The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with the IFRSs. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business". For the purposes of this section, unless the context otherwise requires, references to the years of 2023, 2024 and 2025 refer to the years ended December 31 of such years.

OVERVIEW

We are a leading DRAM chip design company in China. Leveraging our technological expertise, industry partnerships and comprehensive product portfolio, we have built a broad customer base and achieved large-scale commercialization of our products and solutions. In 2025, we sold over 100 million memory chips (including chips contained in modules and wafers). According to Frost & Sullivan, in terms of niche DRAM revenue in 2025, we ranked fifth among Chinese companies and fourth among Chinese fabless companies in the global niche DRAM market. We have developed expertise in Wafer-on-Wafer 3D heterogeneous integration and are advancing toward achieving mass production of high bandwidth memory products.

During the Track Record Period, our revenue amounted to RMB580.3 million, RMB646.4 million and RMB1,104.9 million in 2023, 2024 and 2025, respectively.

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with all applicable IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). The historical financial information has been prepared under the historical cost convention.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

The following factors are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

Global demand for DRAM

As a DRAM chip design company, we operate in a global landscape that is highly susceptible to macroeconomic fluctuations and the global demand for memory products. The demand for DRAM products is largely driven by the demand for downstream devices and end applications such as robots, smart speakers, Wi-Fi devices, industrial PCs, enterprise servers, and other industrial and consumer electronics. The DRAM market is subject to strong cyclicality. Fluctuations within the DRAM industry have historically impacted our financial performance. According to Frost & Sullivan, the average price per DRAM DDR3 chip (4Gb), the most widely used DRAM product in the niche market, remained generally stable from 2023 to 2024 and started to enter into an upward cycle in 2025. Consistent with the market trend, our average selling price of DRAM chip per GB remained relatively stable at RMB19.8, RMB18.2 and RMB17.9 in 2023, 2024 and 2025, respectively. For details, please see "Risk Factors — Risk Factors Related to Our Business and Our Industry — The markets in which we compete have historically been cyclical and have experienced downturns with declines in average selling prices that could materially and adversely affect our business, results of operations and financial condition" in this document.

In addition, the DRAM industry is subject to constant and rapid technological changes, frequent new product introductions, rapid product obsolescence and evolving technical standards. The proliferation of AI, upgrades in consumer electronics and expansion in data centers, smart vehicles, robotics and the IoTs have driven significant data growth, and fueled the global demand for DRAM products. According to Frost & Sullivan, the global DRAM market is expected to grow from RMB984.1 billion in 2025 to RMB2,693.2 billion in 2030, representing a CAGR of 22.3%. We anticipate that in the coming years, the application of AI technology in both industrial and consumer settings will provide new revenue growth opportunities.

Fluctuation in prices of raw materials and relationship with our major suppliers

The prices of raw materials and the efficiency of supply chain management directly affect our cost of sales and gross profit and have historically experienced significant fluctuations. In 2023, 2024 and 2025, raw materials costs accounted for 69.2%, 76.2% and 85.1% of our cost of sales and 66.7%, 69.1% and 71.4% of our revenue, respectively. As a DRAM design and sales company, memory wafers represent our most significant raw material costs. Therefore, changes in the availability and prices of raw materials, particularly memory wafers, could have a significant impact on our results of operations. We procure the majority of memory wafers and other key raw materials from a limited number of suppliers. In 2023, 2024 and 2025, purchase from our five largest suppliers, accounted for 88.6%, 76.2% and 68.7% of our total procurement cost, respectively. See "Risk Factors — Risk Factors Related to Our Business and Our Industry — We rely on a limited number of third party production partners for wafer fabrication and packaging, testing and assembly services for our DRAM products" for more information in this document.

We operate under a fabless business model, which means we focus exclusively on the design, development, and sales of DRAM chips while outsourcing the manufacturing processes to world-class production partners. Our main fabrication partner during the Track Record Period, PSMC, is one of the largest dedicated DRAM foundries globally with which we have established long-term strategic partnership. Please see "Business — Production and Procurement" for details of our relationship with our production partners. Therefore, our ability to maintain long-term stable business relationship with our production partners to provide us with quality and price competitive foundry-manufactured wafers on a timely basis is crucial for our business development and results of operations. Although we have entered into long-term strategic partnership with our major production partners such as PSMC, we cannot assure you that the supply of foundry-manufactured wafers is not interrupted or delayed due to any circumstances and the terms of supply are acceptable to us. It will also take time to establish new or alternative supplier relationships to ensure a steady supply in a timely and cost-efficient manner. In those circumstances, we may not be able to offer products demanded by our customers, or to offer them in sufficient quantities and at acceptable prices. As a result, our business, financial condition and results of operations will be materially and adversely affected.

Our ability to offer cutting-edge and diversified products

The growth of our revenue depends on our ability to make technological advancement and develop products and solutions that meet the evolving needs of our customers. Building on our extensive experience and iterative approach in technology development from SDR to DDR4 products, we possess proprietary R&D capabilities in DRAM products and AI memory-computing solutions. Leveraging our continuous R&D efforts in enhancing the design processes, we can enhance product yield and reduce costs in testing and other critical procedures in the manufacturing process. In particular, we are among a few DRAM suppliers in the PRC which possess Wafer-on-Wafer 3D heterogeneous integration technology.

Our success also depends on our ability to anticipate industry trends and develop DRAM and AI memory-computing products with high performance that meet the evolving demands of our downstream customers in various application fields. Along with the recent growth of the global and Chinese DRAM and AI computing-related industries, we have seen an overall increase in both the volume of our products sold and revenue generated from such sales. During the Track Record Period, the total storage capacity of our products sold grew from 29.3 million GB in 2023 to 54.3 million GB in 2025, representing a CAGR of 36.1%. Our revenue also increased from RMB580.3 million in 2023 to RMB1,104.9 million in 2025.

We offer a comprehensive range of DRAM products, including DRAM chips, DRAM modules and DRAM KGD wafers, catering to the needs of both consumers and industrial customers. The scale of our business and the growth of our total revenue are largely driven by the expansion, breadth and diversification of our product offerings. Within each product line, we strive to continually expand and upgrade our offerings to provide comprehensive and high-quality solutions for our customers. Additionally, our cost of sales and pricing strategy vary across product lines, resulting in differences in our gross profit margin by product type. During the Track Record Period, fluctuations in our overall revenue and gross margin were partially attributable to the scale of our product offerings and changes in our product mix. For example, we started offering DRAM modules on a large scale in 2023 and the increase in our revenue in 2024 was mainly attributable to the increase in revenue from DRAM modules. By leveraging our diversified product offerings and our fabless business model, equipped with efficient operational capabilities, we are able to offer customers a variety of product combinations, which we expect to create potential business growth opportunities. We anticipate that our results of operations and profitability will continue to be influenced by the growth and mix of our product offerings.

Continuous investment in R&D facilities and talent

Leveraging our robust R&D team and technology platform which has undergone continual iterations and refinement, we consistently dedicated ourselves to the development and design of high-bandwidth, low-power, and high-reliability memory solutions. Through our in-house R&D efforts, we have developed expertise in high-bandwidth memory. To extend our technology leadership in the DRAM industry, we have made, and will continue to make, significant investments in upgrading our design capabilities and R&D infrastructure. In 2023, 2024 and 2025, we incurred R&D expenses of RMB77.2 million, RMB95.8 million and RMB102.1 million, respectively. Going forward, we will continue to invest resources in R&D to support the long-term growth of our business.

The growth of our business depends largely on our R&D talent. We are supported by a robust R&D team comprising semiconductor industry veterans with profound expertise in DRAM technology. Our R&D teams in Hangzhou and Japan maintain a highly collaborative and synergistic working relationship, leveraging their respective expertise to drive innovation in advanced memory technologies. As of December 31, 2025, our R&D team comprised 86 members, representing approximately 53.4% of our total employees. All of our R&D personnel hold a bachelor's degree or higher, with most specializing in electronic engineering. We will continue to invest resources to attract more talented R&D personnel and further improve our chip design capabilities.

Our ability to expand and efficiently manage our sales network

During the Track Record Period, we sold and marketed our DRAM products in the PRC and overseas through our in-house sales team and third-party professional distributors. In 2023, 2024 and 2025, our revenue generated from sales to distributors amounted to RMB402.9 million, RMB421.4 million and RMB642.1 million, respectively, accounting for 69.4%, 65.2% and 58.1%, respectively, of our revenue for the corresponding periods. Meanwhile, our revenue generated from direct sales customers amounted to RMB177.4 million, RMB225.0 million and RMB462.8 million, respectively, accounting for 30.6%, 34.8% and 41.9%, respectively, of our revenue for the corresponding periods. The adoption of direct sales enables us to precisely understand and respond to customer requirements, allowing us to offer tailored products and services that meet our customers' specific needs. At the same time, through our distribution channels, we can efficiently manage payment term risks, reduce cash flow pressures, and gain logistical support, while also enabling us to rapidly establish regional sales networks and enhance market penetration. As a result, we are able to focus on the design aspects of our products and optimize our design capabilities. Therefore, our ability to expand and efficiently manage our sales and distribution network remains critical to our business and financial performance. We plan to optimize and expand our sales and distribution network and to further expand our downstream customer base both in the PRC and overseas markets. In the future, we will continue to deepen our relationship with existing distributors and direct sales customers, and expand sales channels to attract new customers in both existing and new markets.

Our ability to control costs and improve operational efficiency

Our ability to effectively control costs and expenses and improve operational efficiency is crucial to our business, financial conditions and results of operations. Fluctuations in the prices of our raw materials significantly affect our operating costs and profitability. See "Fluctuation in prices of raw materials and relationship with our major suppliers" in this section. Further, we aim to reduce our costs primarily through technological advancements, mature operations and inventory management, establishing comprehensive and sustainable cost advantages. For example, we maintain a safety stock to compensate for any unexpected increase in demand or delay in supply, and track and monitor the flow of goods and inventory levels through our BI system to enhance inventory turnover rates. See "Business — Logistics and Inventory Management" For the three years ended December 31, 2025, our inventory turnover days were 115, 97 days and 89 days, respectively.

During Track Record Period, our selling and marketing expenses and administrative expenses, excluding share-based payment expenses and [**REDACTED**] expenses, amounted to RMB35.6 million, RMB44.0 million and RMB62.6 million in 2023, 2024 and 2025, respectively, representing 6.1%, 6.8% and 5.7% of our total revenue for the respective periods. We aim to maintain efficient control over our expenses to enhance our results of operation. As our business grows, we stay vigilant in continuously assessing and monitoring the efficiency of our administrative, selling and marketing efficiency to control expenses. We will persist in enhancing our operational efficiency and improving our financial performance by effectively managing our costs and expenses.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 2.3 to the Accountants' Report in Appendix I to this document sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. See Note 3 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income, with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	580,346	100.0	646,401	100.0	1,104,889	100.0
Cost of sales						
Cost of sales of goods and services	(529,458)	(91.2)	(562,092)	(87.0)	(929,944)	(84.2)
(Impairment losses)/reversal of impairment losses on inventories	(29,684)	(5.1)	(24,026)	(3.7)	3,004	0.3
Gross profit	**21,204**	**3.7**	**60,283**	**9.3**	**177,949**	**16.1**
Other income and gains	2,470	0.4	15,286	2.4	8,107	0.7
Selling and marketing expenses	(32,430)	(5.6)	(40,609)	(6.3)	(27,852)	(2.5)
Administrative expenses	(153,196)	(26.4)	(42,548)	(6.6)	(62,374)	(5.6)
Research and development expenses	(77,242)	(13.3)	(95,762)	(14.8)	(102,126)	(9.2)
Other expenses	(1,644)	(0.3)	(84)	(0.0)	(2,924)	(0.3)
(Impairment losses)/reversal of impairment losses on financial assets, net	(356)	(0.1)	(1,199)	(0.2)	701	0.1
Finance costs	(4,030)	(0.7)	(5,205)	(0.8)	(2,594)	(0.2)
Loss before tax	**(245,224)**	**(42.3)**	**(109,838)**	**(17.0)**	**(11,113)**	**(1.0)**
Income tax credit	916	0.2	933	0.1	576	0.1
Loss for the year	**(244,308)**	**(42.1)**	**(108,905)**	**(16.8)**	**(10,537)**	**(1.0)**

NON-IFRS MEASURE

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

We define adjusted net profit/loss (non-IFRS measure) as loss excluding the effects of share-based payment expenses and [**REDACTED**] expenses. Share-based payment expenses are non-cash in nature and are employee related expenses arising from grant of shares under our employee incentive scheme. We also exclude [**REDACTED**] expenses with respect to the [**REDACTED**]. The adjustments have been consistently made during the Track Record Period. The following table sets forth the reconciliation of net loss to adjusted net profit/loss (non-IFRS measure) for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year	**(244,308)**	**(108,905)**	**(10,537)**
Add:			
Share-based payment expenses	151,145	56,095	17,305
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit/(loss) (non-IFRS measure)	**(93,163)**	**(52,810)**	**26,090**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by product or service type

During the Track Record Period, we generated revenue primarily from sales of DRAM chips, modules and KGD wafers, and AI memory-computing solutions and other business. The following table sets forth a breakdown of our revenue by product or service type in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
DRAM chips	484,164	83.5	454,391	70.2	607,824	55.1
DRAM modules	47,283	8.1	137,467	21.3	429,012	38.8
DRAM KGD wafers	47,081	8.1	54,028	8.4	46,642	4.2
AI memory-computing solutions and others(1)	1,818	0.3	515	0.1	21,411	1.9
Total	**580,346**	**100.0**	**646,401**	**100.0**	**1,104,889**	**100.0**

Note:

(1) During the Track Record Period, our revenue from AI memory-computing solutions and other business comprised (i) design services and (ii) royalty fees, both mainly in relation to our high-bandwidth memory products.

We specialize in the design and sales of high-performance DRAM chips, modules and KGD wafers tailored for a wide range of commercial and industrial applications. We generally recognize revenue when our products have been delivered to our customers. Our AI memory-computing solutions and other business mainly include design services and technology licensing in relation to high-bandwidth memory products. We provided AI memory-computing solutions to AI chips and integrated circuit design companies. The sales of DRAM chips, modules and KGD wafers represent our primary source of revenue. For the three years ended December 31, 2025, our revenue attributable to sales of DRAM chips, modules and KGD wafers amounted to approximately RMB578.5 million, RMB645.9 million and RMB1,083.5 million, respectively, and accounted for approximately 99.7%, 99.9% and 98.1% of our total revenue.

During the Track Record Period, our revenue from AI memory-computing solutions and other business comprised (i) design services, mainly in relation to high-bandwidth memory products, and (ii) royalty fees. For the three years ended December 31, 2025, our revenue attributable to AI memory-computing solutions and other business amounted to RMB1.8 million, RMB0.5 million and RMB21.4 million, respectively.

The following table presents the sales volume in GB and average selling price per GB of each product line during the Track Record Period.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(thousand GB)	*(RMB per GB)*	*(thousand GB)*	*(RMB per GB)*	*(thousand GB)*	*(RMB per GB)*
DRAM chips	24,426.5	19.8	25,028.2	18.2	33,903.6	17.9
DRAM modules	3,012.6	15.7	7,246.1	19.0	18,455.5	23.2
DRAM KGD wafers	1,893.2	24.9	1,900.3	28.4	1,921.9	24.3

Sales volume of DRAM chips and DRAM KGD wafers increased during the Track Record Period due to the growing customer demand. Sales volume of DRAM modules consistently increased during the Track Record Period due to our decision to expand into and develop IT application innovation business.

The average selling price for DRAM chips and DRAM KGD wafers remained relatively stable from 2023 to 2025, which aligns with the industry-wide fluctuation of the niche DRAM sector. Our average selling price for DRAM chips per GB slightly decreased from RMB18.2 in 2024 to RMB17.9 in 2025 despite the upward cycle in the DRAM industry. According to Frost & Sullivan, the DDR3 products, our main products for DRAM chips business, experienced a large price increase since July 2025. We arrange to produce DRAM chips based on demand of customers and our selling price for DRAM chips generally lags behind the industry average by one quarter due to the production cycle. This is because after receipt of orders from our customers, we make arrangements with our wafer fabrication partner, PSMC, to produce DRAM wafers. The fabrication of wafers typically takes four to five months, after which the wafers are transported to OSAT companies for packaging and testing, which generally requires approximately 10 to 14 days. For details please see "Business — Production and Procurement" in this document. As our selling price is usually determined with reference to the then market price of DRAM chips and our expectation of future market price, and our revenue is only recognized upon delivery of products, our selling price for DRAM chips generally lags behind the industry average by one quarter. The increase in the market price of DDR3 products was reflected in the price of our DRAM chips in the last quarter of 2025. As a result, the upward cycle in the DRAM industry and the increase in the price of DDR3 products were yet to be reflected in our average selling price per GB for DRAM chips in 2025. The average market price of 12-inch wafers per GB amounted to RMB7.8 and RMB7.5 for 2023 and 2024, respectively. Our average selling price for DRAM chips per GB amounted to RMB19.8, RMB18.2 and RMB17.9 for 2023, 2024 and 2025, respectively, which was in line with the price trend of 12-inch wafers, our main raw materials for DRAM chips. Fluctuation of market prices of DRAM chip affects directly our average selling price, and the average selling price for DRAM chips in turn impacted our revenue from DRAM chips from 2023 to 2025. Please see "Industry Overview — Overview of the Global and China Niche DRAM Market — Average Selling Price Trend of DRAM" in this document. For the three years ended December 31, 2025, the average cost of sales per GB of our DRAM KGD wafers amounted to RMB22.9, RMB26.4 and RMB24.5, respectively. Our average selling price of DRAM KGD moved consistently with our procurement cost which amounted to RMB24.9 per GB, RMB28.4 per GB and RMB24.3 per GB, respectively, for the three years ended December 31, 2025. According to Frost & Sullivan, from 2023 to 2024, changes in the overall supply and demand of the market were relatively moderate. As a result, niche DRAM product prices remained relatively stable.

Revenue by geographical locations

The following table sets forth our revenue breakdown by geographical location of customers, each expressed in absolute amount and as a percentage of our total revenue, for the period indicated. The geographical location of customers is determined based on the place of incorporation of the customers who place order with us. During the Track Record Period, a significant portion of our revenue is generated from China (including Hong Kong and Taiwan) as well as other countries and regions in Asia.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
China (including Hong Kong and Taiwan)	468,724	80.8	499,361	77.3	971,327	87.8
Other countries and regions in Asia[1]	93,975	16.2	106,689	16.5	94,618	8.6
Western Europe	17,545	3.0	39,969	6.1	37,090	3.4
Other countries and regions[2]	102	0.0	382	0.1	1,854	0.2
Total	**580,346**	**100.0**	**646,401**	**100.0**	**1,104,889**	**100.0**

(1) Other countries and regions in Asia mainly include Japan and Singapore.

(2) Other countries and regions mainly include the United States and Israel.

Cost of Sales

Our cost of sales of goods and services comprises (i) raw materials, (ii) outsourced services, (iii) freight charges and (iv) production expenses. Raw materials mainly represent memory wafers. Outsourced services mainly represent outsourced packaging, testing and assembly services for DRAM chips and modules. Production expenses mainly represent depreciation expenses. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated both in absolute amount and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	386,812	69.2	446,611	76.2	788,488	85.1
Outsourced services	140,391	25.1	112,875	19.3	137,561	14.8
Freight charges	1,991	0.4	2,032	0.3	2,089	0.2
Production expenses	264	0.0	574	0.1	1,806	0.2
Cost of sales of goods and services	**529,458**	**94.7**	**562,092**	**95.9**	**929,944**	**100.3**
Impairment losses on inventories	29,684	5.3	24,026	4.1	(3,004)	(0.3)
Cost of sales	**559,142**	**100.0**	**586,118**	**100.0**	**926,940**	**100.0**

The following table sets forth a breakdown of our cost of sales of goods and services by product or service type for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
DRAM chips	444,022	83.9	386,491	68.8	499,199	53.7
DRAM modules	42,030	7.9	125,518	22.3	375,023	40.3
DRAM KGD wafers	43,406	8.2	50,083	8.9	47,051	5.1
AI memory-computing solutions and others	–	–	–	–	8,671	0.9
Total	**529,458**	**100.0**	**562,092**	**100.0**	**929,944**	**100.0**

Gross Profit/Loss and Gross Profit/Loss Margin

The following table sets forth a breakdown of gross profit/loss and gross profit/loss margin by product or service type for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*Gross margin (%)*	*RMB'000*	*Gross margin (%)*	*RMB'000*	*Gross margin (%)*
DRAM chips	40,142	8.3	67,900	14.9	108,625	17.9
DRAM modules	5,253	11.1	11,949	8.7	53,989	12.6
DRAM KGD wafers	3,675	7.8	3,945	7.3	(409)	(0.9)
AI memory-computing solutions and others	1,818	100.0	515	100.0	12,740	59.5
Gross profit before impairment losses on inventories	**50,888**	**8.8**	**84,309**	**13.0**	**174,945**	**15.8**
Gross profit/(loss)	**21,204**	**3.7**	**60,283**	**9.3**	**177,949**	**16.1**

We recorded gross profit of RMB21.2 million, RMB60.3 million and RMB177.9 million in 2023, 2024 and 2025, respectively. Our gross profit margin was 3.7%, 9.3% and 16.1% for 2023, 2024 and 2025, respectively. We recorded gross profit before impairment losses on inventories of RMB50.9 million, RMB84.3 million and RMB174.9 million in 2023, 2024 and 2025, respectively. Our gross profit margin before impairment losses on inventories for 2023, 2024 and 2025 was 8.8%, 13.0% and 15.8%, respectively.

The low gross profit and gross profit margin in 2023 was primarily due to the downturn of the DRAM industry. This period was characterized by an oversupply in the industry, as major manufacturers in the niche DRAM industry scaled up production in 2022, while growth in the demand in the end market fell short of expectations. To speed up inventory clearance, IDMs and other DRAM companies resorted to reduction in price, which collectively leading to a significant decrease in DRAM product market prices and an industry-wide decrease in gross profit margins. In 2023, we utilized inventories purchased before the decrease in DRAM product market prices, exerting pressure on our gross profit margin, resulting in relatively low margin. Our gross profit and gross profit margin improved in 2024 and 2025, primarily as the DRAM industry stabilized and we moved away from the predicament of having to dispose of expensive inventories, our gross profit margin improved.

The changes in the gross profit and gross profit margin of our DRAM chips during the Track Record Period are consistent and largely attributable to fluctuations in the niche DRAM industry. Gross profit margin of DRAM chips recovered in 2024 and 2025 due to the overall recovery of the DRAM industry.

We began to sell DRAM modules on a large scale in 2023. Gross profit margin of DRAM modules decreased from 11.1% in 2023 to 8.7% in 2024 primarily because our product mix under DRAM modules underwent adjustments in 2024. In response to market demand, we sold more DRAM modules with relatively lower gross profit margin in 2024.

We commenced sales of DRAM modules as a new business segment during the Track Record Period. The revenue contribution from DRAM modules was de minimis before 2023. We began to sell DRAM modules on a large scale in 2023. Scale of business of DRAM modules significantly ramped up which revenue increased from RMB47.3 million in 2023 to RMB137.5 million in 2024, and further to RMB429.0 million in 2025. As DRAM modules underwent significant expansion, more products were brought into the product mix to meet customer demand. As more products with relatively low margins entered into the product mix, the gross profit margin of DRAM modules decreased from 11.1% in 2023 to 8.7% in 2024. The gross profit margin of DRAM modules increased from 8.7% in 2024 to 12.6% in 2025 mainly due to the upward cycle in the DRAM industry in 2025, in particular DDR4 and DDR5 products which were mainly used in our DRAM modules business.

During the Track Record Period, we procured the majority of DRAM chips used in DRAM modules from third party suppliers, mainly because our DRAM modules are used in mainstream markets such as desktop computers, laptops and data centers, while our self-developed DRAM chips are positioned in niche markets. We used a small number of self-developed DRAM chips in our DRAM modules in 2023 which partially contributed to higher margins in the early-stage development of DRAM modules business. We had to use more DRAM chips from third party suppliers as our DRAM modules business expanded. In addition, as our DRAM modules underwent significant growth during the Track Record Period, our gross profit margin was partly affected by the strong negotiation power of large customers which we secured in the expansion of business.

The gross profit margin of our DRAM KGD wafers remained stable in 2023 and 2024. We recorded gross loss margin of 0.9% for our DRAM KGD wafers in 2025, which was primarily because (i) our DRAM KGD wafers underwent product model upgrade in 2025 and the old model product experienced decreasing gross profit margin, and (ii) we incurred higher costs for the new model which was at the tape-out stage.

Our AI memory-computing solutions and other business enjoyed a high gross profit margin during the Track Record Period as we provided design services in relation to high-bandwidth memory products, licensed out our technology and generated royalty fees with low or no additional cost to us.

Other Income and Gains

Other income and gains consist of (i) foreign exchange gain arising from fluctuations in exchange rate, (ii) government grants, which mainly relate to non-recurring grants from local governments in China for our research and development activities and operations, (iii) interest income from bank deposits and (iv) other miscellaneous income and gains, which include compensation for damaged goods and income from wealth management products. The following table sets forth a breakdown of the components of our other income in absolute amounts for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Foreign exchange gain	–	–	7,488	49.0	–	–
Government grants	1,930	78.1	6,214	40.7	6,103	75.3
Interest income	27	1.1	90	0.6	390	4.8
Others	513	20.8	1,494	9.7	1,614	19.9
Total	**2,470**	**100.0**	**15,286**	**100.0**	**8,107**	**100.0**

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee benefit expenses including wages and salaries, share-based payment expenses and pension scheme contributions for sales and marketing personnel, (ii) depreciation and amortization expenses, (iii) promotional expenses, (iv) travel and business development expenses, and (v) miscellaneous selling and marketing expenses including fees paid to our sales agents and other office expenses. Our selling and marketing expenses amounted to RMB32.4 million, RMB40.6 million and RMB27.9 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of the major components of our selling and marketing expenses, in absolute amounts and as percentages of our total selling and marketing expenses, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	23,066	71.0	33,698	83.0	21,024	75.5
Depreciation and amortization expenses	2,157	6.7	2,338	5.8	1,877	6.7
Promotional expenses	3,425	10.6	1,182	2.9	1,750	6.3
Travel and business development expenses	1,202	3.7	1,838	4.5	1,699	6.1
Miscellaneous selling and marketing expenses	2,580	8.0	1,553	3.8	1,502	5.4
Total	**32,340**	**100.0**	**40,609**	**100.0**	**27,852**	**100.0**

Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses including wages and salaries, share-based payment expenses and pension scheme contributions for administrative personnel, (ii) [**REDACTED**] expenses in relation to the proposed [**REDACTED**], (iii) depreciation and amortization expenses, (iv) consulting and professional service fees mainly in relation to legal fees and technology service fees, (v) travel and business development expenses, (vi) office expenses and (vii) other administrative expenses including surtaxes, stamp duty, bank charges and other miscellaneous administrative expenses. Our administrative expenses amounted to RMB153.2 million, RMB42.5 million and RMB62.4 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of the components of our administrative expenses, in absolute amounts and as percentages of our total administrative expenses, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	146,516	95.6	33,720	79.2	25,342	40.6
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortization expenses	1,245	0.8	3,316	7.8	8,032	12.9
Consulting and professional service fees	2,018	1.3	1,539	3.6	2,963	4.8

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Travel and business development expenses	1,017	0.7	1,004	2.4	1,390	2.2
Office expenses	561	0.4	665	1.6	1,395	2.2
Others	1,839	1.2	2,304	5.4	3,930	6.3
Total	**153,196**	**100.0**	**42,548**	**100.0**	**62,374**	**100.0**

Research and Development Expenses

Our research and development expenses consist of (i) employee benefit expenses including wages and salaries, share-based payment expenses and pension scheme contributions for R&D personnel, (ii) engineering service fees in relation to testing, (iii) depreciation and amortization expenses, (iv) software licensing fee, (v) material cost and (vi) other research and development expenses, including travel and business development expenses, consulting service fees, lease expenses, and other miscellaneous research and development expenses. Our research and development expenses amounted to RMB77.2 million, RMB95.8 million and RMB102.1 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of the components of our research and development expenses, in absolute amounts and as percentages of our total research and development expenses, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	29,907	38.8	53,857	56.2	60,264	59.0
Engineering service fees	29,590	38.3	17,812	18.6	16,747	16.4
Depreciation and amortization expenses	8,674	11.2	11,101	11.6	10,166	10.0
Software licensing fee	4,875	6.3	7,566	7.9	8,698	8.5
Material cost	1,815	2.3	2,851	3.0	1,964	1.9
Others	2,381	3.1	2,575	2.7	4,287	4.2
Total	**77,242**	**100.0**	**95,762**	**100.0**	**102,126**	**100.0**

Other Expenses

Our other expenses primarily include exchange loss, loss for damaged goods and compensation for termination of office lease. Our other expenses amounted to RMB1.6 million, RMB84 thousand and RMB2.9 million in 2023, 2024 and 2025, respectively.

Impairment Losses on Financial Assets

Our impairment losses on financial assets primarily relate to bad debt provisions of our trade receivables. We recorded impairment losses on financial assets of RMB0.4 million and RMB1.2 million in 2023 and 2024, respectively, and reversal of impairment losses on financial assets of RMB0.7 million in 2025.

Finance Costs

Our finance costs comprise (i) interest on interest-bearing bank borrowings and borrowings from related companies and (ii) interests on lease liabilities. Our finance costs amounted to RMB4.0 million, RMB5.2 million and RMB2.6 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of the major components of our financial costs, in absolute amounts and as percentages of our total finance costs, for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on interest-bearing bank and other borrowings and due to related parties	3,902	96.8	5,007	96.2	2,417	93.2
Interest on lease liabilities	128	3.2	198	3.8	177	6.8
Total	**4,030**	**100.0**	**5,205**	**100.0**	**2,594**	**100.0**

Income Tax Credit

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. We recorded income tax credit of RMB0.9 million, RMB0.9 million and RMB0.6 million in 2023, 2024 and 2025, respectively. As of the Latest Practicable Date, we did not have any disputes with any tax authorities.

China

Our subsidiaries incorporated in China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for these subject to tax preferential set out below:

Our Company was granted the qualification of High and New Technology Enterprises and was entitled to a preferential corporate income tax rate of 15% during the Track Record Period.

Certain subsidiaries of our Group have implemented the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC's State Administration of Taxation. Pursuant to the policy announced by the PRC's State Administration of Taxation, during the Track Record Period, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporate which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

Hong Kong

The subsidiary incorporated in Hong Kong is qualified as an entity under the two-tiered profits tax rates regime. Accordingly, it is subject to Hong Kong profits tax at the rate of 8.3% for taxable income not exceeding HK$2,000,000, and 16.5% for taxable income exceeding HK$2,000,000 on any estimated assessable profits arising in Hong Kong during the Track Record Period. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Japan

The subsidiary incorporated in Japan is qualified as an entity under the two-tiered profits tax rates regime. Accordingly, it is subject to Japan profits tax at the rate of 19% for taxable income not exceeding JPY8,000,000, and 23.2% for taxable income exceeding JPY8,000,000 on any estimated assessable profits arising in Japan during the Track Record Period. No provision for Japan profits tax has been made as our Group had no assessable profits derived from or earned in Japan during the Track Record Period.

Loss for the Year

As a result of the foregoing, we recorded loss of RMB244.3 million, RMB108.9 million and RMB10.5 million in 2023, 2024 and 2025, respectively.

Adjusted Net Profit/Loss (Non-IFRS Measure) for the Year

As a result of the foregoing, we recorded adjusted net loss (non-IFRS measure) of RMB93.2 million and RMB52.8 million in 2023 and 2024, respectively, and adjusted net profit (non-IFRS measure) of RMB26.1 million in 2025.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our total revenue increased by 70.9% from RMB646.4 million in 2024 to RMB1,104.9 million in 2025, primarily due to the increase in revenue from DRAM modules and DRAM chips, partially offset by the decrease in revenue from DRAM KGD wafers.

Revenue from our sales of DRAM chips increased by 33.8% from RMB454.4 million in 2024 to RMB607.8 million in 2025, primarily due to the increase in the sales volume from 25.0 million GB in 2024 to 33.9 million GB in 2025 which was attributable to increased demand from customers.

Revenue from our sales of DRAM modules increased by 212.1% from RMB137.5 million in 2024 to RMB429.0 million in 2025, primarily because we scaled up our IT application innovation business resulting in a significant increase of sales volume from 7.2 million GB in 2024 to 18.5 million GB in 2025. We developed major customers including Customer Group D and Customer E for our DRAM modules business.

Revenue from our sales of DRAM KGD wafers decreased by 13.7% from RMB54.0 million in 2024 to RMB46.6 million in 2025, primarily due to the decrease in the average selling price per GB of DRAM KGD wafers in 2025 as our DRAM KGD wafers underwent product model upgrade from 38 nm to 25 nm and some of our 25 nm DRAM KGD wafers products were at tape-out stage and have not commenced mass production. As the 38 nm DRAM KGD wafers were expected to experience decreasing prices, we did not actively promote 38 nm DRAM KGD wafers in 2024 but instead focused on the R&D, in particular techniques for the mass production of 25 nm DRAM KGD wafers. In addition, to the best knowledge of our Directors, some customers who had originally planned to purchase 38 nm DRAM KGD wafers may have postponed their orders in anticipation of our upcoming 25 nm products.

Revenue from our AI memory-computing solutions and other business increased from RMB0.5 million in 2024 to RMB21.4 million in 2025 primarily due to (i) design services and technology licensing in relation to high-bandwidth memory products provided to a leading semiconductor company specializing in advanced chip design and (ii) sales of our silicon interposer solutions to Enrigin Technology Co., Ltd. ("**Enrigin**"), a leading AI computing chip company, in 2025.

Cost of sales

Our cost of sales increased by 58.1% from RMB586.1 million in 2024 to RMB926.9 million in 2025, primarily due to the increase in the cost of sales of goods and services from RMB562.1 million to RMB929.9 million. The increase in the cost of sales of goods and services was primarily driven by the increase in raw materials from RMB446.6 million to RMB788.5 million in line with our business growth. We recorded impairment losses on inventories of RMB24.0 million in 2024 and reversal of impairment losses of RMB3.0 million in 2025, primarily due to the increase in the net realizable value of inventories.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 195.2% from RMB60.3 million in 2024 to RMB177.9 million in 2025. Our overall gross profit margin increased from 9.3% in 2024 to 16.1% in 2025, mainly due to (i) the increase in gross profit margin of DRAM chips from 14.9% in 2024 to 17.9% in 2025 further attributable to the overall recovery of the DRAM industry as we strategically purchased some DRAM wafers before the increase in market price in anticipation of the market recovery; (ii) the increase in gross profit margin of DRAM modules from 8.7% in 2024 to 12.6% in 2025 further attributable to the upward cycle in the DRAM industry in 2025, in particular DDR4 and DDR5 products which were mainly used in our DRAM modules business.

Other Income and Gains

Our other income and gains decreased from RMB15.3 million in 2024 to RMB8.1 million in 2025, primarily due to the decrease in foreign exchange gain from RMB7.5 million in 2024 to nil in 2025 further due to the fluctuations in the exchange rate between the U.S. dollar and RMB.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 31.4% from RMB40.6 million in 2024 to RMB27.9 million in 2025, primarily due to the decrease in employee benefit expenses from RMB33.7 million in 2024 to RMB21.0 million in 2025, further attributable to the decrease in share-based payment expenses from RMB21.9 million to RMB1.9 million.

Administrative Expenses

Our administrative expenses increased by 46.6% from RMB42.5 million in 2024 to RMB62.4 million in 2025, primarily due to (i) the increase in [**REDACTED**] expenses from [**REDACTED**] in 2024 to [**REDACTED**] in 2025, and (ii) the increase in depreciation and amortization expenses from RMB3.3 million in 2024 to RMB8.0 million in 2025.

Research and Development Expenses

Our research and development expenses increased by 6.6% from RMB95.8 million in 2024 to RMB102.1 million in 2025, primarily due to (i) increase in employee benefit expenses from RMB53.9 million in 2024 to RMB60.3 million in 2025, further attributable to the increase in wages and salaries from RMB32.0 million in 2024 to RMB44.6 million in 2025 further due to the increase in the number of our R&D personnel. Our research and development expenses (excluding share-based payments) increased from RMB78.9 million in 2024 to RMB93.1 million in 2025.

Other Expenses

Our other expenses increased from RMB84 thousand in 2024 to RMB2.9 million in 2025 mainly due to the increase in foreign exchange loss.

Reversal of impairment losses/impairment losses on financial assets

We recorded impairment losses on financial assets, mainly trade receivables, of RMB1.2 million in 2024 and reversal of impairment losses on financial assets of RMB0.7 million in 2025, due to the decrease in trade receivables aged over three months.

Finance Costs

Our finance costs decreased by 50.2% from RMB5.2 million in 2024 to RMB2.6 million in 2025.

Income Tax Credit

We recorded income tax credit of RMB0.9 million and RMB0.6 million in 2024 and 2025, respectively.

Loss for the Year

As a result of the foregoing, our net loss decreased by 90.0% from RMB108.9 million in 2024 to RMB10.5 million in 2025.

Adjusted Net Profit/Loss (Non-IFRS Measure) for the Year

As a result of the foregoing, we recorded adjusted net loss (non-IFRS measure) of RMB52.8 million in 2024 and adjusted net profit (non-IFRS measure) of RMB26.1 million in 2025.

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

Revenue

Our total revenue increased by 11.4% from RMB580.3 million in 2023 to RMB646.4 million in 2024, primarily due to the increase in revenue from sales of DRAM modules as we shifted our product mix, primarily due to the increase in revenue from DRAM modules, partially offset by the decrease in revenue from DRAM chips.

Revenue from our sales of DRAM chips decreased by 6.1% from RMB484.2 million in 2023 to RMB454.4 million in 2024, primarily due to the decrease in the average selling price per GB of DRAM chips from RMB19.8 in 2023 to RMB18.2 in 2024 which was attributable to a change in our product mix as we sold more DRAM chips of large capacity in 2024. The effect of the decrease in the average selling price is partially offset by the increase in the sales volume from 24.4 million GB in 2023 to 25.0 million GB in 2024, attributable to the market recovery.

Revenue from our sales of DRAM modules increased by 190.7% from RMB47.3 million in 2023 to RMB137.5 million in 2024, primarily because (i) we scaled up our IT application innovation business resulting in an increase of sales volume and (ii) the average selling price of DRAM modules we sold in 2024 also increased.

Revenue from our sales of DRAM KGD wafers increased by 14.8% from RMB47.1 million in 2023 to RMB54.0 million in 2024, primarily due to (i) the increase in the average selling price per GB of DRAM KGD wafers from RMB24.9 in 2023 to RMB28.4 in 2024, and (ii) the slight increase in the sales volume of DRAM KGD wafers from 1,893 thousand GB in 2023 to 1,900 thousand GB in 2024, reflecting a growing market demand for our products which is consistent with the recovery of DRAM market in general.

Revenue from our AI memory-computing solutions and other business decreased by 71.7% from RMB1.8 million in 2023 to RMB0.5 million in 2024.

Cost of Sales

Our cost of sales increased by 4.8% from RMB559.1 million in 2023 to RMB586.1 million in 2024, primarily due to the increase in the cost of sales of goods and services from RMB529.5 million in 2023 to RMB562.1 million in 2024. The increase in the cost of sales of goods and services was primarily driven by the increase in raw materials from RMB386.8 million in 2023 to RMB446.6 million in 2024 further due to the increase in the price of memory wafers in 2024, partially offset by the decrease in the amount of outsourced services from RMB140.4 million in 2023 to RMB112.9 million in 2024, which was due to the decrease in the number of DRAM chips we sold further attributable to the change in our product mix as we sold more DRAM chips of large capacity in 2024. Impairment losses on inventories decreased by 19.1% from RMB29.7 million in 2023 to RMB24.0 million in 2024 due to the more moderate decline in the market price of niche DRAM products in 2024.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB21.2 million in 2023 to RMB60.3 million in 2024. Our overall gross profit margin increased from 3.7% in 2023 to 9.3% in 2024. The relatively low gross profit and gross profit margin for 2023 was primarily due to decreased gross profit in DRAM products, which were impacted by the downturn in the DRAM industry. Benefitting from the recovery in the DRAM market and our decision to develop DRAM modules, we achieved a significant increase in gross profit from 2023 to 2024. As the market began to recover and we moved away from the predicament of having to dispose of expensive inventories, our gross profit margin improved.

Other Income and Gains

Our other income and gains increased by 518.9% from RMB2.5 million in 2023 to RMB15.3 million in 2024, which was primarily attributable to (i) the increase in foreign exchange gain from nil in 2023 to RMB7.5 million in 2024 further due to the fluctuations in the exchange rate between the U.S. dollar and RMB, and (ii) the increase in government grants from RMB1.9 million in 2023 to RMB6.2 million in 2024 as we received more government grants for our research and development activities in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 25.2% from RMB32.4 million in 2023 to RMB40.6 million in 2024, primarily due to the increase in employee benefit expenses from RMB23.0 million in 2023 to RMB33.7 million in 2024 further attributable to (i) the increase in share-based payment expenses from RMB15.0 million in 2023 to RMB21.9 million in 2024, and (ii) the increase in wages and salaries from RMB6.4 million in 2023 to RMB9.4 million in 2024 further due to the increase in the number of our sales personnel as we expanded our sales efforts.

Administrative Expenses

Our administrative expenses decreased by 72.2% from RMB153.2 million in 2023 to RMB42.5 million in 2024, primarily due to the decrease in employee benefit expenses from RMB146.5 million in 2023 to RMB33.7 million in 2024 further due to the decrease in share-based payment expenses from RMB135.0 million in 2023 to RMB17.3 million in 2024.

Research and Development Expenses

Our research and development expenses increased by 24.0% from RMB77.2 million in 2023 to RMB95.8 million in 2024, primarily due to the increase in employee benefit expenses from RMB29.9 million in 2023 to RMB53.9 million in 2024 further attributable to (i) the increase in share-based payment expenses from RMB1.2 million in 2023 to RMB16.9 million in 2024, and (ii) the increase in wages and salaries from RMB24.5 million in 2023 to RMB32.0 million in 2024 further due to the increase in the number of our R&D personnel.

Other Expenses

Our other expenses decreased by 94.9% from RMB1.6 million in 2023 to RMB84 thousand in 2024.

Impairment Losses on Financial Assets

Our impairment losses on financial assets, mainly trade receivables, increased by 236.8% from RMB0.4 million in 2023 to RMB1.2 million in 2024, further due to the increase in the balance of trade receivables.

Finance Costs

Our finance costs increased by 29.2% from RMB4.0 million in 2023 to RMB5.2 million in 2024, primarily due to the increase in the interest on interest-bearing bank borrowings and borrowings from related companies from RMB3.9 million in 2023 to RMB5.0 million in 2024 further due to the increase in our borrowings in 2024 compared to 2023.

Income Tax Credit

Our income tax credit remained relatively stable at RMB0.9 million in 2023 and 2024.

Loss for the Year

As a result of the foregoing, our net loss decreased by 55.4% from RMB244.3 million in 2023 to RMB108.9 million in 2024.

Adjusted Net Loss (Non-IFRS Measure) for the Year

As a result of the foregoing, our adjusted net loss (non-IFRS measure) decreased by 43.3% from RMB93.2 million in 2023 to RMB52.8 million in 2024.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment are comprised of (i) machinery, (ii) office equipment and electronic devices, (iii) vehicles, (iv) leasehold improvements, (v) construction in progress and (vi) buildings.

The following table sets forth the key components of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Machinery	10,142	39,714	44,754
Office equipment and electronic devices	3,870	5,468	5,095
Vehicles	67	46	44
Leasehold improvements	872	2,206	2,774
Construction in progress	50,331	–	–
Buildings	–	21,630	22,614
Total	**65,282**	**69,064**	**75,281**

Our property, plant and equipment increased from RMB65.3 million as of December 31, 2023 to RMB69.1 million as of December 31, 2024, and further increased to RMB75.3 million as of December 31, 2025, primarily because we acquired new equipment and machinery in 2024 and 2025. Our construction in progress decreased from RMB50.3 million as of December 31, 2023 to nil as of December 31, 2024 as the construction in progress was transferred to buildings and machinery.

Goodwill

As of December 31, 2023, 2024 and 2025, our goodwill amounted to RMB24.1 million, RMB24.5 million and RMB24.0 million, respectively. Our goodwill arose from our acquisition of Zentel Japan, and the changes as of December 31, 2023, 2024 and 2025 were primarily due to fluctuations in the exchange rate.

We conducted impairment test on our goodwill as of December 31, 2023, 2024 and 2025. The recoverable amount of the Zentel Japan cash-generating unit has been determined based on a value-in-use calculation using cash flow projections. We have used assumptions in the value-in-use calculation of the Zentel Japan cash-generating unit during the Track Record Period. The key assumptions on which we have based our cash flow projections to undertake impairment testing of goodwill are (i) budgeted revenue — amounts of the budgeted sales are based on the historical data and our expectation of the future market; (ii) budgeted gross margins — the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year; and (iii) discount rate — the discount rate used is before tax and reflects specific risks relating to the relevant unit.

We have performed a sensitivity test by decreasing the budgeted gross margin by 1% or increasing the discount rates by 1%, with all other assumptions held constant. The impacts on the amount by which the Zentel Japan cash-generating unit's recoverable amount exceeds its carrying amount (headroom) are as follows:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Headroom	237,039	559,305	707,388
Impact by decreasing budgeted gross margins	(127,395)	(149,658)	(174,501)
Impact by increasing discount rates	(77,823)	(90,894)	(114,494)

Considering there was still sufficient headroom based on the assessment, we believe that a reasonably possible change in the above key parameters would not cause the carrying amount of the Zentel Japan cash-generating unit to exceed its recoverable amount as of December 31, 2023, 2024 and 2025. For details on the impairment assessment on goodwill, see Note 15 to the Accountants' Report in Appendix I to this document.

Other Intangible Assets

Our other intangible assets are comprised of (i) software, (ii) patents and licenses and (iii) trademark.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Software	57	1,392	1,914
Patents and licenses	18,428	12,285	6,834
Trademark	5,191	3,457	1,803
Total	**23,676**	**17,134**	**10,551**

Our other intangible assets decreased from RMB23.7 million as of December 31, 2023 to RMB17.1 million as of December 31, 2024, further to RMB10.6 million as of December 31, 2025, primarily due to the amortization charges during the relevant periods. Our software increased from RMB57 thousand as of December 31, 2023 to RMB1.4 million as of December 31, 2024 and further to RMB1.9 million as of December 31, 2025 as we acquired new software for office use.

Inventories

Our inventories are comprised of (i) raw materials primarily including memory wafers, (ii) work in progress, which includes items still in production, such as partially assembled or packaged products, or products undergoing testing, and (iii) finished goods, such as DRAM products that are fully manufactured, tested, packaged, and ready for sale. The value of our inventories accounted for 47.7%, 48.3% and 50.2% of our total current assets as of December 31, 2023, 2024 and 2025, respectively. The following table sets forth the key components of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	47,360	8,413	1,188
Work in progress	96,732	62,700	111,183
Finished goods	43,892	105,709	191,451
	187,984	176,822	303,822

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Less: provision for impairment losses on inventories	(29,681)	(24,009)	(4,467)
Total	**158,303**	**152,813**	**299,355**

Our inventories remained relatively stable at RMB152.8 million as of December 31, 2024 compared to RMB158.3 million as of December 31, 2023. The finished goods increased from RMB43.9 million as of December 31, 2023 to RMB105.7 million as of December 31, 2024 mainly due to the increase in the volume of DRAM module inventories. Our inventories increased to RMB299.4 million as of December 31, 2025 mainly due to the increase in work in progress and finished goods driven by the growth of our DRAM chips and DRAM modules business.

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

As of March 31, 2026, RMB212.2 million, or 69.8% of our inventories before impairment as of December 31, 2025, had been used, consumed or sold subsequent to December 31, 2025.

The following table is an aging analysis of our inventories before impairment during the Track Record Period:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 2 months	127,239	72,652	236,478
2 to 5 months	25,420	40,944	43,254
Over 5 months	35,325	63,226	24,090
Total	**187,984**	**176,822**	**303,822**

The following table sets forth our inventory turnover days for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	115	97	89

Note:

(1) Calculated based on the average balance of inventory (after allowance) divided by the cost of sales for the relevant year multiplied by 365 days for the year. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant year divided by two.

Our inventory turnover days decreased from 115 days in 2023 to 97 days in 2024, and further decreased to 89 days in 2025, primarily due to our improved inventory utilization efficiency.

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Our Directors believe that our inventory allowance policy is in compliance with the IFRSs and that the inventory allowance recognized during the Track Record Period were adequate.

Trade Receivables

Trade receivables represent outstanding amounts due from our customers for our products and services performed in the ordinary course of business. A trade receivable is recorded when we have an unconditional right to receive consideration.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	100,796	115,090	154,551
Less: Impairment of trade receivables	(1,191)	(2,367)	(1,645)
Net carrying amount	**99,605**	**112,723**	**152,906**

Our trade receivables increased from RMB99.6 million as of December 31, 2023 to RMB112.7 million as of December 31, 2024 and further to RMB152.9 million as of December 31, 2025, primarily due to our business growth.

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

	Year ended December 31,		
	2023	2024	2025
Turnover days of our trade receivables[(1)]	46	60	44

Note:

(1) Trade receivables turnover days are calculated based on the average of the beginning and ending balances of our trade receivables (after impairment) for that period divided by revenue for that period and multiplied by 365 days.

The turnover days of our trade receivables increased from 46 days in 2023 to 60 days in 2024, primarily due to the increase in our trade receivables further due to our business growth in 2024. In addition, we further scaled up the sale of DRAM modules in 2024. Most of our DRAM module customers are direct sales customers rather than distributors. Distributors generally prepay us or are offered a shorter credit period. The credit period of direct sales customers is usually longer than distributors as direct sales customers typically negotiate for a longer credit period, and hence resulted in increased trade receivables turnover days. We granted credit period of 60 days to new major direct sales customers for DRAM modules in 2024. The turnover days of our trade receivables decreased to 44 days in 2025 compared to 60 days in 2024 mainly due to our collection efforts.

We normally allow a credit period of one month to our customers and extend up to three months. The following table is an aging analysis of the net carrying amount of our trade receivables during the Track Record Period:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	68,855	42,933	57,101
1 to 2 months	16,553	32,869	59,714
2 to 3 months	12,460	20,443	29,939
Over 3 months	1,737	16,478	6,152
Total	**99,605**	**112,723**	**152,906**

Trade receivables aged over three months increased from RMB1.7 million as of December 31, 2023 to RMB16.5 million as of December 31, 2024 due to delayed payment from a counterparty, ADATA. ADATA is our supplier of DRAM modules. Under the previous business model, we sold DRAM chips to ADATA which would process the DRAM chips into DRAM modules before selling the DRAM modules back to us. Under the new business model, we pay service fees for the DRAM modules processed by another company of the ADATA Group, namely ADVANCED DATA TECHNOLOGY (SUZHOU) CO., LTD. Due to the change of the business model, the processing of the last batch of our DRAM chips was delayed and hence a payment from ADATA was delayed. The delayed payment due from ADATA was settled as of the Latest Practicable Date. Under the new business model, we do not expect material delay in payment from ADATA which was inherent from the previous business model.

We manage the collection of our trade receivables by reviewing our internal policy for trade receivables from time to time and ensuring that our trade receivable collection measures have been implemented. We regularly review our customers' payment history and also review the aging of our trade receivables on a monthly basis. We assign designated personnel to liaise with different customers and proactively follow up with customers if any trade receivables are overdue. We believe our credit control measures are appropriate. We implemented such measures in early 2025 which are effective as demonstrated by a decrease in our trade receivables turnover days of 44 days in 2025 compared to 60 days in 2024, notwithstanding our business growth in 2025.

As of March 31, 2026, RMB147.7 million, or 95.5% of our trade receivables before impairment as of December 31, 2025, had been subsequently settled.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets consist of (i) deposits, (ii) other tax recoverable, (iii) prepayments, (iv) prepaid expenses, (v) deferred [**REDACTED**] expenses and (vi) other receivables. As of December 31, 2023, 2024 and 2025, our prepayments, other receivables and other assets amounted to RMB42.1 million, RMB21.9 million and RMB110.9 million, respectively.

The following table sets forth the key components of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deposits	34,280	1,047	1,825
Other tax recoverable	1,939	9,467	20,915
Prepayments	4,890	9,622	81,440
Prepaid expenses	1,052	1,765	4,472

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	42,161	21,901	110,922
Impairment allowance	(51)	(44)	(44)
Total	**42,110**	**21,857**	**110,878**

Deposits primarily include land and rental deposits. Deposits decreased from RMB34.3 million as of December 31, 2023 to RMB1.0 million as of December 31, 2024, primarily due to the refund of the land deposits. Deposits remained relatively stable at RMB1.8 million as of December 31, 2025.

Other tax recoverable primarily include deductible input VAT. Other tax recoverable increased from RMB1.9 million as of December 31, 2023 to RMB9.5 million as of December 31, 2024, and further to RMB20.9 million December 31, 2025 primarily due to the increase in the import deductible input VAT in each year.

Prepayments primarily include prepayments for equipment and raw materials such as memory wafers. Prepayments increased from RMB4.9 million as of December 31, 2023 to RMB9.6 million as of December 31, 2024, and further to RMB81.4 million as of December 31, 2025, primarily due to the increase in prepayments for raw materials.

Prepaid expenses primarily include prepayments for software licenses. Prepaid expenses increased from RMB0.9 million as of December 31, 2023 to RMB1.5 million as of December 31, 2024 and further to RMB4.5 million as of December 31, 2025.

Deferred [**REDACTED**] expenses relates to our proposed [**REDACTED**] and amounted to [**REDACTED**], [**REDACTED**] and [**REDACTED**] as of December 31, 2023, 2024 and 2025, respectively.

As of March 31, 2026, RMB89.8 million, or 81.0% of our prepayments, other receivables and other assets before impairment outstanding as of December 31, 2025 had been subsequently used or collected.

Trade Payables

Our trade payables mainly represent payables to our suppliers. Trade payables remained relatively stable at RMB94.8 million as of December 31, 2024 compared to RMB98.5 million as of December 31, 2023. Our trade payables increased from RMB94.8 million as of December 31, 2024 to RMB125.0 million as of December 31, 2025 as our business grew.

The credit term we receive from our suppliers is generally seven to 60 days. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	74,714	72,330	87,650
1 to 2 months	23,816	19,693	37,349
2 to 3 months	–	751	–
Over 3 months	–	2,070	–
Total	**98,530**	**94,844**	**124,999**

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

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days[(1)]	53	60	43

Note:

(1) Trade payables turnover days are calculated based on the average of the beginning and ending trade payables balances, divided by total cost of sales for that year, multiplied by 365 days.

The turnover days of our trade payables increased from 53 days in 2023 to 60 days in 2024, primarily because we better utilized credit periods granted to us. The turnover days of our trade payables decreased to 43 days in 2025.

As of March 31, 2026, RMB125.0 million, or 100.0% of our trade payables as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) contract liabilities, (ii) payroll and welfare payable, (iii) other tax payables, (iv) deposits, (v) due to a third party, (vi) accrual for [**REDACTED**] expenses and (vii) other miscellaneous payables and accruals. As of December 31, 2023, 2024 and 2025, our other payables and accruals amounted to RMB9.6 million, RMB47.3 million and RMB33.1 million, respectively.

The following table sets forth the key components of our other payables and accrued expenses as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	5,306	4,281	11,722
Payroll and welfare payable	3,380	7,086	13,968
Other tax payables	654	613	1,324
Deposits	122	–	17
Due to a third party	–	35,038	–
Payable for [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	153	289	335
Total	**9,615**	**47,307**	**33,128**

Contract liabilities primarily represent the advances received from customers to deliver our products. Contract liabilities amounted to RMB5.3 million, RMB4.3 million and RMB11.7 million as of December 31, 2023, 2024 and 2025, respectively.

Payroll and welfare payable increased from RMB3.4 million as of December 31, 2023 to RMB7.1 million as of December 31, 2024 primarily due to the increase in the number of our employees in 2024. Payroll and welfare payable decreased from RMB7.1 million as of December 31, 2024 to RMB14.0 million as of December 31, 2025, primarily due to the increase in the number of our employees in 2025 and the increase in bonus payable.

Other tax payables primarily include individual income tax and stamp duty payables. Other tax payables amounted to RMB0.7 million, RMB0.6 million and RMB1.3 million as of December 31, 2023, 2024 and 2025, respectively.

Deposits primarily include deposits from potential customers. Deposits amounted to RMB0.1 million, nil, RMB17 thousand as of December 31, 2023, 2024 and 2025, respectively.

We recorded due to a third party of RMB35.0 million as of December 31, 2024 because we obtained temporary financing from a third party. The amount due to a third party of RMB35.0 million was repaid in May 2025. The third party is Linzhi Dingfu, which (i) is a limited partner holding approximately 27.47% of Tianjin Dingying, one of our [**REDACTED**] Investors, and (ii) controls Tianjin Haoxin, one of our Shareholders, together with Mr. Yao Guishi. For further information of Linzhi Dingfu, see "History — [**REDACTED**] Investments — Background of the [**REDACTED**] Investors — Tianjin Dingying" in this document. Save as disclosed above, to the best knowledge, information and belief of the Company, there is no other past or present relationship (including, without limitation, family, business, financing, employment or otherwise) between Linzhi Dingfu and the Company or its subsidiaries, their directors, shareholders, senior management, supervisors and their respective associates. We obtained temporary financing from Linzhi Dingfu, an indirect Shareholder, mainly due to our need for operational cash flows for business expansion and the favorable commercial terms offered by Linzhi Dingfu compared with commercial banks at the material time including an interest rate of 3% per annum and no security requirements. Linzhi Dingfu is primarily engaged in venture capital investment and management and private equity fund management. To the best knowledge, information and belief of the Company, the source of funds in respect of the loan provided to us by Linzhi Dingfu is Linzhi Dingfu's own funds. The repayment term is up to March 31, 2025 and subject to mutual consensus to extend. Linzhi Dingfu provided temporary financing to us as Linzhi Dingfu was aware of our need for short-term operational cash flows and considered it was in line with its own interest as an indirect Shareholder to provide funding to us for our business expansion.

Payable for [**REDACTED**] expenses relate to our proposed [**REDACTED**] and amounted to [**REDACTED**], [**REDACTED**] and [**REDACTED**] as of December 31, 2023, 2024 and 2025, respectively.

Other payables primarily include payables for employee reimbursements and other miscellaneous payables. Other payables amounted to RMB0.2 million, RMB0.3 million and RMB0.3 million as of December 31, 2023, 2024 and 2025, respectively.

As of March 31, 2026, RMB27.0 million, or 81.6% of our other payables and accruals outstanding as of December 31, 2025 were settled.

RELATED-PARTY TRANSACTIONS

The following table sets forth the amount advanced to and repaid by us to related parties for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advances from related parties			
Eaglestream Technology	7,083	–	–
Beijing Guangtai Huixin Investment Consulting Co., Ltd.* (北京廣泰匯鑫投資顧問有限公司)(1)	–	65,000	–
Total	**7,083**	**65,000**	**–**

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Repayment of advances from related parties and interest			
Eaglestream Technology	–	–	201,418
Beijing Guangtai	10,127	65,813	328
Total	**10,127**	**65,813**	**201,746**

The following table sets forth a breakdown of our outstanding balances with related parties as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Due to related parties			
Non-trade-related			
Beijing Guangtai(1)	237	328	–
Eaglestream Technology(2)	194,855	201,551	–
Total	**195,092**	**201,879**	**–**

Notes:

(1) Beijing Guangtai is principally engaged in investment, investment consulting and enterprise management and is ultimately wholly owned by Mr. Ying. The revenue of Beijing Guangtai for 2024 was RMB0.8 million. The outstanding balance was repaid in February 2025. To the best knowledge, information and belief of the Company, the source of funds in respect of the loans provided to us by Beijing Guangtai is Mr. Ying.

(2) Eaglestream Technology is principally engaged in investment and enterprise management and is ultimately wholly owned by Mr. Ying. The revenue of Eaglestream Technology for 2024 was USD0.5 million. The outstanding balance was repaid in May 2025. To the best knowledge, information and belief of the Company, the source of funds in respect of the loans provided to us by Eaglestream Technology is Mr. Ying.

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related-party transactions set out in Note 33 in the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's-length basis between the relevant parties and was entered into on normal commercial terms. We borrowed from related parties and a third party in the Track Record Period. The commercial terms offered by the related parties and the third party to us were no less favorable than bank borrowings, particularly taking into account the fact that the we did not provide any security for the loans. The commercial terms included (i) annual interest rates which were not materially different from the bank borrowings available at the material time, and (ii) fixed but negotiable repayment term for borrowings from related parties and the third party subject to mutual consensus, and we may repay when we had surplus funds, which was more flexible than bank borrowings. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

INDEBTEDNESS AND CONTINGENT LIABILITIES

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current				
Interest-bearing bank and other borrowings	–	28,026	90,000	260,179
Lease liabilities	2,100	2,692	2,296	3,125
Due to related parties	195,092	201,879	–	–
Due to a third party	–	35,038	–	–
Subtotal	**197,192**	**267,635**	**92,296**	**263,304**
Non-current				
Lease liabilities	–	1,509	3,307	3,159
Total	**197,192**	**269,144**	**95,603**	**266,462**

Interest-Bearing Bank Borrowings

Our interest-bearing bank borrowings represent unsecured bank loans which are primarily used for our day-to-day operations and to manage our cashflow. We recorded interest-bearing bank borrowings of nil, RMB28.0 million, RMB90.0 million and RMB260.2 million as of December 31, 2023, 2024 and 2025, and March 31, 2026, respectively. We had no impediments or difficulties in obtaining borrowings from commercial banks during the Track Record Period and up to the Latest Practicable Date. For interest rate profile of our borrowings during the Track Record Period, see Note 26 to the Accountants' Report in Appendix I to this document.

As of the Latest Practicable Date, we had unutilized banking facilities of RMB100 million. Except for incurring additional bank borrowings from time to time in the ordinary course of business, we currently have no material external debt financing plan before or shortly after the [**REDACTED**].

Lease Liabilities

Our lease liabilities represent the payment obligations on our leases in relation to our leased properties that are used mainly as our offices. Our lease liabilities increased from RMB2.1 million as of December 31, 2023 to RMB4.2 million as of December 31, 2024, further to RMB5.6 million as of December 31, 2025, and further increased to RMB6.3 million as of March 31, 2026, primarily because we entered into new lease agreements during the period.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current	2,100	2,692	2,296	3,125
Non-current	–	1,509	3,307	3,159
Total	**2,100**	**4,201**	**5,603**	**6,283**

Except as disclosed above and apart from normal trade and other payables, and due to related companies, as of March 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or contingent liabilities.

Since March 31, 2026 and up to the date of this document, there has not been any material change in our indebtedness and contingent liabilities, and our Directors confirm that we did not have any external financing plans as of the Latest Practicable Date. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities.

Net Current Assets/Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
CURRENT ASSETS				
Inventories	158,303	152,813	299,355	614,885
Trade receivables	99,605	112,723	152,906	190,653
Prepayments, other receivables and other assets	41,582	16,158	101,371	259,461
Cash and cash equivalents	32,688	34,674	43,003	56,293
Financial assets at fair value through profit or loss	–	–	–	5,000
Total current assets	**332,178**	**316,368**	**596,635**	**1,126,292**
CURRENT LIABILITIES				
Trade payables	98,530	94,844	124,999	293,261
Other payables and accruals	9,615	47,307	33,128	19,642
Due to related companies	195,092	201,879	–	–
Interest-bearing bank borrowings	–	28,026	90,000	260,179
Lease liabilities	2,100	2,692	2,296	3,125
Deferred income	–	589	589	589
Tax payable	262	239	239	322
Total current liabilities	**305,599**	**375,576**	**251,251**	**577,118**
Net current assets/(liabilities)	**26,579**	**(59,208)**	**345,384**	**549,174**

We had net current assets of RMB26.6 million, RMB345.4 million and RMB549.2 million as of December 31, 2023, and 2025 and March 31, 2026, respectively, net current liabilities of RMB59.2 million as of December 31, 2024.

We recorded net current assets of RMB26.6 million as of December 31, 2023 and net current liabilities of RMB59.2 million as of December 31, 2024, primarily due to (i) an increase of RMB37.7 million in other payables and accruals, (ii) an increase of RMB28.0 million in interest-bearing bank borrowings; (iii) a decrease of RMB25.4 million in prepayments, other receivables and other assets, partially offset by an increase of RMB13.1 million in trade receivables. The change from net current assets to net current liabilities position was mainly due to the loss of RMB108.9 million in 2024. See "Period-to-Period Comparison of Results of Operations" in this section for detailed reasons of the loss. In addition, we did not obtain long-term loan or equity financing in 2024.

We recorded net current liabilities of RMB59.2 million as of December 31, 2024 and net current assets of RMB345.4 million as of December 31, 2025, primarily due to (i) a decrease of RMB201.9 million in due to related companies further due to cash received from our [**REDACTED**] investment, (ii) an increase of RMB146.5 million in inventories, (iii) an increase of RMB85.2 million in prepayments, other receivables and other assets, and (iv) an increase of RMB40.2 million in trade receivables, partially offset by an increase in interest-bearing bank borrowings of RMB62.0 million.

Our net current assets increased from RMB345.4 million as of December 31, 2025 to RMB549.2 million as of March 31, 2026, primarily due to (i) an increase of RMB315.5 million in inventories, and (ii) an increase of RMB158.1 million in prepayments, other receivables and other assets, partially offset by (i) an increase in interest-bearing bank borrowings of RMB170.2 million, and (ii) an increase in trade payables of RMB168.3 million.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from [**REDACTED**] from our business operations, bank borrowings, and shareholder equity contribution. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations and bank borrowings, together with the net [**REDACTED**] from the [**REDACTED**]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

We had cash and cash equivalents of RMB32.7 million, RMB34.7 million and RMB43.0 million as of December 31, 2023, 2024 and 2025, respectively.

Consolidated Statements of Cash Flows

The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the periods indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash used in operations	(55,560)	(18,054)	(191,906)
Interest received	27	90	390
Income tax paid	(7,350)	(269)	(603)
Net cash flows used in operating activities	(62,883)	(18,233)	(192,119)
Net cash flows from/(used in) investing activities	28,318	(10,857)	(21,617)
Net cash flows from financing activities	19,274	31,746	222,225

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net (decrease)/increase in cash and cash equivalents	(15,291)	2,656	8,489
Cash and cash equivalents at the beginning of the year	47,913	32,688	34,674
Effect of foreign exchange differences, net	66	(670)	(160)
Cash and cash equivalents at the end of the year	**32,688**	**34,674**	**43,003**

Net Cash Flows Used In Operating Activities

We derive our cash inflows from operations principally from the receipts in respect of the sales of our products and services. Our cash outflows from operations are principally payments for cost of sales, including raw materials and outsourced services, selling and marketing expenses, administrative expenses and research and development costs.

Cash used in operations reflects our loss before income tax, adjusted for (i) non-cash and non-operating items, such as depreciation and amortization and impairment allowances and (ii) the effects of changes in our working capital, such as changes in inventories, trade receivables and deposits, prepayments, other receivables and other assets, and (iii) other cash items, such as interest received and income tax paid.

For the year ended December 31, 2025, our net cash flows used in operating activities amounted to RMB192.1 million. During this year, our operating cash inflow before working capital changes but after adjustments for non-cash income and expenses were RMB27.4 million. Our cash flow was negatively affected by working capital adjustments primarily including (i) an increase in inventories of RMB143.5 million driven by the growth of our DRAM chips and DRAM modules business, (ii) an increase in prepayments, other receivables and other assets of RMB85.6 million primarily due to the increase in prepayments for raw materials, and (iii) an increase in trade receivables of RMB40.8 million due to our business expansion, in particular the growth of our DRAM modules business, whose customers are mostly direct sales customers with a longer credit period, which were partially offset by an increase in trade payables of RMB29.4 million.

For the year ended December 31, 2024, our net cash used in operating activities amounted to RMB18.2 million. During this year, our operating cash outflow before working capital changes but after adjustments for non-cash income and expenses were RMB13.9 million. Our cash flow was further negatively affected by working capital adjustments primarily including (i) an increase in inventories of RMB18.5 million, (ii) an increase of trade receivables of RMB13.4 million, which were partially offset by a decrease in prepayments, other receivables and other assets of RMB19.6 million.

For the year ended December 31, 2023, our net cash used in operating activities amounted to RMB62.9 million. During this year, our operating cash outflow before working capital changes but after adjustments for non-cash income and expenses were RMB46.3 million. Our cash flow was further negatively affected by working capital adjustments primarily including an increase in trade receivables of RMB55.3 million, which was partially offset by an increase in trade payables of RMB33.3 million.

We recorded net cash outflows from operating activities in 2023, 2024 and 2025 mainly due to our loss before tax amounting to RMB245.2 million, RMB109.8 million and RMB10.5 million in the respective years. See "Period-to-Period Comparison of Results of Operations" in this section for detailed reasons of the loss before tax. In view of our net cash outflows from operating activities in 2023, 2024 and 2025, we plan to improve our net operating cash outflows position by (i) enhancing inventory management, and (ii) optimizing our receivables and payables. For detailed strategies and measures we plan to take to improve our net operating cash outflows position and achieve profitability, see "Business — Business Sustainability and Path to Profitability."

Net Cash Flows From/(Used In) in Investing Activities

Our cash used in investing activities consists of (i) purchases of items of property, plant, equipment and equipment, (ii) payment relating to land use right, (iii) purchase of other intangible assets and (iv) purchases of financial assets at fair value through profit or loss. Our cash generated from investing activities consists primarily of proceeds from (i) refund of prepayment relating to land use right and (ii) maturity of financial assets at fair value through profit or loss.

For the year ended December 31, 2025, our net cash flows used in investing activities were RMB21.6 million, primarily attributable to purchases of items of property, plant, equipment of RMB19.8 million.

For the year ended December 31, 2024, our net cash flows used in investing activities were RMB10.9 million, primarily attributable to (i) purchases of items of property, plant, equipment and equipment of RMB9.4 million and (ii) purchase of other intangible assets of RMB1.4 million.

For the year ended December 31, 2023, our net cash flows from investing activities were RMB28.3 million, primarily attributable to refund of prepayment relating to land use right of RMB48.2 million. This was partially offset by purchases of items of property, plant, equipment and equipment of RMB19.8 million.

Net Cash Flows From Financing Activities

Our cash from financing activities consists of (i) capital injection from our Shareholders, (ii) proceeds from interest-bearing bank borrowings, (iii) advances from a third party and (iv) advances from related companies. Our cash used in financing activities consists of (i) acquisition of non-controlling interests, (ii) capital deduction from our Shareholders, (iii) lease payments, (iv) repayment of interest-bearing bank borrowings, (v) repayment of advance from related companies and (vi) interest paid.

For the year ended December 31, 2025, our net cash flows from financing activities were RMB222.2 million, primarily attributable to (i) capital injection from the Company's shareholders of RMB403.5 million, and (ii) new interest-bearing bank borrowings of RMB90.0 million. This was partially offset by (i) repayment of advances from related companies of RMB185.1 million and (ii) repayment of advance from a third party of RMB65.0 million.

For the year ended December 31, 2024, our net cash flows from financing activities were RMB31.7 million, primarily attributable to (i) advances from related companies of RMB65.0 million, (ii) advances from a third party of RMB35.0 million, (iii) receipt of new interest-bearing bank borrowings of RMB28.0 million and (iv) capital injection from our Shareholders of RMB24.0 million. This was partially offset by (i) repayment of advance from related companies of RMB65.0 million and (ii) acquisition of non-controlling interests of RMB51.2 million.

For the year ended December 31, 2023, our net cash flows from financing activities were RMB19.3 million, primarily attributable to (i) capital injection from our Shareholders of RMB78.0 million, (ii) and advances from a related companies of RMB7.1 million. This was partially offset by (i) capital deduction from our Shareholders of RMB53.2 million, (ii) repayment of advance from related companies of RMB10.0 million and (iii) lease payments of RMB2.4 million.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods indicated.

	For the year ended December 31 or as of December 31,		
	2023	2024	2025
Gross margin[1]	3.7%	9.3%	16.1%
Current ratio[2]	1.1	0.8	2.4
Quick ratio[3]	0.6	0.4	1.2
Gearing ratio[4]	2.4	7.4	0.6
Cash conversion cycle[5]	108	97	90

Notes:

(1) Gross margin = gross profit/(loss) ÷ revenue × 100%

(2) Current ratio = total current assets ÷ total current liabilities

(3) Quick ratio = (total current assets − inventories) ÷ total current liabilities

(4) Gearing ratio = total liabilities ÷ total equity

(5) Cash conversion cycle is calculated using the inventory turnover days in each period plus the trade receivables turnover days in the respective period minus the trade payables turnover days in the respective period.

Our current ratio increased from 0.8 as of December 31, 2024 to 2.4 as of December 31, 2025 and our quick ratio increased from 0.4 as of December 31, 2024 to 1.2 as of December 31, 2025, primarily because we recorded net current assets of RMB345.0 million as of December 31, 2025, compared to net current liabilities of RMB59.2 million as of December 31, 2024. Our gearing ratio decreased from 7.4 as of December 31, 2024 to 0.6 as of December 31, 2025, partially attributable to our repayment of advances from related companies and interest of RMB201.7 million in 2025.

Our cash conversion cycle remained relatively stable at 108 days, 97 days and 90 days in 2023, 2024 and 2025, respectively. We plan to improve our cash conversion cycle by actively managing our level of trade receivables and inventory. For details, see "Discussion of Certain Key Consolidated Statements of Financial Position Items — Inventories" and "Discussion of Certain Key Consolidated Statements of Financial Position Items — Trade Receivables" in this section and "Business — Logistics and Inventory Management."

CAPITAL EXPENDITURES

Our capital expenditures consist of expenditures for (i) machinery, (ii) office equipment and electronic devices, (iii) vehicles, (iv) leasehold improvements and (v) construction in progress. Our capital expenditures for 2023, 2024 and 2025 was RMB19.8 million, RMB9.4 million and RMB16.0 million, respectively.

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

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Machinery	8,848	1,121	6,021
Office equipment and electronic devices	3,056	2,808	1,235
Vehicles	–	–	21
Leasehold improvements	615	1,071	1,601
Construction in progress	7,259	4,434	7,112
Total	**19,778**	**9,434**	**15,990**

During the Track Record Period, we funded our capital expenditure mainly from cash generated from our operating activities and bank borrowings. We estimate that our capital expenditures for the year ending December 31, 2026 will be approximately RMB76 million, which we will use primarily for purchases of machinery and equipment. We expect to fund these capital expenditures through a combination of cash generated from our operations, the net [**REDACTED**] received from the [**REDACTED**], and other equity or debt financings.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period primarily related to capital expenditure in respect of the acquisition of property, plant and equipment and other intangible assets contracted for. As of December 31, 2023, 2024 and 2025, the total amount of our capital expenditure contracted for but not yet provided was RMB83 thousand, RMB0.5 million and RMB4.3 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, mainly including credit risk, liquidity risk, interest rate risk and foreign currency risk. Our overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on our financial performance.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without specific verification procedures. For further details of our credit risk, see Note 36 to the Accountants' Report in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities. For further details of our liquidity risk, see Note 36 to the Accountants' Report in Appendix I to this document.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our bank borrowings set out in Note 26 in the Accountants' Report in Appendix I to this document. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using a fixed rate.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 97%, 89% and 63% of our sales were denominated in currencies other than the functional currencies of the operating units making the sale for the years ended 2023, 2024 and 2025, whilst approximately 97%, 88% and 72% of costs were denominated in the units' functional currencies for 2023, 2024 and 2025, respectively. For further details of our foreign currency risk, see Note 36 to the Accountants' Report in Appendix I to this document.

DIVIDEND

We may distribute dividends by way of cash or by other means that we consider appropriate. No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. As advised by our PRC Legal Advisor, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends.

WORKING CAPITAL CONFIRMATION

Taking into account our cash and cash equivalents, operating cash flows, bank borrowings, the available bank facilities, and the estimated net [**REDACTED**] available to us from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document. Even without taking into account the estimated net [**REDACTED**] available to us from the [**REDACTED**], we expect to remain financially viable for at least 12 months from the date of this document, subject to the following assumptions: (a) the use of [**REDACTED**] from the [**REDACTED**] is not taken into account, (b) the underwriting commission is not taken into account, and (c) the scale of our bank borrowings remains consistent with the level as of March 31, 2026. Taking into account the above, and based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants' report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, nothing material has come to the attention of the Sole Sponsor that would cast doubt on the Company's conclusion that the Company has sufficient working capital for its present requirements and for at least the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

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

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses borne or to be borne by us are estimated to be approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) (comprising (i) underwriting commission of approximately RMB[**REDACTED**], and (ii) non-underwriting related expenses of approximately RMB[**REDACTED**], which consist of fees and expenses of legal advisors and reporting accountants of approximately RMB[**REDACTED**] and other fees and expenses of approximately RMB[**REDACTED**]), accounting for approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the [**REDACTED**] of the indicative [**REDACTED**] range stated in this document and assuming that the [**REDACTED**] is not exercised. We expect that approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be charged to our statements of profit or loss as [**REDACTED**] expenses, and approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be accounted for as a deduction from equity upon the [**REDACTED**]. During the Track Record Period, [**REDACTED**] expenses of RMB[**REDACTED**] were recognized in our consolidated statements of profit or loss. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operation for the year ending December 31, 2026.

UNAUDITED [**REDACTED**] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited [**REDACTED**] adjusted consolidated net tangible assets, see Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of our latest audited financial statements, and there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.