competitive environment. We have completed deliveries for mass-production in both domestic and overseas markets. We were the first Chinese provider that delivered L2-L2+ solutions in the overseas market, according to CIC.

We are also a leading L4 solutions provider in China. We commercialized L4 solutions back in 2019 by providing software development service for the Yangshan Port 5G L4 heavy-duty truck project led by a state-owned OEM in Shanghai. We offer safe and reliable L4 solutions to help fleet operators accelerate commercialization across a variety of application scenarios. In 2025, we generated revenue of RMB374.5 million from our L4 solutions, which contributed to 68.3% of our total revenue, with the majority of such revenue from L4 software solutions. As of the Latest Practicable Date, we had obtained indicative orders for L4 solutions covering over 2,500 Robobuses, Robotaxis and Robotrucks with aggregate contract value of over RMB1 billion to be delivered in the next three to five years, which demonstrated customer recognition of our ability to commercialize L4 solutions in scale.

We have successfully commercialized both L2-L2+ and L4 solutions and adopted a dual-track approach to develop our L2-L2+ and L4 solutions. We accumulate extensive experience in research and development, engineering, verification and validation through L2-L2+ solutions, which lays the foundation for our L4 solutions developed on the same system architecture. At the same time, our L4 solutions generate high-quality data that are free from human bias and collected under real-world operating scenarios, which in turn facilitate the iteration and optimization of our L2-L2+ solutions.

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We have achieved rapid revenue growth, and recorded gross profit margins that were above industry average according to CIC, during the Track Record Period. Our revenue grew from RMB203.6 million in 2023 to RMB547.9 million in 2025 at a CAGR of 64.0%. Our gross profit margin was 35.3%, 30.0% and 31.4% in 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, we had loss and total comprehensive expense of RMB231.2 million, RMB462.8 million and RMB207.9 million, respectively.

BASIS OF PREPARATION

Our historical financial statements have been prepared in accordance with IFRS issued by International Accounting Standards Board and is presented in RMB unless otherwise stated. We have applied IFRS, amendments to IFRS and the related interpretations that are effective for the accounting periods beginning on January 1, 2022 consistently throughout the Track Record Period. Our consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities that are measured at fair value.

The preparation of historical financial information in conformity with IFRSs requires the use of certain accounting estimates, as well as our management's judgment in applying our accounting policies. See Note 5 to the Accountants' Report in Appendix I to this document for the areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

Our business and results of operations are affected by the general factors that impact our total addressable market, including, among others:

- overall economic growth in China and globally and the consumer spending power;
- the growth of the vehicle automation industry, which in turn hinges on the general demand for automotive vehicles with advanced functions, the market acceptance and widespread adoption of L2-L2+ and L4 driving solutions and products;
- the development of vehicle automation technology;
- regulatory, tax and geopolitical environments; and
- the competitive landscape for L2-L2+ and L4 driving solutions.

Changes in any of these general factors could affect the demand for our solutions and our results of operations.

Company Specific Factors

In addition to the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors:

Our ability to successfully develop and commercialize our solutions under various business models

The growth of our business scale hinges on our ability to successfully develop and commercialize competitive L2-L2+ and L4 driving solutions at varying automation levels, including L2-L2+ parking and driving solutions and intelligent cockpit solutions as well as L4 solutions. During the Track Record Period, most of our revenues were generated from sales of our L2-L2+ and

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L4 driving solutions to OEMs and Tier-1 Suppliers. Our revenue increased by 137.2% from RMB203.6 million in 2023 to RMB482.9 million in 2024 and by 13.5% to RMB547.9 million in 2025, primarily due to the rapid expansion of our L4 solutions business and the continued growth of our software royalty revenue from L2-L2+ solutions. As of the Latest Practicable Date, we had secured design wins for 198 vehicle models. We are deemed to have obtained a design win at the time of signing the contract. After entering into the contract, we will start software development and engineering. After completing the development of the solution, the OEM or Tier-1 Supplier will conduct validation on the solution. Upon satisfaction of the validation, the solution will be delivered and accepted, and revenue will be recognized. The timeline for the end-to-end process varies for different projects. For example, the development cycle of L2-L2+ solutions is around 14 months on average following a design win.

In addition, our ability to monetize our solutions under different business models also contributes to our profitability. A mass-production project typically starts at the software development phase, for which we charge a one-time development fee. Once the software development phase is completed, the project typically enters into the software royalty phase, in which we are able to generate recurring revenue during the project lifetime cycle with minimal marginal cost as we can leverage existing platform and technologies. This leads to a higher gross margin. Therefore, our ability to convert additional mass-production projects from the software development phase to the software royalty phase helps drive our profitability. Our ability to secure additional L4 software projects with higher gross margin can also improve our profitability.

Our ability to deepen relationships with existing customers and expand our customer base

Our customers primarily consist of OEMs that install our L2-L2+ and L4 driving solutions. Tier-1 Suppliers that directly serve the OEMs, and fleet operators. Our existing customers are critical to our success as they can bring in additional projects and growth opportunities. We endeavor to maintain stable and long-term business relationships with our customers by delivering L2-L2+ and L4 driving solutions with more advanced functions and providing supporting services that address customer demand. For instance, we offer engineering services, including road testing, data collection support and data labelling services as well as proprietary toolchain, to provide support to our customers and increase their stickiness. We also offer integrated solutions as a supplement to our software solutions. The diversification of our solution portfolio allowed us to meet diverse customer demand and provided cross-selling opportunities to increase our revenue.

We also endeavored to engage with additional new customers and expand our customer base. We have established strong industry reputation through completion of a number of large-scale mass production projects both in China and abroad and collaborating with renowned industry players such as ZF ADAS BU, Horizon Robotics and Lenovo Connect. Such successful track record helps us to attract new customers and further grow our business. The number of our customers increased from 222 as of December 31, 2023 to 330 as of the Latest Practicable Date, which contributed to our continued business growth.

Our ability to make effective investment in R&D

As a L2-L2+ and L4 driving solutions provider, our technological capability is critical to build up our competitive moat and increase our market share. Therefore, it is crucial for us to make effective investment in R&D to enhance the reliability, functionality and safety of our L2-L2+ and L4 driving solutions while keeping the relevant expenses at a reasonable level. We were able to improve our R&D efficiency leveraging our model pruning technology, which allows us to utilize and tailor existing model to develop various functionalities without incurring excessive R&D investment. We have also developed our proprietary toolchains, which helped us to accelerate development cycle and reduce R&D expenses. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses were RMB105.5 million, RMB117.2 million and RMB92.3 million, respectively, representing 51.8%, 24.3% and 16.8% of our total revenue, respectively. Our R&D

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expenses as a percentage of our revenues continued to decrease during the Track Record Period, evidencing our high efficiency in R&D. As of the Latest Practicable Date, we had a R&D team of 192 employees, representing 69.6% of our total employees.

Our ability to manage cost and expenses and improve operating efficiency

Our future profitability depends to a large extent on our ability to effectively control our cost and expenses and improve operating efficiency. We have undertaken prudent cost control measures to optimize our organizational structure, streamline our operations across various business lines, and enhance the efficiency of our employees in order to achieve optimal operating efficiency. The sum of our selling and marketing expenses and administrative expenses was RMB51.1 million, RMB34.8 million and RMB61.8 million in 2023, 2024 and 2025, respectively. The percentage of such operating expenses as to our total revenue decreased significantly from 25.1% in 2023 to 7.2% in 2024, primarily driven by our prudent cost control measures and the growth in our revenue base, and increased to approximately 11.3% in 2025, primarily due to our increased brand promotion activities, normalization of management compensation and consulting service fees incurred in connection with multiple rounds of financing, which remained significantly below the 2023 level and demonstrated our effective cost discipline on an underlying basis. As our business continued to scale and as we work on a growing number of mass-product projects, we expect to benefit from economies of scale, which would lead to further enhancements in our operational efficiency.

Seasonality

Our results of operations are affected by seasonal fluctuations in demand for our L2-L2+ and L4 driving solutions, which are primarily driven by the seasonal nature of the automotive industry. Although our revenue is primarily derived from software development and pilot-stage projects billed by milestone completion, our business is nonetheless correlated with automotive industry seasonality because OEM vehicle model launch cycles and solution validation timelines drive the timing of milestone achievements and project acceptances. In addition, the pricing of our software royalty and software-and-hardware integrated solutions is based on the volume of vehicles manufactured, and vehicle production and sales volumes tend to be higher towards the end of each year. Given our customers in the automotive industry usually experience higher sales in the fourth quarter, our sales of L2-L2+ and L4 driving solutions typically increase accordingly during the same period. On the other hand, our sales of L2-L2+ and L4 driving solutions tend to decline in the first quarter, especially around the Chinese New Year holiday, which is also generally in line with the overall automotive industry in China. According to CIC, such seasonal fluctuation is an industry norm. Such fluctuations are seasonal in nature and are not indicative of our results of operations for the full year. We expect the impact of seasonality on our business to continue in the future, and we will implement the following measures to manage and mitigate the impact of such seasonality:

- (i) Increasing proportion of software royalty revenue. As a growing number of our projects transition from the software development and engineering phase to the software royalty phase, the proportion of our recurring royalty revenue will continue to increase. Although royalty revenue is also subject to seasonality to a certain extent, the magnitude of such impact is significantly smaller than that of software development and engineering revenue given the recurring nature of royalty income. Accordingly, the increasing contribution of royalty revenue is expected to mitigate the seasonality impact on our overall financial performance.
- (ii) Increasing proportion of factory-installed software-and-hardware integrated solutions. Our factory-installed software and hardware integrated solutions are priced on a per-unit volume basis and carry a higher unit price than software royalty. As the proportion of revenue from such integrated solutions increases, the revenue concentration in the fourth quarter is expected to be further moderated.

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MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements related to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgements based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgements, which are important for understanding our financial condition and results of operations, are set forth in further details in Notes 4 and 5 to the Accountants' Report set forth in Appendix I to this document.

Revenue from Contracts with Customers

Software Development and Engineering Services and Software and Hardware Integrated Solutions

We provide (i) software development and engineering services, delivering customized software-based products to our customers, and (ii) software and hardware integrated solutions, delivering customized integrated hardware products to our customers.

We recognize revenue from such services at a point in time when the software-based products or integrated hardware products are accepted by customers, which generally occurs upon delivery of specific deliverables according to the terms of the underlying contracts.

Customers are generally required to make certain portion of prepayments before we deliver such services. Contract liabilities are recognized when consideration is received in which revenue has yet been recognized.

Software Royalty

For certain contracts related to software development and engineering services with OEM customers, we charge additional royalty per vehicle for mass-produced models equipped with relevant software. The software royalty is accounted for as variable consideration related to the performance obligation of software development and engineering services and is recognized as revenue when the software is installed in the designated vehicles. We determine the timing of installation based on confirmed installation reports received from the customer or telematics data transmitted from vehicles indicating successful software activation.

Engineering Services

We provide engineering services, including road testing, data collection support and data labelling services to OEM customers, as well as sales of our proprietary toolchain products. Revenue is recognized at a point in time upon customer acceptance of the related deliverables.

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Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When we make payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of Long Term Assets

We evaluate our long term assets including property, plant and equipment, intangible assets and right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we evaluate the

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recoverability of cash-generating units to which these assets are allocated by comparing the carrying amount of the relevant cash-generating unit to the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, we recognize an impairment loss equal to the difference between the carrying amount and recoverable amount. We assessed indicators of potential impairment for long term assets and determined the following: (i) no significant decrease in the market price of any long term assets was observed; (ii) no material adverse changes were identified in the technological, market, economic or legal environment in which we operate or in the market to which the long term asset is dedicated; (iii) notwithstanding the operating losses and net cash operating outflows during the years ended December 31, 2023, 2024 and 2025, the expected commercialization and revenue growth prospects did not indicate impairment; and (iv) there was no expectation that any long term assets would be sold or disposed of significantly prior to the end of their previously estimated useful life. Based on the analysis, we did not identify any impairment indicator for our long term assets during the Track Record Period.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial information of the investee's net assets.

In assessing recoverable amounts of the investments in subsidiaries, we considered the long-term strategic role of the subsidiaries, our ongoing financial support and future cashflow projections of the subsidiaries. Based on the impairment assessment as of each year ended December 31, 2023, 2024 and 2025, no impairment loss was recognized for the investments in subsidiaries in our separate financial statements.

See Note 4 and Note 5 of the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

The following table sets forth our consolidated results of operations for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>
	<i>(in thousands, except for percentages and per share data)</i>					
Revenue	203,604	100.0	482,949	100.0	547,910	100.0
Cost of revenues	(131,723)	(64.7)	(338,267)	(70.0)	(375,684)	(68.6)
Gross profit	71,881	35.3	144,682	30.0	172,226	31.4
Other income	4,020	2.0	7,852	1.6	2,572	0.5
Impairment losses (including reversals of impairment losses or impairment gains) on financial assets	(290)	(0.1)	1,363	0.3	(4,835)	(0.9)
Loss on fair value changes of financial liabilities at FVTPL	(143,082)	(70.3)	(458,398)	(94.9)	(176,905)	(32.3)
Other gains and losses	(416)	(0.2)	(267)	(0.1)	(8,280)	(1.5)
Selling and marketing expenses	(8,547)	(4.2)	(5,534)	(1.1)	(12,627)	(2.3)
Administrative expenses	(42,600)	(20.9)	(29,292)	(6.1)	(49,159)	(9.0)

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	Year ended December 31,					
	2023		2024		2025	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
	<i>(in thousands, except for percentages and per share data)</i>					
Research and development expenses	(105,538)	(51.8)	(117,186)	(24.3)	(92,314)	(16.8)
[REDACTED] expenses	—	—	—	—	[REDACTED]	[REDACTED]
Finance costs	(6,607)	(3.2)	(5,996)	(1.2)	(18,438)	(3.4)
Loss before tax	(231,179)	(113.4)	(462,776)	(95.8)	(207,887)	(37.9)
Income tax expense	—	—	—	—	—	—
Loss and total comprehensive expense for the year	<u>(231,179)</u>	<u>(113.4)</u>	<u>(462,776)</u>	<u>(95.8)</u>	<u>(207,887)</u>	<u>(37.9)</u>

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted loss for the year (non-IFRS measure) as an additional financial measure, which is defined as loss and total comprehensive expense for such year adjusted by adding back (i) loss on fair value changes of financial liabilities at fair value through profit or losses, (ii) [REDACTED] expenses. This non-IFRS measure is not required by, or presented in accordance with, IFRS Accounting Standards, may not be comparable to similarly titled measures presented by other companies and should not be considered in isolation from, or as a substitute for, our IFRS results.

The following table reconciles our adjusted loss for the year (non-IFRS measure) in the years presented to the nearest measure prepared in accordance with IFRS Accounting Standards:

	Year ended December 31,		
	2023	2024	2025
	<i>(in thousands)</i>		
Loss and total comprehensive expense for the year	(231,179)	(462,776)	(207,887)
Add:			
– Loss on fair value changes of financial liabilities at fair value through profit or losses	143,082	458,398	176,905
– [REDACTED] expenses	—	—	[REDACTED]
Adjusted loss for the year (non-IFRS measure)	<u>(88,097)</u>	<u>(4,378)</u>	<u>(10,855)</u>

Our adjusted loss for the year (non-IFRS measure) decreased significantly by 95.0% from RMB88.1 million in 2023 to RMB4.4 million in 2024 and increased to RMB10.9 million in 2025. The increase from 2024 to 2025 was primarily attributable to the increase in operating expenses as we conducted more frequent marketing activities to support customer engagement, business development and commercialization of our solutions.

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Description of Major Components of Results of Operations

Revenue

We primarily offer three categories of solution: (i) L2-L2+ solutions, which mainly consist of parking and driving solutions and intelligent cockpit solutions, (ii) L4 solutions, which mainly consist of Robotruck, Robobus and Robotaxi solutions, and (iii) engineering services, which mainly involve road testing, data collection support and data labelling services as well as our proprietary toolchain. For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB203.6 million, RMB482.9 million and RMB547.9 million, respectively. For a description of our solutions, see “Business — Our Solutions” for more information.

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

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>	<i>RMB</i>	<i>% of revenue</i>
	<i>(in thousands, except for percentages)</i>					
Revenue						
L2-L2+ solutions	183,672	90.2	187,280	38.8	139,167	25.5
Software development and engineering services	152,328	74.8	152,699	31.6	95,118	17.4
Software royalty	12,090	5.9	21,071	4.4	31,693	5.8
Software and hardware integrated solutions	19,254	9.5	13,510	2.8	12,356	2.3
L4 solutions	7,325	3.6	242,758	50.2	374,532	68.4
Software solution	82	0.0	185,606	38.4	229,177	41.8
Software and hardware integrated solutions	7,243	3.6	57,152	11.8	145,355	26.5
Engineering services	12,607	6.2	52,511	10.9	33,693	6.1
Others	–	–	400	0.1	518	0.1
Total	203,604	100.0	482,949	100.0	547,910	100.0

See “Discussion of Historical Results of Operations” for details.

Cost of Revenues

Our cost of revenues consists of (i) outsourced technical service fees, (ii) employee benefit expenses, (iii) raw materials, (iv) travel expenses and (v) others, primarily consisting of surcharges and maintenance costs.

The following table sets forth a breakdown of our cost of revenues by nature in absolute amounts and as percentages of our total cost of revenues for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Cost of Revenues						
Outsourced technical services expenses	77,241	58.6	183,363	54.2	204,372	54.4

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	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Employee benefit expenses	28,075	21.3	95,449	28.2	43,860	11.7
Raw materials	22,260	16.9	58,402	17.3	126,278	33.6
Travel expenses	1,147	0.9	691	0.2	775	0.2
Others	3,000	2.3	362	0.1	399	0.1
Total	131,723	100.0	338,267	100.0	375,684	100.0

The following table sets forth a breakdown of our cost of revenues by solutions in absolute amounts and as percentages of our total cost of revenues for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Cost of revenues						
L2-L2+ solutions	116,795	88.6	126,664	37.4	78,153	20.8
Software development and engineering . .	92,663	70.3	111,220	32.9	61,385	16.4
Software royalty	6,492	4.9	4,137	1.2	5,810	1.5
Software and hardware integrated solution	17,640	13.4	11,307	3.3	10,958	2.9
L4 solutions	4,734	3.6	179,599	53.1	273,521	72.8
Software solution	8	0.0	129,308	38.2	150,529	40.1
Software and hardware integrated solution	4,726	3.6	50,291	14.9	122,992	32.7
Engineering services	9,777	7.4	31,826	9.4	23,668	6.3
Tax surcharge	417	0.4	178	0.1	342	0.1
Total	131,723	100.0	338,267	100.0	375,684	100.0

See “Discussion of Historical Results of Operations” for details.

Gross Profit and Gross Profit Margin

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

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in thousands, except for percentages)</i>					
L2-L2+ solutions	66,877	36.4	60,616	32.4	61,014	43.8
Software development and engineering . .	59,665	39.2	41,479	27.2	33,733	35.5
Software royalty	5,598	46.3	16,934	80.4	25,883	81.7
Software and hardware integrated solution	1,614	8.4	2,203	16.3	1,398	11.3

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	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	%		%		%	
	<i>(in thousands, except for percentages)</i>					
L4 solutions	2,591	35.4	63,159	26.0	101,011	27.0
Software solution	74	90.2	56,298	30.3	78,648	34.3
Software and hardware integrated solution	2,517	34.8	6,861	12.0	22,363	15.4
Engineering services	2,830	22.4	20,685	39.4	10,025	29.8
Tax surcharge	(417)	N/A	(178)	N/A	(342)	N/A
Others	–	–	400	100.0	518	100.0
Total	<u>71,881</u>	<u>35.3</u>	<u>144,682</u>	<u>30.0</u>	<u>172,226</u>	<u>31.4</u>

See “Discussion of Historical Results of Operations” for details.

Other Income

Our other income primarily consists of (i) government grants, which mainly related to enterprise development support and innovation capability incentives, (ii) bank interest income, and (iii) others. For the years ended December 31, 2023, 2024 and 2025, we incurred other income of RMB4.0 million, RMB7.9 million and RMB2.6 million, respectively.

Impairment Losses (Including Reversals of Impairment Losses or Impairment Gains) on Financial Assets

Our impairment losses (including reversals of impairment losses or impairment gains) is primarily related to credit loss allowance for our trade receivables generated in the ordinary course of our business based on assumptions of the credibility of our customers. Our impairment losses (including reversals of impairment losses or impairment gains) on financial assets were net loss of RMB0.3 million and RMB4.8 million, respectively, in 2023 and 2025, and net gain of RMB1.4 million in 2024.

Loss on Fair Value Changes of Financial Liabilities at FVTPL

Our loss on fair value changes of financial liabilities at FVTPL mainly represent impairment losses on financial liabilities including preferred shares and convertible bonds. For the years ended December 31, 2023, 2024 and 2025, we recorded loss on fair value changes of financial liabilities at FVTPL of RMB143.1 million, RMB458.4 million and RMB176.9 million, respectively.

Other Gains and Losses

Our other gains and losses consist of (i) net foreign exchange (gain) loss, (ii) loss (gain) on disposal/write-off of property and equipment and intangible asset, (iii) contract compensation, (iv) loss on fair value changes of financial assets at FVTPL and (v) others. For the years ended December 31, 2023, 2024 and 2025, we incurred other losses of RMB0.4 million, RMB0.3 million and RMB8.3 million, respectively.

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Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee benefit expenses which includes salaries, social insurance and housing provident fund of our selling and marketing personnel, (ii) promotion and advertising expenses, (iii) depreciation and amortization expenses allocated to the sales and marketing department, and (iv) other expenses, primarily consisting of express delivery fees, travel expenses, maintenance costs, consulting service fees, etc. The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of total selling and marketing expenses for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Selling and marketing expenses						
Employee benefit expenses	6,259	73.2	4,244	76.7	8,012	63.5
Promotion and advertising expenses	801	9.4	78	1.4	2,293	18.2
Depreciation and amortization costs	948	11.1	1,017	18.4	1,566	12.4
Others	539	6.3	195	3.5	756	5.9
Total	<u>8,547</u>	<u>100.0</u>	<u>5,534</u>	<u>100.0</u>	<u>12,627</u>	<u>100.0</u>

For the years ended December 31, 2023, 2024 and 2025, we incurred selling and marketing expenses of RMB8.5 million, RMB5.5 million and RMB12.6 million, respectively, representing 4.2%, 1.1% and 2.3% of our revenue for the same years, respectively.

Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses which includes salaries, social insurance and housing provident fund of our administrative personnel, (ii) depreciation and amortization costs allocated to the administrative department, (iii) consulting service fees for fund raising activities, and (iv) other expenses, primarily consisting of property insurance expenses, travel expenses and office expenses. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of total administrative expenses for the years indicated:

	Year Ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Administrative expenses						
Employee benefit expenses	20,874	49.0	12,950	44.2	17,820	36.2
Depreciation and amortization	2,994	7.0	2,939	10.0	3,104	6.3
Consulting service fee	7,421	17.4	4,163	14.2	9,671	19.7
Others	11,311	26.6	9,240	31.6	18,564	37.8
Total	<u>42,600</u>	<u>100.0</u>	<u>29,292</u>	<u>100.0</u>	<u>49,159</u>	<u>100.0</u>

For the years ended December 31, 2023, 2024 and 2025, we incurred administrative expenses of RMB42.6 million, RMB29.3 million and RMB49.2 million, respectively, representing 20.9%, 6.1% and 9.0% of our revenue for the same years, respectively.

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Research and Development Expenses

Our research and development expenses consist of (i) design and development expenses, (ii) employee benefit expenses which includes salaries, social insurance and housing provident fund of our research and development personnel, (iii) depreciation and amortization allocated to research and development department and (iv) other expenses, primarily consisting of office fees, raw material expenses, consulting service fees and maintenance expenses. The following table sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of total research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Research and development expenses						
Design and development expenses	88,472	83.8	96,201	82.1	65,374	70.8
Employee benefit expenses	3,868	3.7	4,165	3.6	4,118	4.5
Depreciation and amortization	10,234	9.7	15,160	12.9	19,333	20.9
Others	2,964	2.8	1,660	1.4	3,489	3.8
Total	105,538	100.0	117,186	100.0	92,314	100.0

For the years ended December 31, 2023, 2024 and 2025, we incurred research and development expenses of RMB105.5 million, RMB117.2 million and RMB92.3 million, respectively, representing 51.8%, 24.3% and 16.8% of our revenue for the same years, respectively.

[REDACTED] Expenses

We incurred [REDACTED] expenses of RMB[REDACTED] million in 2025 and did not incur [REDACTED] expenses in 2023 and 2024.

Finance Costs

Our finance costs primarily consist of (i) interest expenses on bank and other loans, and (ii) interest expenses on lease liabilities. For the years ended December 31, 2023, 2024 and 2025, we incurred finance costs of RMB6.6 million, RMB6.0 million and RMB18.4 million, respectively.

DISCUSSION OF HISTORICAL RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 13.5% from RMB482.9 million in 2024 to RMB547.9 million in 2025, primarily driven by the rapid expansion of our L4 business, especially the increase in delivered volume of software and hardware integrated solutions in 2025, which have higher unit prices.

L2-L2+ solutions. Revenue from L2-L2+ solutions decreased by 25.7% from RMB187.3 million in 2024 to RMB139.2 million in 2025, primarily due to the decrease in revenue of software development and engineering from RMB152.7 million in 2024 to RMB95.1 million in 2025 as a result of fewer vehicle models entering mass production in 2025, and the development fees for such vehicle models being relatively lower as well as our strategic reallocation of resources toward L4 business.

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L4 solutions. Revenue from L4 solutions significantly increased by 54.3% from RMB242.8 million in 2024 to RMB374.5 million in 2025, primarily due to the growth in both L4 software solutions and software and hardware integrated solutions. Our L4 customer base expanded from 17 in 2024 to 27 in 2025, with 20 new L4 customers acquired during the year, and the number of completed L4 projects increased from 21 to 36. We delivered more Robotaxi solutions and expanded into niche commercial vehicle segments including unmanned electric tricycles, robosweeper and unmanned golf carts.

Engineering services. Revenue from engineering services decreased by 35.8% from RMB52.5 million in 2024 to RMB33.7 million in 2025, primarily due to our allocation of more resources toward our L4 businesses, while engineering services remained relatively small in scale.

Cost of Revenues

Cost of revenues increased by 11.1% from RMB338.3 million in 2024 to RMB375.7 million in 2025, primarily due to the increase in volume of software and hardware integrated L4 solutions in 2025.

Gross Profit and Gross Profit Margin

Our gross profit increased by 19.0% from RMB144.7 million in 2024 to RMB172.2 million in 2025, which was largely driven by our revenue growth. Our gross profit margin increased from 30.0% in 2024 to 31.4% in 2025, primarily due to improved gross profit margin of our L2-L2+ solutions.

L2-L2+ solutions. Gross profit of L2-L2+ solutions increased from RMB60.6 million in 2024 to RMB61.0 million in 2025, notwithstanding the 25.7% decrease in L2-L2+ revenue during the same period. Our gross profit margin of L2-L2+ solutions increased from 32.4% in 2024 to 43.8% in 2025, primarily driven by the substantial increase in our L2-L2+ installation volume from 233,326 units in 2024 to 985,371 units in 2025, which generated higher software royalty income with a gross profit margin of over 80%.

L4 solutions. Gross profit of L4 solutions increased significantly from RMB63.2 million in 2024 to RMB101.0 million in 2025, generally in line with the increase of L4 solutions revenue. Gross profit margin of L4 solutions increased from 26.0% in 2024 to 27.0% in 2025, primarily due to our improved software delivery efficiency driven by the growing number of L4 projects, which expanded from 21 completed projects in 2024 to 36 in 2025. As our L4 project portfolio expanded, we were able to leverage reusable software modules, accumulated engineering know-how and data assets from prior projects, thereby reducing the marginal cost of software development and delivery for each additional project.

Engineering services. Gross profit of engineering services decreased from RMB20.7 million in 2024 to RMB10.0 million in 2025. Gross profit margin of engineering services decreased from 39.4% to 29.8%, primarily because higher-margin automated annotation toolchain services for customers outside the automotive value chain contributed less in 2025. Instead, our engineering services in 2025 were mainly road testing and data annotation services within the automotive value chain, which had comparatively lower margins.

Other Income

Our other income decreased by 67.2% from RMB7.9 million in 2024 to RMB2.6 million in 2025, primarily because we received more government grants in 2024 in connection with our initial recognition as a unicorn cultivation enterprise by the Suzhou municipal government, whereas the annual subsidy cap was reduced starting from the second year.

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Impairment Losses (Including Reversals of Impairment Losses or Impairment Gains) on Financial Assets

Our impairment losses (including reversals of impairment losses or impairment gains) on financial assets were net gain of RMB1.4 million in 2024, and net loss of RMB4.8 million in 2025, primarily due to the increase in trade receivables driven by revenue growth, resulting in higher expected credit loss provisions in 2025.

Loss on Fair Value Changes of Financial Liabilities at FVTPL

Our loss on fair value changes of financial liabilities at FVTPL decreased by 61.4% from RMB458.4 million in 2024 to RMB176.9 million in 2025. The fluctuation mainly reflects the fair value change in redeemable preferred equity. The fair value change in redeemable preferred equity is mainly affected by fair value of underlying equity and preferential rights. The preferential rights were terminated on June 30, 2025.

Other Gains and Losses

We recorded other losses of RMB0.3 million in 2024, compared to other losses of RMB8.3 million in 2025. The change was primarily due to foreign exchange losses and contract compensation incurred in connection with the settlement of a convertible loan in 2025.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB5.5 million in 2024 to RMB12.6 million in 2025, primarily due to our participation in more auto shows and increased brand promotion activities, and the near-doubling of our selling and marketing headcount.

Administrative Expenses

Our administrative expenses increased from RMB29.3 million in 2024 to RMB49.2 million in 2025, primarily due to (i) the normalization of management compensation as our liquidity position improved, (ii) an increase in the number of administrative personnel, and (iii) increased consulting service fees incurred in connection with multiple rounds of financing completed during the year.

Research and Development Expenses

Our research and development expenses decreased by 21.2% from RMB117.2 million in 2024 to RMB92.3 million in 2025, primarily due to reduced outsourced development expenses. Our research and development expenses as a percentage of our revenue declined from 24.3% to 16.8% during the same years, reflecting our improving R&D efficiency and the growing leverage from our expanding revenue base.

[REDACTED] Expenses

We incurred [REDACTED] expenses of RMB[REDACTED] million in 2025, as compared to nil in 2024.

Finance Costs

Our finance costs increased significantly by 207.5% from RMB6.0 million in 2024 to RMB18.4 million in 2025, primarily due to the increase in bank loans in 2025.

Loss and Total Comprehensive Expense for the Year

As a result of the foregoing, our loss and total comprehensive expense for the year decreased by 55.1% from RMB462.8 million in 2024 to RMB207.9 million in 2025.

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

Revenue

Our revenue increased by 137.2% from RMB203.6 million in 2023 to RMB482.9 million in 2024, primarily driven by the expansion of our customer base, with the number of customers increasing from 48 in 2023 to 73 in 2024, and the number of new customers increasing from 21 in 2023 to 54 in 2024.

L2-L2+ solutions. Revenue from L2-L2+ solutions slightly increased by 2.0% from RMB183.7 million in 2023 to RMB187.3 million in 2024, primarily driven by an increase in design wins from eight in 2023 to 26 in 2024 and an increase in the number of vehicle models entering the mass-production phase from 22 in 2023 to 35 in 2024, which contributed to growth in our software royalty revenue. Such increase was partially offset by the decrease in our revenue from software and hardware integrated solution as a result of our strategic shift away from L2-L2+ aftermarket integrated solutions with lower technical barriers to entry to factory-installed solutions in order to devote more resources to solutions that require more advanced technologies.

L4 solutions. Revenue from L4 solutions significantly increased from RMB7.3 million in 2023 to RMB242.8 million in 2024, primarily due to a substantial increase in revenue from L4 software solution from RMB0.1 million in 2023 to RMB185.6 million in 2024, and, to a lesser extent, an increase in revenue from L4 integrated solutions from RMB7.2 million in 2023 to RMB57.2 million in 2024. Such increases were primarily due to a significant increase in the number and scope of our L4 projects, which was in turn benefited from the increasing market acceptance of L4 solutions and the rapid growth of the L4 market in China. Specifically, during 2024, we delivered L4 taxi retrofitting services and traffic management platform project secured in 2023, recognizing revenue of RMB73.5 million, and also delivered an L4 Robotrucks solution project, recognizing revenue of RMB52.3 million. Following the commercialization of CRRC Zhiyu's Robobuses project in Suzhou in 2023 and its successful delivery in 2024, we demonstrated our ability to deploy L4 solutions on mainstream platforms and in semi-closed operational scenarios. Building on the operational experience and as the industry environment became more mature, we secured additional L4 projects in 2024, including projects involving Robobuses and Robotrucks, thereby driving our revenue growth.

Engineering services. Revenue from engineering services increased by 316.5% from RMB12.6 million in 2023 to RMB52.5 million in 2024, primarily due to the expansion of our engineering services portfolio in 2024. In 2023, our engineering services were mainly on-site engineering support for OEMs and Tier-1 Suppliers, which carries lower gross profit margin, while we completed several orders for automated annotation services in 2024, which enhanced the efficiency and resulted in a higher gross margin.

Cost of revenues

Cost of revenues increased by 156.8% from RMB131.7 million in 2023 to RMB338.3 million in 2024, primarily due to the increase in volume of software and hardware integrated L4 solutions in 2024.

Gross Profit and Gross Profit Margin

Our gross profit increased by 101.3% from RMB71.9 million in 2023 to RMB144.7 million in 2024, which was largely driven by our rapid revenue growth. Our gross profit margin decreased from 35.3% in 2023 to 30.0% in 2024, primarily due to the increased revenue contribution of our L4 solutions, along with an increase in the number of projects, which required higher software development cost.

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L2-L2+ solutions. Gross profit of L2-L2+ solutions decreased by 9.4% from RMB66.9 million in 2023 to RMB60.6 million in 2024, and our gross profit margin of L2-L2+ solutions decreased from 36.4% in 2023 to 32.4% in 2024, both primarily due to an increase in the number of projects and the need to allocate R&D resources for certain newly undertaken projects to meet specific customer requirements, leading to an increase in cost.

L4 solutions. Gross profit of L4 solutions significantly increased from RMB2.6 million in 2023 to RMB63.2 million in 2024, which was generally in line with the increase of L4 revenue. Gross profit margin of L4 solutions decreased from 35.4% in 2023 to 26.0% in 2024, primarily because the L4 solutions we provided in 2023 mainly consisted of Perception Data Acquisition ("PDAQ"), which generated a gross profit margin of over 40%. In 2024, however, our L4 business expanded to include development projects for Robobuses, Robotaxis and Robotrucks as well as V2X solutions in addition to PDAQ sales. These development services generally generate gross profit margins of below 30%, thereby dragging down the overall gross profit margin of L4 solutions.

Engineering services. Gross profit of engineering services increased significantly from RMB2.8 million in 2023 to RMB20.7 million in 2024, primarily due to an increase in scale of our engineering services. Gross profit margin of engineering services increased from 22.4% in 2023 to 39.4% in 2024, primarily driven by the completion of several orders for automated annotation services with higher gross margin in 2024.

Other Income

Our other income increased by 95.3% from RMB4.0 million in 2023 to RMB7.9 million in 2024, primarily due to an increase of government grants.

Impairment Losses under ECL Model, Net of Reversal

Our impairment losses under ECL model, net of reversal were net loss of RMB0.3 million in 2023, and net gain of RMB1.4 million in 2024, primarily due to the change in trade receivables during the respective years.

Loss on Fair Value Changes of Financial Liabilities at FVTPL

Our loss on fair value changes of financial liabilities at FVTPL increased by 220.4% from RMB143.1 million in 2023 to RMB458.4 million in 2024. The fluctuation mainly reflects the fair value change in redeemable preferred equity. The fair value change in redeemable preferred equity is mainly affected by fair value of underlying equity and preferential rights.

Other Losses

Our other losses remained relatively stable at RMB0.4 million and RMB0.3 million in 2023 and 2024, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 35.3% from RMB8.5 million in 2023 to RMB5.5 million in 2024, primarily due to a decrease in employee benefit expenses of RMB2.0 million, as a result of our strict internal control over selling and marketing expense. On the other hand, we have enhanced cross-selling, maintained stable business relationship and enhanced our brand awareness, which reduced our reliance on selling and marketing activities to promote our products. For the same reason, our selling and marketing expenses as a percentage of our revenues declined from 4.2% to 1.1% during the same years.

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Administrative Expenses

Our administrative expenses decreased by 31.2% from RMB42.6 million in 2023 to RMB29.3 million in 2024, primarily because we cut down the number of our administrative personnel with higher pay and implemented salary reductions for administrative personnel in 2024. For the same reason, our administrative expenses as a percentage of our revenues declined from 20.9% to 6.1% during the same years.

Research and Development Expenses

Our research and development expenses increased by 11.0% from RMB105.5 million in 2023 to RMB117.2 million in 2024, primarily due to (i) an increase of our design and development expenses from RMB88.5 million in 2023 to RMB96.2 million in 2024 as a result of the increase in our research and development projects, and (ii) an increase of depreciation and amortization expenses allocated to research and development department as a result of the increase in procurement and leasing of R&D infrastructure. Our research and development expenses as a percentage of our revenue declined from 51.8% to 24.3% during the same years, primarily due to the maturity of our technology and our enhanced R&D efficiency by leveraging existing models.

Finance Costs

Our finance costs remained relatively stable at RMB6.6 million in 2023 and RMB6.0 million in 2024.

Loss and Total Comprehensive Expense for the Year

As a result of the foregoing, our loss and total comprehensive expense for the year increased by 100.2% from RMB231.2 million in 2023 to RMB462.8 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth a summary of our consolidated statement of financial position as of the dates indicated:

	At December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment	59,635	73,226	75,005
Right-of-use assets	835	2,329	21,856
Intangible assets	6,557	5,179	116,765
Other non-current assets	268	67	46,340
Financial assets at FVTPL	–	–	16,904
Financial assets at fair value through other comprehensive income (“FVTOCI”)	–	–	2,000
	<u>67,295</u>	<u>80,801</u>	<u>278,870</u>
Current Assets			
Trade and other receivables and prepayment	110,753	362,665	613,684
Contract costs	103,557	11,794	29,366
Inventories	4,218	4,108	7,235
Amounts due from related parties	69,817	94,257	14,051
Restricted bank deposits	–	294	1,000
Cash and cash equivalents	103,315	41,016	234,907
	<u>391,660</u>	<u>514,134</u>	<u>900,243</u>

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	At December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current Liabilities			
Trade, bills and other payables	230,647	248,813	220,942
Contract liabilities	78,654	10,878	8,253
Borrowings	170,003	321,010	398,733
Lease liabilities	1,290	749	5,537
Financial liabilities at FVTPL	873,604	1,300,002	–
Deferred income	–	33	–
	<u>1,354,198</u>	<u>1,881,485</u>	<u>633,465</u>
Net Current (Liabilities) Assets	<u>(962,538)</u>	<u>(1,367,351)</u>	<u>266,778</u>
Total Assets less Current Liabilities . . .	<u>(895,243)</u>	<u>(1,286,550)</u>	<u>545,648</u>
Non-current Liabilities			
Lease liabilities	–	1,541	7,788
Financial liabilities at FVTPL	–	70,000	–
Deferred income	72	–	–
	<u>72</u>	<u>71,541</u>	<u>7,788</u>
Net (Liabilities) Assets	<u>(895,315)</u>	<u>(1,358,091)</u>	<u>537,860</u>
Capital and Reserves			
Share capital	–	–	20,167
Paid-in capital	5,512	5,512	–
Reserves	(900,827)	(1,363,603)	517,693
Total (Deficit) Equity	<u>(895,315)</u>	<u>(1,358,091)</u>	<u>537,860</u>

Property, Plant and Equipment

Our property, plant and equipment consists of land and buildings, computer equipment, automotive and vehicles and leasehold improvements. The table below sets forth a breakdown of property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB	RMB <i>(in thousands)</i>	RMB
Land and buildings	44,362	43,263	42,164
Computer equipment	10,210	27,454	26,696
Automotive and vehicles	3,361	2,120	4,926
Leasehold improvements	1,702	389	1,219
Total	<u>59,635</u>	<u>73,226</u>	<u>75,005</u>

Our property, plant and equipment increased by 22.8% from RMB59.6 million as of December 31, 2023 to RMB73.2 million as of December 31, 2024, primarily due to purchase of R&D infrastructure of RMB30.5 million to enhance our AI capabilities, partially offset by a depreciation of computer equipment of RMB13.3 million. Our property, plant and equipment increased by 2.4% from RMB73.2 million as of December 31, 2024 to RMB75.0 million as of December 31, 2025, primarily due to the increase of automotive and vehicles of RMB2.8 million.

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Right-of-Use Assets

Our right-of-use assets represent carrying amounts of several leased offices and a leased lab for our operations. The lease contracts typically have a fixed term of three to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, we apply the definition of each contract and determine the period for which the contract is enforceable.

Our right-of-use assets increased by 178.9% from RMB0.8 million as of December 31, 2023 to RMB2.3 million as of December 31, 2024, and increased significantly by 838.4% to RMB21.9 million as of December 31, 2025, primarily due to additions in leasehold land in Tangshan and leased properties in multiple locations to support our business expansion.

Intangible Assets

Our intangible assets primarily consist of software. Our intangible assets decreased by 21.0% from RMB6.6 million as of December 31, 2023 to RMB5.2 million as of December 31, 2024. The decrease was mainly due to the discontinued use of certain software tools and amortization of existing intangible assets. Our intangible assets increased significantly from RMB5.2 million as of December 31, 2024 to RMB116.8 million as of December 31, 2025, primarily due to our purchase of algorithms and chip platform licences from Horizon to support our long-term technological development.

Trade and Other Receivables and Prepayment

Our trade and other receivables and prepayment consist of (i) trade receivables, (ii) bills receivables, (iii) prepayments to suppliers, (iv) VAT recoverable, (v) deferred issue cost and (vi) other receivables. The following table sets forth our trade and other receivables and prepayment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Trade receivables from contracts with customers			
– Third parties	74,090	317,181	528,638
Less: Allowance for credit losses	(5,833)	(4,594)	(8,173)
– Related parties	20,490	28,265	27,308
Less: Allowance for credit losses	(10)	(12)	(14)
	88,737	340,840	547,759
Bills receivables	200	2,672	263
Prepayment to suppliers	17,454	13,002	56,350
VAT recoverable	3,506	–	4,745
Deferred issue cost	–	–	3,552
Other receivables	1,108	6,278	1,035
Less: Allowance for credit losses	(252)	(127)	(20)
Total	110,753	362,665	613,684

Our trade and other receivables and prepayment increased by 227.4% from RMB110.8 million as of December 31, 2023 to RMB362.7 million as of December 31, 2024, primarily due to an increase in trade receivables, net of allowance for credit losses from RMB88.7 million to RMB340.8 million. This increase was primarily driven by a higher concentration of revenue recognized in the fourth quarter of 2024. As our L4 projects increased from 17 in 2023 to 21 in 2024 and exhibit stronger seasonality, most were recognized toward year end, resulting in a higher

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year-end balance, with payments typically collected in the next year. See “— Key Factors Affecting Our Results of Operations — Seasonality”. Such increase was partially offset by a decrease in prepayment to suppliers from RMB17.5 million to RMB13.0 million, primarily due to our proactive management and control over the procurement pace.

Our trade and other receivables and prepayment increased by 69.2% from RMB362.7 million as of December 31, 2024 to RMB613.7 million as of December 31, 2025, primarily due to (i) an increase in trade receivables, net of allowance for credit losses from RMB340.8 million to RMB547.8 million, primarily due to the growth of our business, and (ii) an increase in prepayment to suppliers from RMB13.0 million as of December 31, 2024 to RMB56.4 million as of December 31, 2025 as a result of our advance payment for multiple new products and services.

During the Track Record Period, the average credit period granted to the customers is 90 to 150 days. Our trade receivables are generally settled in accordance with the terms of the relevant contracts. We make assessments on our trade receivables on a monthly basis and make provisions for our trade receivables based on expected credit losses by considering the age of outstanding trade receivables and forward-looking information. We adjust the provisions at the end of each year.

The table below sets forth the aging analysis of our trade receivables based on the dates of delivery of goods and services:

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Within 1 year	41,855	336,588	546,640
1 to 2 years	44,776	969	1,417
2 to 3 years	7,804	85	—
More than 3 years	145	7,804	7,889
	94,580	345,446	555,946

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

	For the year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	191	166	300

Note:

- (1) Trade receivables turnover days are calculated by dividing the average of the beginning and ending balance of trade receivables for the relevant year by revenues for the relevant year and multiplying by 365 days for the full-year period.

Our trade receivables turnover days decreased from 191 days in 2023 to 166 days in 2024, primarily due to strengthened internal control and accounts receivable management. Our trade receivable turnover days increased from 166 days in 2024 to 300 days in 2025, primarily due to the pronounced seasonality of our revenue recognition and the shift in our business mix toward L4 solutions which generally involve longer collection cycles. See “Financial Information — Key Factors Affecting Our Results of Operations — Seasonality.” Our trade receivable turnover days exceeded our trade payable turnover days of 197 days in 2025, resulting in a cash conversion cycle gap of 103 days. To manage such cashflow mismatch, we maintain a minimum cash reserve of no less than RMB150 million and have implemented enhanced collection measures. As of December

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31, 2025, we had cash and cash equivalents of RMB234.9 million and as of March 31, 2026, we had committed unutilized banking facilities of RMB490.5 million. We expect our cash conversion cycle to narrow as we intensify collection efforts and as L4 payment cycles become more predictable with growing industry maturity.

Our Directors consider that there is no material recoverability issue with respect to the outstanding trade receivables and that our impairment allowance was adequate in light of the prevailing circumstances as of the Latest Practicable Date, based on (i) our periodic assessment to closely monitor our credit exposure and identify significant increases in credit risks and, where applicable, make timely allowance for expected credit losses, (ii) the stringent internal measures we have taken to enhance the management and collection of trade receivables, and (iii) the reliability and track record of settlement from our customers, which are mainly established companies well-known in the industry. See Note 21 to the Accountant's Report in Appendix I to this document for details on our allowance for impairment of trade receivables.

As of March 31, 2026, RMB46.2 million, or 8.4% of our trade receivables as of December 31, 2025 had been subsequently settled.

Contract Costs

Our contract costs mainly represent software development costs to fulfill our contracts with customers, which primarily consist of labor cost, material cost and outsourcing service fees for services such as data labeling and data collection. As of December 31, 2023, 2024 and 2025, our contract costs amounted to RMB103.6 million, RMB11.8 million and RMB29.4 million, respectively. The decrease in our contract costs despite revenue increase, from RMB103.6 million as of December 31, 2023 to RMB11.8 million as of December 31, 2024, was primarily attributable to the optimization of our operational efficiency. Our contract costs increased from RMB11.8 million as of December 31, 2024 to RMB29.4 million as of December 31, 2025, primarily because several projects delivered in 2025 were still pending final acceptance.

Inventories

Our inventories consist of (i) raw materials, which primarily include circuit boards that are not yet assembled, and (ii) finished goods, which primarily include modules assembled from the circuit boards. The following tables set forth a breakdown of our inventories as of the dates indicated and turnover days of our inventories for the years indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Raw materials	3,931	3,691	6,965
Finished goods	287	417	270
	4,218	4,108	7,235
	For the year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	14	4	6

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Note:

- (1) Inventory turnover days are calculated by dividing the average of the beginning and ending balance of inventories for the relevant year by cost of revenues for the relevant year and multiplying by 365 days for the full-year period.

The table below sets forth the aging analysis of our inventories based on goods received date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(in thousands)</i>		
Within 1 year	1,818	229	3,196
1 to 2 years	2,400	1,589	160
More than 2 years.	—	2,290	3,879
	4,218	4,108	7,235

Our inventories decreased by 2.6% from RMB4.2 million as of December 31, 2023 to RMB4.1 million as of December 31, 2024. This decrease was mainly due to our gradual shift away from aftermarket business for L2-L2+ integrated solutions, which required us to keep more finished products in stock. Our inventories later increased by 76.1% to RMB7.2 million as of December 31, 2025. This increase was mainly due to the launch of Robotaxi sales business, under which certain vehicle models were recorded as inventory, leading to the increase of raw materials.

No impairment loss was recognized for inventories as of the end of each year. We review the condition of our inventories regularly and review recoverability and aging of inventories at the end of each year. Taking into account that (i) our solution portfolio requires various hardware in relatively high volume; (ii) we strategically maintain sufficient supply to meet the demand and support our business growth; (iii) our long-aged inventories of over two years mainly represent general and mature automotive hardware temporarily deployed for internal R&D and testing, which features low iteration speed with full commercial usability retained and net realizable value no lower than their carrying amount and (iv) we have implemented an effective inventory management system to monitor our inventory levels and recoverability, we are of the view that no impairment was identified for inventories during the Track Record Period and there is no material recoverability issue for our inventories.

Our inventory turnover days decreased from 14 days in 2023 to four days in 2024, primarily due to downsize of our L2-L2+ aftermarket integrated solutions. Our inventory turnover days increased from four days in 2024 to six days in 2025, primarily due to the expansion of our L4 software and hardware integrated solutions during the year, which involved procurement of hardware components and raw materials that inherently have a longer turnover cycle than our software-only solutions.

As of March 31, 2026, RMB0.2 million, or 4.3% of our inventories as of December 31, 2025 had been subsequently sold or utilized.

Amounts Due from Related Parties

Our amounts due from related parties, which are non-trade in nature, mainly consist of loan receivables from Tianjin Tiantong Zhilian Enterprise Management Consulting Partnership (“**Tiantong Zhilian**”). As of December 31, 2023, 2024 and 2025, amounts due from related parties were RMB69.8 million, RMB94.3 million and RMB14.1 million, respectively. The loans were extended to Tiantong Zhilian to fund its payment of the consideration for the buyback of its equity

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interests from its former limited partners. The increase from RMB69.8 million as of December 31, 2023 to RMB94.3 million as of December 31, 2024 was primarily due to additional loans extended to Tiantong Zhilian for the ongoing settlement of such consideration. The significant decrease from RMB94.3 million as of December 31, 2024 to RMB14.1 million as of December 31, 2025 was primarily due to Tiantong Zhilian’s repayment of the outstanding loans to us using the proceeds received from the disposal of its equity interests in our Company. As of the Latest Practicable Date, RMB14.1 million of our amounts due from related parties remained outstanding, which will be settled before [REDACTED].

Restricted Bank Deposits

Our restricted bank deposits are deposits to banks for the issue of bills payables and are therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bills payables. As of December 31, 2023, 2024 and 2025, the restricted bank deposits mainly represented the issue of bills payables and borrowings with amount of nil, RMB1.5 million and RMB10.0 million, respectively. The increase in our restricted bank deposits as of December 31, 2025 was primarily due to the increased use of bill settlement in our transactions with suppliers, which required higher margin deposits.

Cash and Cash Equivalents

Our cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting our short-term cash commitments. As of December 31, 2023, 2024 and 2025, our cash and cash equivalents amounted to RMB103.3 million, RMB41.0 million and RMB234.9 million, respectively. Please see “— Liquidity and Capital Resources — Cash Flow” for details.

Trade, Bills and Other Payables

Our trade, bills and other payables primarily consist of (i) trade payables for outsourced research and development services and project deliveries, (ii) bills payables, (iii) accrued payroll and welfare, (iv) other tax payables, (v) refundable deposit and (vi) other payables. The following table sets forth our trade, bills and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Trade payables			
– Third parties	81,491	199,157	176,952
– Related parties	59,195	28,171	3,103
Sub-total	<u>140,686</u>	<u>227,328</u>	<u>180,055</u>
Bills payables	–	3,718	1,404
Accrued payroll and welfare	5,375	3,446	4,745
Accrued issue cost	–	–	1,076
Accrued [REDACTED] expenses	–	–	[REDACTED]
Other tax payables	6,472	8,510	14,930
Refundable deposit	73,700	–	–
Other payables	4,414	5,811	12,637
Total	<u><u>230,647</u></u>	<u><u>248,813</u></u>	<u><u>220,942</u></u>

Trade Payables

Trade payables primarily represent amounts due to service providers for outsourced research and development services and project deliveries. Our trade payables increased by 61.6% from RMB140.7 million as of December 31, 2023 to RMB227.3 million as of December 31, 2024, which was in line with the expansion of our business scale. Our trade payables later decreased by 20.8% to RMB180.1 million as of December 31, 2025, primarily due to the settlement of outstanding payables in 2025. During the Track Record Period, the average credit period on purchases of goods and services was 90 days after receipt of the invoices.

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The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated and trade payables turnover days for the years indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Within 1 year	127,970	222,883	176,031
1 to 2 years	12,716	3,993	1,429
2 to 3 years	–	452	2,170
Exceeds 3 years	–	–	425
Total	140,686	227,328	180,055

	For the year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	386	199	198

Note:

- (1) The trade payables turnover days are calculated by dividing the average of the beginning and ending balance of trade payables for the relevant year by the cost of revenues for the relevant year and multiplying by 365 days for the full-year period.

Our trade payables turnover days decreased from 386 days in 2023 to 199 days in 2024, primarily attributable to the settlement of outstanding payables related to the aforementioned projects and a shortened payment cycle with suppliers for our L4 projects.

Our trade payables turnover days remained relatively stable at 199 days in 2024 and 198 days in 2025.

As of March 31, 2026, RMB75.1 million or 41.7% of our trade payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent advance payments made by customers while the underlying goods or services are yet to be provided. We recorded contract liabilities of RMB78.7 million, RMB10.9 million and RMB8.3 million as of December 31, 2023, 2024 and 2025.

As of March 31, 2026, RMB2.5 million, or 2.7%, of our contract liabilities as of December 31, 2025 had been recognized as revenue.

Deferred Income

During the Track Record Period, our deferred income mainly consisted of government grants. As of December 31, 2023, 2024 and 2025, we recorded current deferred income of nil, RMB33 thousand and nil, respectively. As of December 31, 2023, 2024 and 2025, we recorded non-current deferred income of RMB72 thousand, nil and nil, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements primarily from our business operations, bank borrowings and funds raised from equity financings. We had cash and cash equivalents of RMB103.3 million, RMB41.0 million and RMB234.9 million as of December 31, 2023, 2024 and 2025, respectively. Going forward, we

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believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets and bank borrowings from time to time and the net [REDACTED] received from the [REDACTED].

Current Assets/Liabilities

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2026
	<i>(in thousands)</i>			<i>(unaudited)</i>
Current Assets				
Trade and other receivables and prepayment	110,753	362,665	613,684	627,163
Contract costs	103,557	11,794	29,366	30,983
Inventories	4,218	4,108	7,235	9,254
Amounts due from related parties	69,817	94,257	14,051	14,060
Restricted bank deposits	–	294	1,000	1,000
Cash and cash equivalents	103,315	41,016	234,907	231,414
	<u>391,660</u>	<u>514,134</u>	<u>900,243</u>	<u>913,874</u>
Current Liabilities				
Trade, bills and other payables	230,647	248,813	220,942	142,554
Contract liabilities	78,654	10,878	8,253	18,399
Borrowings	170,003	321,010	398,733	409,299
Lease liabilities	1,290	749	5,537	6,064
Financial liabilities at FVTPL	873,604	1,300,002	–	–
Deferred income	–	33	–	–
	<u>1,354,198</u>	<u>1,881,485</u>	<u>633,465</u>	<u>576,316</u>
Net Current (Liabilities) Assets	<u>(962,538)</u>	<u>(1,367,351)</u>	<u>266,778</u>	<u>337,558</u>

Our net current assets increased from RMB266.8 million as of December 31, 2025 to RMB337.6 million as of March 31, 2026, primarily due to a decrease of RMB78.4 million in trade, bills and other payables, mainly attributable to the settlement of payables with several key suppliers at the beginning of the year, partially offset by (i) an increase of RMB10.6 million in borrowings, and (ii) an increase of RMB10.1 million in contract liabilities.

We recorded net current assets of RMB266.8 million as of December 31, 2025 and incurred net current liabilities of RMB1,367.4 million as of December 31, 2024, primarily due to (i) a decrease in financial liabilities at FVTPL of RMB1,300.0 million, as a result of the cancellation of such convertible loans, and (ii) an increase in cash and cash equivalents of RMB193.9 million, as a result of the completion of two rounds of financing we secured in 2025.

Our net current liabilities increased from RMB962.5 million as of December 31, 2023 to RMB1,367.4 million as of December 31, 2024, primarily due to (i) an increase in financial liabilities at FVTPL of RMB426.4 million in relation to the fluctuation reflecting the fair value change in redeemable preferred equity, which is mainly affected by fair value of underlying equity and preferential rights, and (ii) an increase in current borrowings of RMB151.0 million, partially

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offset by (i) an increase in trade and other receivables and prepayment of RMB251.9 million, which was in line with the expansion of our business scale, and (ii) a decrease in contract liabilities of RMB67.8 million, primarily due to the receipt of certain advance payments for our projects in 2023.

Cash Flows

The following table sets out a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>		
Net cash generated from (used in)			
operating activities	114,554	(189,180)	(293,191)
Net cash generated from (used in)			
investing activities	10,751	(54,734)	(124,661)
Net cash (used in) generated from			
financing activities	<u>(28,993)</u>	<u>181,615</u>	<u>611,743</u>
Net increase (decrease) in cash and cash			
equivalents	96,312	(62,299)	193,891
Cash and cash equivalents at beginning of			
year	7,003	103,315	41,016
Total cash and cash equivalents at end			
 of year	<u>103,315</u>	<u>41,016</u>	<u>234,907</u>

Cash Flows from Operating Activities

For the year ended December 31, 2025, our net cash used in operating activities was RMB293.1 million. Our loss before tax was RMB207.9 million for the same year. The difference between our loss before tax and our net cash used in operating activities was first adjusted by non-operating items, mainly loss on fair value changes in financial liabilities at FVTPL of RMB176.9 million, and partially offset by changes in working capital items, primarily including (i) an increase in trade and other receivables and prepayments of RMB252.4 million, and (ii) a decrease in trade, bills and other payables of RMB34.3 million.

For the year ended December 31, 2024, our net cash used in operating activities was RMB189.2 million. Our loss before tax was RMB462.8 million for the same year. The difference between our loss before tax and our net cash used in operating activities was first adjusted by non-operating items, mainly loss on fair value changes of financial liabilities at FVTPL of RMB458.4 million, and further adjusted by changes in working capital items, primarily due to a decrease in contract costs of RMB91.8 million, partially offset by (i) an increase in trade and other receivables and prepayment of RMB250.9 million, and (ii) an increase in contract liabilities of RMB67.8 million.

For the year ended December 31, 2023, our net cash generated from operating activities was RMB114.6 million. Our loss before tax was RMB231.2 million for the same year. The difference between our loss before tax and our net cash generated from operating activities was first adjusted by non-operating items, mainly loss on fair value changes of financial liabilities at FVTPL of RMB143.1 million, and further adjusted by changes in working capital items, primarily including a decrease in trade and other receivables and prepayment of RMB76.3 million and an increase of trade, bills and other payables of RMB74.6 million.

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We recorded net operating cash outflows as the revenue is not large enough to cover costs and operating expenses. Our net operating cash outflows during the Track Record Period were also caused by the long development cycle of the software development and engineering phase since we had to make substantial upfront investment for an extended period of time before it could receive payments. In general, the period between the time when a design win is obtained and time when the solution is validated and accepted by the customer takes around 14 months. We expect the operating cashflow to improve as more projects enter the software royalty phase, which could provide us with cash inflow on a recurring basis.

Please see “— Discussion of Certain Key Balance Sheet Items” for reasons of changes in working capital.

Cash Flows from Investing Activities

For the year ended December 31, 2025, our net cash used in investing activities was RMB124.7 million, primarily due to (i) our purchases of intangible asset of RMB112.7 million, (ii) prepayment for purchases of property, plant and equipment of RMB44.8 million, (iii) purchases of property, plant and equipment of RMB17.5 million, (iv) purchase of financial assets at FVTPL of RMB17.3 million, and (v) an advance to related parties of RMB17.1 million, partially offset by repayment from related parties of RMB97.3 million.

For the year ended December 31, 2024, our net cash used in investing activities was RMB54.7 million, primarily due to (i) an advance to related parties of RMB34.9 million, and (ii) our purchases of property, plant and equipment of RMB30.7 million, partially offset by the repayment from related parties of RMB10.5 million.

For the year ended December 31, 2023, our net cash generated from investing activities was RMB10.8 million, primarily due to the repayment from related parties of RMB53.5 million, partially offset by our advance to related parties of RMB42.0 million.

Cash Flows from Financing Activities

For the year ended December 31, 2025, our net cash generated from financing activities was RMB611.7 million, primarily due to (i) proceeds from capital injection by new investors of RMB503.2 million, and (ii) proceeds of borrowings of RMB428.7 million, partially offset by repayments of borrowings of RMB351.0 million.

For the year ended December 31, 2024, our net cash generated from financing activities was RMB181.6 million, primarily due to (i) proceeds of borrowings of RMB195.9 million, and (ii) proceeds on issuance of convertible loans of RMB120.0 million, partially offset by (i) repayments of borrowings of RMB82.9 million, and (ii) redemption of convertible loans of RMB44.0 million.

For the year ended December 31, 2023, our net cash used in financing activities was RMB29.0 million, primarily due to (i) repayment of borrowings of RMB79.3 million, and (ii) redemption of convertible loans of RMB32.5 million, partially offset by proceeds of borrowings of RMB90.7 million.

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INDEBTEDNESS

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2026
	<i>(in thousands)</i>			<i>(unaudited)</i>
Current liabilities				
Borrowings	170,003	321,010	398,733	409,299
Lease liabilities	1,290	749	5,537	6,064
Financial liabilities at				
FVTPL	873,604	1,300,002	—	—
Non-current liabilities				
Borrowings	—	—	—	—
Financial liabilities at				
FVTPL	—	70,000	—	—
Lease liabilities	—	1,541	7,788	5,124
Total	<u>1,044,897</u>	<u>1,693,302</u>	<u>412,058</u>	<u>420,487</u>

Borrowings

Our borrowings include bank loans and other loans, which are loans transferred from convertible loans issued to certain third-party investors. Our total borrowings amounted to RMB170.0 million, RMB321.0 million and RMB398.7 million as of December 31, 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, the effective interest rates for our borrowings were 3.20% to 4.90%, 0.90% to 3.75%, and 2.00% to 3.20%, respectively.

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	2026
	<i>(in thousands)</i>			<i>(unaudited)</i>
Borrowings				
Bank loans	93,603	219,524	398,733	409,299
Other loans	76,400	101,486	—	—
Total	<u>170,003</u>	<u>321,010</u>	<u>398,733</u>	<u>409,299</u>

As of March 31, 2026, we had committed unutilized banking facilities of RMB490.5 million.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL are in relation to the redeemable preferred equity and convertible loans. During the Track Record Period, we recorded current financial liabilities at FVTPL of RMB873.6 million, RMB1,300.0 million and nil as of December 31, 2023, 2024 and 2025, respectively. We recorded non-current financial liabilities at FVTPL of RMB70.0 million as

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of December 31, 2024, and we did not record non-current financial liabilities at FVTPL as of December 31, 2023 and 2025, respectively. The changes were primarily due to the cancellation of such redeemable preferred equity and convertible loans.

Lease Liabilities

Our lease liabilities are in relation to the properties that we leased as our offices and a lab for our operations. We recorded current lease liabilities of RMB1.3 million, RMB0.7 million and RMB5.5 million as of December 31, 2023, 2024 and 2025, respectively. We recorded non-current lease liabilities of RMB1.5 million and RMB7.8 million as of December 31, 2024 and 2025, respectively. We did not record non-current lease liabilities as of December 31, 2023 because we did not have any lease contracts with a term of more than one year in 2023. The following table sets forth the details of our lease liabilities as of dates indicated:

	As of December 31,			As of March 31, 2026
	2023	2024	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>			<i>(unaudited)</i>
Lease Liabilities				
Current	1,290	749	5,537	6,064
Non-current	—	1,541	7,788	5,124
Total	<u>1,290</u>	<u>2,290</u>	<u>13,325</u>	<u>11,188</u>

Indebtedness Statement

As of March 31, 2026, we had borrowings of RMB409.3 million, of which RMB312.3 million was secured and guaranteed and the remaining RMB97.0 million was unsecured and unguaranteed. As of March 31, 2026, we had lease liabilities of RMB11.2 million, which were secured and unguaranteed. During the Track Record Period and as of the Latest Practicable Date, none of our creditors of the indebtedness described above had claimed default against us to the best of our knowledge. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of March 31, 2026, being the latest practicable date for our indebtedness statement, and up to the date of this document.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025 and March 31, 2026, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have 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.

CAPITAL EXPENDITURES

Our capital expenditures have been incurred primarily in relation to purchase of property, plant and equipment, and purchase of intangible assets. In 2023, 2024 and 2025, our capital expenditures totaled RMB2.8 million, RMB30.7 million and RMB175.0 million, respectively.

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The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Purchase of property, plant and equipment	2,697	30,666	17,524
Purchase of intangible assets	97	41	112,682
Prepayment for purchases of property, plant and equipment	—	—	44,780
Total	2,794	30,707	174,986

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view, and the Joint Sponsors concur, that our business is sustainable, taking into account, among other things, (i) our gross profit margins which are significantly above the average of hardware-heavy industry peers; (ii) the meaningful decline in marginal R&D costs driven by the increasing number of mass-production projects; (iii) a growing number of projects transitioning from the software development and engineering phase to the software royalty phase, which generates recurring income with minimal incremental cost; and (iv) our long-standing accumulation of L2-L2+ algorithms, engineering experience and data assets, which enables faster development cycles and lower development costs for our L4 solutions.

Taking into account cash and cash equivalents on hand, the available bank facilities, the funds from [REDACTED] investments and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this document.

CONTRACTUAL OBLIGATIONS

Operating Commitments

During the Track Record Period, we incurred operating commitments for short-term operating leases and other purposes. The table below sets forth our operating commitments contracted for but not recognized as liabilities as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i>
Within 1 year	1,290	749	5,537
Within a period of more than one year but not exceeding two years	—	1,541	5,638
Within a period of more than two years but not exceeding five years	—	—	2,150
	1,290	2,290	13,325
Less: Amount due for settlement within 12 months shown under current liabilities	(1,290)	(749)	(5,537)
Amount due for settlement after 12 months shown under non-current liabilities	—	1,541	7,788

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KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Revenue growth	18.5%	137.2%	13.5%
Gross profit margin ⁽¹⁾	35.3%	30.0%	31.4%
Loss and total comprehensive expense (RMB in million)	231.2	462.8	207.9

Note:

- (1) Gross profit margin represents gross profit for the year divided by revenue for the year and multiplied by 100%.

OFF-BALANCE SHEET ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, pursuant to which: (i) we sold products and services to certain related parties, and (ii) we purchased services from certain related parties. Substantially all of our balances with related parties were trade in nature during the Track Record Period. We expect that the balances with related parties that were non-trade in nature will be settled before the proposed [REDACTED]. For details of our related party transactions, see Note 34 to the Accountants’ Report included in Appendix I to this document.

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

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Market Risks

Foreign Exchange Risk

We conduct our businesses mainly in RMB, with certain transactions denominated in U.S. dollars and other currencies. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. The functional currency of us and majority of our overseas subsidiaries is U.S. dollars whereas the functional currency of our PRC subsidiaries is RMB. During the Track Record Period, we did not engage in hedging activities with respect to our foreign currency risks. The conversion of Renminbi into foreign currencies, including U.S. dollars and HK dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollars, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S.

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government policy may impact the exchange rate between Renminbi and U.S. dollars in the future. See "Risk Factors — Risks Related to Our Industry and Business — Fluctuations in exchange rates could result in foreign currency exchange losses to us" for further details regarding our exposure to foreign exchange risk.

Interest Rate Risk

Interest rate risk refers to the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to interest risk primarily arises from our interest-bearing assets, including cash and cash equivalents, and restricted bank deposits. Our borrowings carried at floating rates expose us to cash flow interest-rate risk, whereas those carried at fixed rates expose us to fair value interest-rate risk.

We regularly monitor our interest rate risk to identify if there are any undue exposures to significant interest rate movements and manage our cash flow interest rate risk by using interest rate swaps, whenever considered necessary.

Price Risk

We are exposed to equity price risk through our financial liabilities measured at FVTPL.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to our company. We are exposed to credit risk in relation to our cash and cash equivalents, restricted bank deposits, as well as trade and other receivables. The carrying amount of each class of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and restricted bank deposits, we only transact with state-owned or reputable financial institutions which are all high-credit-quality financial institutions all over the world. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, we have policies in place to ensure that sales with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The average credit period granted to the customers is 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For other receivables, our management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experiences.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements.

Please see Note 32 to the Accountants' Report in Appendix I to this document for details regarding our financial risk management.

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DIVIDEND

We did not declare or pay dividends on our Shares during and after the Track Record Period. We currently expect to retain all future earnings for use in operation and expansion of our business, and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Shareholders and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Shareholders may deem relevant. As confirmed by our PRC Legal Advisor, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for, and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In addition, according to our dividend policy, any distribution of dividends shall be subject to (i) our remaining after-tax profit after making up losses and allocation of common reserve fund being positive, and our belief that our cash flow is adequate and such distribution would not affect our business sustainability, (ii) our auditors issuing a standard unqualified audit report for the year of the distribution, and (iii) the absence of major investment plans or significant capital expenditures (except for investment projects with raised funds) in the next 12 months. Currently, our Company does not have any pre-determined dividend distribution ratio.

DISTRIBUTABLE RESERVES

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

[REDACTED] EXPENSES

Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses in connection with the [REDACTED] (based on the Maximum [REDACTED] and assuming that the [REDACTED] Adjustment Option and the [REDACTED] are not exercised) are HK\$[REDACTED] million, accounting for [REDACTED]% of our gross [REDACTED] from the [REDACTED]. Of such amount, approximately HK\$[REDACTED] million, accounting for approximately [REDACTED]% of our gross [REDACTED] from the [REDACTED], is expected to be charged to our consolidated statement of profit or loss, and the remaining amount of approximately HK\$[REDACTED] million is expected to be recognized directly as a deduction from equity upon the [REDACTED].

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See Unaudited [REDACTED] Financial Information in Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2025, and there has been no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE HONG KONG LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.