

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information including the notes thereto, included in the Accountant’s Report set out in Appendix I to this Document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

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

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are an automotive technology company dedicated to reshaping the future of mobility. We focus on developing and delivering AI-powered integrated domain control solutions that enable automakers to build the next generation of software-defined vehicles. We are the second largest integrated domain control solutions provider in China by newly installed volume in passenger vehicles in 2024, with a market share of 9.3%.

We believe we have successfully tackled the so-called Feature-Performance-Cost (FPC) Trilemma—a fundamental obstacle to progress in developing the next generation of intelligent, connected vehicles, and cost efficiency and turned it into an opportunity. Our proprietary solutions blend advanced features, high system performance, and cost efficiency—all without compromise—enabling automakers to cost-effectively transform smart cockpit from concept to reality.

We have experienced continuous growth since 2022 when the first vehicle equipped with our solutions reached mass-production. Today, our solutions have been deployed across a wide range of vehicles from large OEMs, including Chery, Changan, Dongfeng, Changan Mazda, Nissan and Ford. In 2024, our solutions powered one in approximately every ten new vehicles in China equipped with an integrated domain control system—a testament to the trust OEMs place in us and our solutions’ quality and scalability. Building on this momentum, we are expanding both our domestic market share and our global footprint. Backed by our technology, product capabilities and growing trend in China, we are partnering with international OEMs to bring our solutions to new markets worldwide. Our expansion not only highlights the universal power of our approach to the FPC Trilemma but also reinforces our position as a partner to OEMs building the next generation of software-defined vehicles for tomorrow.

BASIS OF PRESENTATION AND PREPARATION

The historical financial information of our Group has been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (“**IASB**”). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares, other financial liabilities at fair value through profit or loss, and financial assets at fair value through profit or loss (“**FVPL**”). The preparation of the historical financial information in conformity with IFRS requires the use of certain material accounting policy information and estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or

FINANCIAL INFORMATION

complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 of the Accountant’s Report included in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The performance and prospects of our business are subject to a variety of critical factors that affect our ability to capture growth opportunities within our total addressable market. These factors include:

- The growth, advancement and market acceptance of smart vehicle technologies, both in China and globally.
- The competitive landscape in the integrated domain control solutions market, both in China and globally.
- Governmental policies, incentives, and regulations that influence the adoption and development of smart vehicle solutions, particularly in the domain control system platform solutions segment.
- Macroeconomic conditions and passenger vehicle market dynamics.

We believe our results of operations are also affected by the following company-specific factors:

Driving sustained growth through our technology-first DNA

Our financial performance is influenced by our ability to drive technology innovations. From day one, we have believed that sustained leadership in AI and system architecture is the most critical engine for driving long-term business and financial growth. Our deep investments in proprietary AI algorithms, domain control systems, and modular software architectures form the backbone of our competitiveness in the era of software-defined vehicles.

This relentless focus on innovation has directly powered our commercial success. Our technological leadership enables us to differentiate our solutions and command premium pricing. This advantage is critical to sustaining profitability as the industry becomes increasingly competitive.

We are also deeply effective at translating advanced research into real-world impact. Our ability to move from concept to commercial deployment—quickly and at scale—has enabled us to secure high-volume design-wins with OEMs. These design-wins not only validate our technology, but also create recurring revenue streams and long-term business visibility.

Beyond product performance, our modular architecture has transformed how we innovate. By designing solutions as standardized, reusable modules, we maximize software reuse, compress development cycles, and enable lean, agile teams to deliver large-scale impact. This approach reduces per-unit development costs, accelerates time-to-market, and unlocks operating leverage, giving us a compounding first-mover advantage with each successful deployment.

Lastly, our technology leadership strengthens our adaptability and long-term resilience. By staying ahead of evolving standards and customer needs, we are well-positioned to adapt our solutions to meet evolving OEM demands, sustain our revenue growth, defend our market position, and deliver consistent financial performance over time.

Delivering high-quality solutions—fast, and tailored to customer needs

Our financial performance depends on our ability to innovate and deliver solutions that not only meet but anticipate the evolving customer needs. The strength of our solutions reflected in their technical sophistication, reliability, and real-world performance has been fundamental to winning and expanding strategic collaborations with a broad range of customers.

FINANCIAL INFORMATION

We offer a broad and growing portfolio of integrated domain control solutions that enable us to serve a wide range of vehicle platforms and use cases. This breadth expands our commercial opportunities and allows us to capture revenue across a larger number of model development projects and customer engagements.

Our product development strategy is built on an AI-enabled modular architecture that enables us to develop, customize, and scale solutions across multiple vehicle models. This modular approach allows us to reuse a significant portion of our software modules without starting from scratch for every design-win, substantially reducing development cycles from the industry average of more than one year according to Frost & Sullivan to as little as six to nine months. Additionally, our high level of customization capability—especially in high-complexity design-wins—also represents a key differentiator. Many of our solutions are deeply integrated into customers’ systems and tailored to unique vehicle specifications, which creates a meaningful technical barrier to entry and reinforces customer stickiness. Over time, our ability to repeatedly deliver such tailored solutions has strengthened our reputation as an innovation partner to OEMs. Together, these capabilities not only enable us to win business in the near term, but also position us for sustained success over the long term.

Deepening relationships with existing customers and acquiring new customers

We derive our revenue from sales of our integrated domain control solutions to our customers. Accordingly, our ability to cultivate long-term partnerships with existing customers—and to secure design-wins and expand model coverage among them—is a critical driver of our financial performance.

Over the past few years, we have expanded our customer base from primarily domestic OEMs to include joint ventures and large international automakers, reflecting our growing reputation for delivering cutting-edge, reliable solutions that meet the evolving demands of the automotive intelligence market. As of the Latest Practicable Date 2025, we were collaborating with a diverse group of OEMs from China, East Asia, Europe and the United States. Our current customers include some of the industry’s most respected brands, such as Chery, Changan, Dongfeng, Changan Mazda, Nissan, Ford and BAIC. Many of the models equipped with our solutions have become top sellers in their respective segments.

Our ability to deepen relationships with existing customers is demonstrated by our increasing wallet share within key accounts. For example, our partnership with Changan’s Deepal brand evolved from initial supply on the Deepal SL03 model to broader deployments across additional models including the L07, S7 and S07, which reflects our ability to leverage early wins into expanded business opportunities. Our single-chip integrated cockpit-and-parking solution, which achieved mass production on Dongfeng’s eπ 008 model in 2024, serves as another example of how our expertise in high-complexity, accelerated-development design-wins position us as a preferred partner for OEMs for strategic initiatives. Our solution has gained growing penetration over the years, as evidenced by an increase of our combined wallet share with top five customers from 1.2% in 2022 to 12.7% in 2024. This growth reflects the expanding adoption of our solutions across both existing and new vehicle platforms. As our customers continue to integrate our technology into their next-generation vehicles, we expect these partnerships to deepen even further—driving higher repurchase rates and reinforcing our role as a strategic technology partner.

We believe that our design-win pipeline is a key indicator of our ability to secure future revenue growth. We had 75 active design-wins in 2025, compared to 48 active design-wins in 2024 and 26 active design-wins in 2023. This consistent upward trajectory reflects not only the growing technical competitiveness of our solutions but also the trust OEMs place in our capabilities.

Looking forward, our ability to maintain and grow our customer base—by deepening our engagement with existing OEMs and expanding into new markets—will be critical to sustaining our growth trajectory. We aim to leverage our modular architecture, development cycles and execution capabilities to deliver compelling value propositions to OEMs. By continuing to build trust through reliable delivery, innovative solutions, and collaborative partnerships, we believe we are well-positioned to capture incremental wallet share and strengthen our market leadership.

FINANCIAL INFORMATION

Managing costs, operating expenses and working capital effectively

Effective cost management is essential to maintaining healthy margins and supporting sustainable growth in a highly competitive industry. Our costs primarily consist of hardware material costs and personnel costs. Our arrangement with contract manufacturers provides us with flexibility and scalability, enabling us to expand our business efficiently while avoiding large capital expenditures that would be required to build and operate our own manufacturing facilities. This strategy also allows us to focus our internal resources on high-value activities such as software innovation, AI-driven R&D, and system-level integration. As our business continues to scale, we expect to continue to incur substantial hardware materials costs, which may fluctuate based on customer demand, product mix, and the timing of production ramp-ups and new model launches.

Operating expenses represent a key area of focus as we continue to scale our business. We expect continued expansion of our customer base, including joint venture brands and international OEMs, which will require additional resources to support business development, customer engagement, and design-win management. While we anticipate an increase in the absolute amount of selling and marketing expenses, we expect the growth rate of these expenses to remain below our revenue growth rate. Similarly, administrative expenses are expected to grow as we refine and scale our organizational infrastructure to support larger operations, though we anticipate that the growth rate of such expenses will remain lower than our revenue growth rate, further supporting operating leverage. In terms of R&D expenses, the proportion of R&D expenses relative to revenue declined in 2023, primarily due to revenue growth during the year. In 2024, we saw a slight increase in the R&D expenses as a percentage of our total revenue as we strategically invest in AI-driven innovation to maintain our technology leadership and address the growing demands of OEM customers for increasingly sophisticated solutions. In 2025, as we continued to invest in AI-related and autonomous driving capabilities as well as improve our R&D efficiency, our R&D expenses increased in absolute terms but decreased as proportions of revenue. Looking ahead, while the absolute amount of R&D expenses may increase to support the development of more AI-enabled applications and integrated domain control solutions, our modular product architecture and efficient development processes allow us to manage these costs effectively. We expect the growth rate of R&D expenses to remain below the growth rate of revenue, enabling us to sustain margin expansion while ensuring we remain at the forefront of technological innovation.

Effective working capital management is also critical to supporting our day-to-day operations and funding our growth. We typically extend credit terms to our customers in line with industry practice, resulting in a significant trade receivables balance at the end of each year. At the same time, we often need to pre-purchase key components, such as chips and other key components—to secure supply continuity and align with production schedules. This results in a natural working capital gap between cash outflows for procurement and cash inflows from customer payments. To manage this, we closely monitor our procurement plans, production schedules, and accounts receivable collection efforts to improve cash conversion efficiency. Proactively managing our working capital and following industry norm, we also seek to align supplier payment terms with those of our customers through back-to-back arrangements, thereby reducing the timing mismatch between payables and receivables. See “—Discussion of Selected Items from the Consolidated Balance Sheets—Liabilities—Trade Payables.” Our ability to optimize inventory turnover and shorten receivables collection cycles directly impacts our operating cash flow, business expansion, and other strategic initiatives.

Seasonality

Our financial performance is subject to seasonal fluctuations that align with automotive production and sales cycles. Revenue typically trends lowest in the first quarter of the year, primarily due to OEMs’ production schedules and temporary slowdowns around the Chinese New Year holiday period. Revenue generally increases through the second and third quarters as OEMs ramp up vehicle production to meet annual targets and prepare for model year launches, culminating in a peak during the fourth quarter. This seasonality also affects working capital dynamics, as higher production levels in the second half of the year often lead to increased inventory and trade receivables balances, which may temporarily impact our cash flow and liquidity.

FINANCIAL INFORMATION

KEY OPERATING AND FINANCIAL DATA

The following table set forth our key operating and financial data as of the dates and for the years indicated.

	As of / for the year ended December 31,		
	2023	2024	2025
Number of OEM customers ⁽¹⁾	10	12	13
Active design-wins ⁽²⁾	26	48	75
New design-wins ⁽²⁾	11	23	30
Number of design-wins converted into mass-production during the year	10	21	25
Cumulative number of active design-wins converted into mass production as of the end of the year	15	35	57
Delivery volume (in units) ⁽³⁾	637,980	634,337	519,506
Average selling price (ASP)(in RMB) ⁽⁴⁾	2,372	2,238	2,871
Delivery volume from the Early OEM End-customer (in units)	401,947	24,354	0
Revenue (RMB in millions)	1,513	1,420	1,492
Revenue derived from the Early OEM End-customer (RMB in millions)	885	61	0

Notes:

- (1) The number of “OEM customers” for a given year refers to the number of OEMs that have purchased our solutions and, in the event an OEM purchases our solutions through one or more designated Tier-1 suppliers, such OEM, during that year.
- (2) A “design-win” occurs when an OEM—or its designated Tier-1 supplier—selects our solution for integration into the design and development of a new vehicle model. Once selected, the solution typically undergoes a comprehensive validation process, including testing for performance, safety, and quality, before entering mass production. Active design-wins for a given year refer to the design-wins that are ongoing and not canceled or discontinued as of the end of that year.
- (3) “Delivery volume” for a given year represents the number of integrated domain controllers—embedded with our solutions—that were delivered to OEMs during that year for integration into mass-production vehicles
- (4) “Average selling price” or ASP for a given year is calculated by dividing total revenue generated from delivery during the year by the corresponding delivery volume.

Our delivery volume declined from 2023 to 2024, primarily due to the one-time impact from our strategic decision to discontinue relationship with the “Early OEM End-customer,” a large Chinese smart electric vehicle company, where we supplied basic domain controllers, as opposed to our integrated domain control solutions. We determined the basic domain controllers were no longer aligned with our long-term development objectives and discontinued our cooperation with the Early OEM End-customer in 2024. For more information about this “Early OEM End-customer,” see “Business—Our Customers—Major Customers—The Early OEM End-customer.” Although this decision had a one-time impact on our delivery volume and revenue, it was part of our broader strategy to redirect resources toward more technically advanced customer engagement and design-wins that are better aligned with our long-term strategies. This proactive shift has quickly generated positive results, as evidenced by an increase of our gross profit margin from 12.1% in 2023 to 21.8% in 2024 and further to 24.5% in 2025. In addition, the decline in delivery volume from 2024 to 2025 was primarily due to lower sales volume of certain OEM customers’ vehicles equipped with our solutions, which was affected by OEMs’ changes in product launch, production and marketing plans, in reaction to changes in market condition. However, we continued to secure new design-wins during the Track Record Period, some of which are expected to enter mass production in 2026 and beyond. As these projects progress, delivery volumes are expected to increase over time. During 2025 and up to the Latest Practicable Date, the cumulative number of design-wins amounted to 79, and 61 of them have converted into mass production.

Our ASP is calculated by dividing total revenue generated from delivery by delivery volume. The ASP of our solutions varies from year to year, due to a variety of factors such as the chip platform used (e.g., different generations of SoCs with varying cost and performance), hardware configurations and functional modules (such as GPUs, NPUs, memory, multi-screen support, and safety requirements), the manufacturing model used, the overall complexity and customization of the solution, and our commercial pricing strategy at different stages of a design-win. The modest decline in our ASP in 2024 was primarily due to the increased proportion of deliveries under what we refer to as the “OEM-affiliated manufacturer model,” which applies to one of our major OEM

FINANCIAL INFORMATION

customers due to their internal production structure. See “—Production” for details. Under this model, we supply our software and select key components to a manufacturer affiliated with that OEM, rather than delivering to the OEM or a Tier-1 supplier designated by the OEM. Unlike typical contract manufacturing models where we recognize revenue fully for the finished goods (i.e. the domain controllers that have been pre-installed with our proprietary operating system and software)-we only recognize revenue under the OEM-affiliated manufacturer model for the portion we supply to the affiliated manufacturer. As the share of deliveries under this model increased in 2024, it contributed to a decline in our overall ASP. The year-over-year increase in our ASP in 2025 was primarily due to the increased contribution of solutions with more advanced functions and higher price points, which aligns with our business and profitability growth strategy. See “Business—Business Sustainability and Path to Profitability.”

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. Our management has identified the following accounting policies, estimates and judgments that are believed to be critical to the preparation of our financial statements: (i) revenue, (ii) equity-settled share-based payment transactions, (iii) inventory and (iv) financial liabilities at FVTPL.

In the application of our accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgments and key sources of estimation uncertainty are set forth in further detail in Note 4 to the Accountants’ Report included in Appendix I to this Document.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

The table below sets forth our consolidated statements of profit or loss for the years indicated derived from the Accountant’s Report included in Appendix I to this Document:

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Revenue	1,513,000	100.0	1,419,735	100.0	1,491,560	100.0
Cost of Revenue	(1,329,853)	(87.9)	(1,110,454)	(78.2)	(1,125,515)	(75.5)
Gross profit	183,147	12.1	309,281	21.8	366,045	24.5
Other income	10,651	0.7	10,790	0.8	18,233	1.2
Other gains and losses	(21,340)	(1.4)	(18,068)	(1.3)	(8,070)	(0.5)
Impairment losses under expected credit loss model, net of reversal	(5,651)	(0.4)	(1,962)	(0.1)	2,499	0.2
Selling and marketing expenses	(21,726)	(1.4)	(34,402)	(2.4)	(37,966)	(2.5)
Administrative expenses	(61,605)	(4.1)	(74,966)	(5.3)	(79,787)	(5.3)
Research and development expenses	(290,154)	(19.2)	(357,764)	(25.2)	(367,931)	(24.7)
Finance costs	(1,800)	(0.1)	(8,937)	(0.6)	(12,966)	(0.9)
Change in fair value of preferred shares	(148,098)	(9.8)	(115,092)	(8.1)	(1,229,318)	(82.4)
[REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loss before tax	(356,576)	(23.6)	(291,120)	(20.5)	(1,368,445)	(91.7)
Income tax expense	—	—	—	—	—	—
Loss for the year	(356,576)	(23.6)	(291,120)	(20.5)	(1,368,445)	(91.7)

FINANCIAL INFORMATION

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Other comprehensive income/(expense) attributable to owners of the Company						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation of foreign operations	4,846	0.3	6,003	0.4	(5,863)	(0.4)
Total comprehensive expense for the year attributable to owners of the Company	(351,730)	(23.2)	(285,117)	(20.1)	(1,374,308)	(92.1)
Loss per share						
Basic and diluted (RMB)	(3.30)	(0.0)	(2.70)	(0.0)	(12.67)	(0.0)

Non-IFRS Measures

To supplement our consolidated financial statements presented in accordance with IFRS Accounting Standards, we use adjusted net loss (non-IFRS measures) for the year, EBITDA (non-IFRS measures), and adjusted EBITDA (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from year to year and company to company. We believe that these measures provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help management. However, presentation of adjusted net loss (non-IFRS measures) for the year, EBITDA (non-IFRS measures), and adjusted EBITDA (non-IFRS measures) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and investors should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards. We define adjusted net loss (non-IFRS measures) as loss for the year, adjusted for changes in fair value of preferred shares and [REDACTED] expense. Changes in fair value of preferred shares arise from the shares with special rights that we issued to certain Pre-[REDACTED] Investors. Such special rights will all be automatically terminated upon the [REDACTED]. Changes in fair value of preferred shares are non-cash in nature. For details of such preferred shares with special rights, see “History, Development and Corporate Structure—Pre-[REDACTED] Investments.” [REDACTED] primarily relates to the expense incurred in relation to this [REDACTED]. We define EBITDA (non-IFRS measures) as loss for the year, adjusted for income tax expenses, finance costs, and depreciation and amortization. We then add back changes in the fair value of preferred shares and [REDACTED].

The following tables reconcile our non-IFRS measures for the years presented with the nearest measures prepared in accordance with IFRS Accounting Standards in absolute amount and percentage of our revenue.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Loss for the year	(356,576)	(23.6)	(291,120)	(20.5)	(1,368,445)	(91.7)
Add back:						
Change in fair value of preferred shares	(148,098)	(9.8)	(115,092)	(8.1)	(1,229,318)	(82.4)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss (non-IFRS measures) ..	(208,478)	(13.8)	(176,028)	(12.4)	(119,943)	(8.0)

FINANCIAL INFORMATION

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(RMB in thousands, except for percentages)</i>						
Loss for the year	(356,576)	(23.6)	(291,120)	(20.5)	(1,368,445)	(91.7)
Add back:						
Income tax expenses	—	—	—	—	—	—
Finance costs	(1,800)	(0.1)	(8,937)	(0.6)	(12,966)	(0.9)
Depreciation and amortization	(26,959)	(1.8)	(28,329)	(2.0)	(25,307)	(1.7)
EBITDA (non-IFRS measures)	(327,817)	(21.7)	(253,854)	(17.9)	(1,330,172)	(89.2)
Add back:						
Change in fair value of preferred shares	(148,098)	(9.8)	(115,092)	(8.1)	(1,229,318)	(82.4)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (Non-IFRS measures)	(179,719)	(11.9)	(138,762)	(9.8)	(81,670)	(5.5)

DESCRIPTION OF KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We recorded total revenues of RMB1,513.0 million, RMB1,419.7 million and RMB1,491.6 million in 2023, 2024 and 2025, respectively.

We derive revenue primarily from sales of our integrated domain control solutions, calculated based on the number of domain controllers embedded with our solutions that were delivered to the customers for integration into mass-produced passenger vehicles of OEMs.

Cost of Revenue; Gross Profit

During the Track Record Period, our cost of revenue primarily reflected expenses related to the delivery of our integrated domain control solutions, including (i) hardware materials, and (ii) personnel costs. Hardware materials represent the largest cost component. This category includes key components such as chips and modules that we source from upstream suppliers. Personnel costs reflect the salaries and benefits paid to the employees involved in research and development, production engineering, and support functions directly associated with the delivery of our integrated domain control solutions.

We recorded cost of revenue of RMB1,329.9 million, RMB1,110.5 million and RMB1,125.5 million in 2023, 2024 and 2025, respectively.

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

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Hardware materials	1,315,646	98.9	1,096,165	98.7	1,078,667	95.8
Personnel costs	14,207	1.1	14,289	1.3	46,848	4.2
Total	1,329,853	100.0	1,110,454	100.0	1,125,515	100.0

Gross profit is equal to our total revenues less cost of revenue. Gross profit as a percentage of our total revenues is referred to as gross margin. In 2023, 2024 and 2025, our gross profits were RMB183.1 million, RMB309.3 million and RMB366.0 million, respectively. Our overall gross profit margin was 12.1%, 21.8% and 24.5% in 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Our cost of revenue and gross margin have been—and are expected to continue to be—shaped by several key factors, including our product mix, the technical sophistication and commercialization stage of our solutions, the composition of our customer base, the types of vehicle models our solutions are integrated into, competitive pricing dynamics, and our ability to achieve greater economies of scale.

We expect our cost of revenue to increase in absolute terms as our business grows. Looking ahead, we anticipate that our overall gross margin will expand over time, driven by two key dynamics: (i) a higher revenue contribution from more sophisticated solutions, which typically command higher price points due to their technical complexity and value-added features, and (ii) improved operating efficiency and cost control as a result of our continued investment in R&D.

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee compensation and benefits; and (ii) travel expenses; and (iii) other miscellaneous expenses. In 2023, 2024 and 2025, our selling and marketing expenses were RMB21.7 million, RMB34.4 million and RMB38.0 million, respectively, representing 1.4%, 2.4% and 2.5% of our total revenue, respectively.

The following table sets forth a breakdown of our selling and marketing expenses by nature, in absolute amounts and as percentages of our total selling and marketing expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
<i>(in thousands, except for percentages)</i>						
Selling and marketing expenses						
Employee compensation and benefits	14,756	67.9	21,758	63.2	24,774	65.3
Travel expenses	5,993	27.6	9,750	28.3	9,679	25.5
Other miscellaneous expenses	977	4.5	2,894	8.5	3,513	9.2
Total	21,726	100.0	34,402	100.0	37,966	100.0

Administrative Expenses

Our administrative expenses consist of (i) employee compensation and benefits, (ii) office expenses, (iii) professional service fees, (iv) depreciation and amortization, (v) travel expenses; and (vi) other miscellaneous expenses. In 2023, 2024 and 2025, our administrative expenses were RMB61.6 million, RMB75.0 million and RMB79.8 million, respectively, representing 4.1%, 5.3% and 5.3% of our revenue, respectively.

The following table sets forth a breakdown of administrative and other expenses by nature, in absolute amounts and as percentages of total administrative expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
<i>(in thousands, except for percentages)</i>						
Administrative expenses						
Employee compensation and benefits	21,538	35.0	37,012	49.4	49,566	62.1
Office expenses	15,015	24.4	12,140	16.2	10,835	13.6
Depreciation and amortization	12,884	20.9	11,031	14.7	7,511	9.4
Professional service fee	7,068	11.5	6,557	8.8	6,079	7.6
Travel expenses	2,124	3.4	3,850	5.1	2,655	3.3
Other miscellaneous expenses	2,976	4.8	4,376	5.8	3,141	4.0
Total	61,605	100.0	74,966	100.0	79,787	100.0

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses consist primarily of (i) salaries and benefits for our R&D personnel, (ii) experimental material costs; (iii) technical service fee; (iv) depreciation and amortization; and (v) other miscellaneous expenses. In 2023, 2024 and 2025, our research and development expenses were RMB290.2 million, RMB357.8 million and RMB367.9 million, respectively, representing 19.2%, 25.2% and 24.7% of our revenue, respectively. From 2023 to 2024, as the number of design-wins surged and we substantially intensified investments in AI-related capabilities, our R&D expenses increased both in absolute terms and as a proportion of revenue. In 2025, as we continued to invest in AI-related and autonomous driving capabilities as well as improve our R&D efficiency, our R&D expenses increased in absolute term but slightly decreased as a proportion of revenue. Looking ahead, to maintain our technological leadership and accelerate the implementation of AI in our R&D activities, we expect our R&D spending to continue to increase in absolute terms. However, given our high R&D efficiency, we expect the growth of our R&D expenses to be moderate and slower than the rate of revenue growth.

The following table sets forth a breakdown of research and development expenses by nature, in absolute amounts and as percentages of total research and development expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Research and development expenses						
Employee compensation and benefits	208,158	71.7	218,340	61.0	222,305	60.4
Experimental material costs	13,549	4.7	20,104	5.6	17,232	4.7
Technical service fee	45,296	15.6	86,748	24.2	95,827	26.0
Depreciation and amortization	11,752	4.1	14,250	4.0	15,088	4.1
Other miscellaneous expenses	11,399	3.9	18,322	5.2	17,479	4.8
Total	290,154	100.0	357,764	100.0	367,931	100.0

Finance Costs

Finance costs consist of (i) interests on lease liabilities, in connection with our lease agreements and (ii) interests on bank borrowings. See “—Discussion of Selected Items from the Consolidated Balance Sheets—Liabilities” and “—Indebtedness” for more information about our lease liabilities and bank borrowings. The following table sets forth the breakdown of our total finance costs for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Interests on lease liabilities	1,100	61.1	846	9.5	673	5.2
Interests on bank borrowings and financial liabilities from notes discounted	700	38.9	8,091	90.5	12,293	94.8
Total	1,800	100.0	8,937	100.0	12,966	100.0

Change in Fair Value of Preferred Shares

We recorded a loss from the change in fair value of preferred shares of RMB148.1 million, RMB115.1 million and RMB1,229.3 million in 2023, 2024 and 2025, respectively, as a result of changes in fair value of preferred shares. Since our incorporation, we have completed several rounds of financing through issuing preferred shares with special rights. The fair value was determined by our directors with reference to valuation reports carried out by an independent qualified professional valuer. For more details, see Note 33 to the Accountants’ Report in Appendix I to this Document.

FINANCIAL INFORMATION

Other Income

Other income consists of (i) government grants, which are incentives provided by local government authorities in the PRC in recognition of our contributions to local economic development; (ii) interest income from bank balances, which consists of interest earned on our cash deposits; and (iii) other miscellaneous items, mainly from the occasional sale of materials that are no longer in use. Other income amounted to RMB10.7 million, RMB10.8 million and RMB18.2 million, respectively, accounting for 0.7%, 0.8% and 1.2% of our revenue in 2023, 2024 and 2025, respectively.

The following table sets forth our other income in absolute amounts and as a percentage of our total other income for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Government grants	5,323	50.0	7,598	70.4	11,083	60.8
Interest income from bank balances	5,155	48.4	3,184	29.5	7,150	39.2
Others	173	1.6	8	0.1	—	0.0
Total	10,651	100.0	10,790	100.0	18,233	100.0

Other Gains and Losses

Other gains and losses consist of (i) foreign exchange gain (loss), which arises from fluctuations in exchange rates that affect our foreign currency denominated transactions and balances and (ii) others. Our foreign exchange exposure primarily relates to the U.S. dollar and arises mainly from settlements from overseas suppliers and offshore financing activities. As our cash balance grows, we expect to utilize more options to manage our funds effectively. The following table sets forth our other gains and losses in absolute amounts and as percentages of our total other gains and losses for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Foreign exchange loss	(20,840)	97.7	(17,933)	99.3	(8,135)	100.8
Others	(500)	2.3	(135)	0.7	65	(0.8)
Total	(21,340)	100.0	(18,068)	100.0	(8,070)	100.0

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Impairment losses under expected credit loss model, net of reversal, represent impairment losses recognized on trade receivables. For trade receivables, we have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. We determine the ECL on these items by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies and adjusted for forward-looking information that is available without undue cost or effort. See Note 8 to the Accountant’s Report set out in Appendix I to this Document. We recorded impairment losses under expected credit loss model, net of reversal of RMB5.7 million and RMB2.0 million in 2023 and 2024, respectively. In 2025, we recorded reversal of impairment losses of RMB2.5 million.

[REDACTED]

[REDACTED]

Income Tax Expense

We did not incur income tax expense because of our net loss position during the Track Record Period.

FINANCIAL INFORMATION

Loss for the Year

We recorded loss for the year of RMB356.6 million, RMB291.1 million and RMB1,368.4 million in 2023, 2024 and 2025, respectively.

TAXATION

Cayman Islands

We were incorporated in the Cayman Islands and are tax exempted under the tax laws of the Cayman Islands.

PRC

Under the law of the PRC on enterprise income tax (“**EIT Law**”) and implementation regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% during the Track Record Period.

Our subsidiaries operating in the PRC are eligible for certain tax concessions. Under the EIT Law effective on January 1, 2008, the “High and New Technology Enterprise” (“**HNTE**”) status of qualifying entities is valid for three years and qualifying entities can re-apply for an additional three years provided their business operations continue to qualify for the HNTE status. Megatronix (Beijing) Technology was qualified as HNTE in 2020 and renewed its HNTE in 2023, and was entitled to a preferential tax rate of 15% from 2020 to 2025. Megatronix (Wuhan) Technology Co. (鎂佳(武漢)科技有限公司, the ‘Megatronix (Wuhan) Technology’) was qualified as HNTE and was entitled to a preferential tax rate of 15% from 2024 to 2026.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engaged in Research and development (“**R&D**”) activities are entitled to claim an additional tax deduction amounting to 75% of the qualified R&D expenses incurred in determining its tax assessable profits for that year (“**Super Deduction**”). Starting from January 2021, the Super Deduction ratio increased to 100% for manufacturing industry. Starting from October 1, 2022, the Super Deduction ratio was increased to 100% for other industries. Megatronix (Beijing) Technology and Megatronix (Wuhan) Technology were entitled to Super Deduction during the Track Record Period.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

DISCUSSION OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by RMB71.8 million or 5.1% from RMB1,419.7 million in 2024 to RMB1,491.6 million in 2025. This increase was primarily attributable to an increase in ASP from RMB2,238 per unit in 2024 to RMB2,871 per unit in 2025, driven by increased contribution of solutions with more advanced functions and higher price points, partially offset by a decrease in delivery volume from 634,337 units in 2024 to 519,506 units in 2025. The decrease in delivery volume was primarily due to lower sales volume of certain OEM customers’ vehicles equipped with our solutions, which was affected by OEMs’ changes in product launch, production and marketing plans, in reaction to changes in market condition. To a lesser extent, the decrease was also due to the discontinuation of our relationship with the Early OEM End-customer in 2024. During the Track Record Period, we continued to secure new design-wins, and we expect some of them to enter mass production in 2026 and beyond. As these projects progress, delivery volumes are expected to increase over time.

FINANCIAL INFORMATION

Cost of Revenue; Gross Profit Margin

Our cost of revenue increased by RMB15.1 million or 1.4% from RMB1,110.5 million in 2024 to RMB1,125.5 million in 2025. Our cost of revenue increased correspondingly due to the growth of our revenue.

As a result of the foregoing, our gross profit increased by RMB56.8 million or 18.4% from RMB309.3 million in 2024 to RMB366.0 million in 2025. Our gross profit margin increased from 21.8% in 2024 to 24.5% in 2025, primarily due to a shift in our revenue mix towards solutions with more advanced functions and higher price points and the positive impact from the discontinuation of our relationship with the Early OEM End-customer.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 10.4% from RMB34.4 million in 2024 to RMB38.0 million in 2025, as we engaged in selling and marketing activities to obtain more design-wins. Our selling and marketing expenses as a percentage of revenue remained relatively stable, at 2.5% in 2025 and 2.4% in 2024.

Administrative Expenses

Our administrative expenses increased by 6.4% from RMB75.0 million in 2024 to RMB79.8 million in 2025, in line with our revenue growth. Our administrative expenses as a percentage of revenue remained relatively stable at 5.3% in 2024 and 2025, which reflected the increase in our administrative efficiency, even when we are managing the operation and growth of an increasing number of design-wins.

Research and Development Expenses

Our research and development expenses increased by 2.8% from RMB357.8 million in 2024 to RMB367.9 million in 2025, primarily due to continued investments in developing and enhancing our AI-related and autonomous driving capabilities. Research and development expenses as a percentage of revenue decreased from 25.2% in 2024 to 24.7% in 2025, reflecting improved operating leverage as our business grew. Our R&D efficiency has improved, reflected by the R&D expenses per active design-win which has decreased significantly by 34.2% between 2024 and 2025.

Finance Costs

Our finance costs increased from RMB8.9 million in 2024 to RMB13.0 million in 2025, primarily driven by the increases in bank borrowings to meet our business needs.

Other Income

Our other income increased by RMB7.4 million from RMB10.8 million in 2024 to RMB18.2 million in 2025, primarily due to (i) higher government grants received from local authorities, and (ii) increased overseas interest income following the receipt of funding from our Series D+ round financing.

Other Gains and Losses

Our other losses decreased by RMB10.0 million or 55.3% from RMB18.1 million in 2024 to RMB8.1 million in 2025, primarily due to a decrease in foreign exchange loss of RMB9.8 million, as a result of favorable fluctuations in the exchange rate between U.S. dollars and Renminbi.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal, changed from impairment losses of RMB2.0 million in 2024 to reversal of impairment losses of RMB2.5 million in 2025. The change was primarily due to the decrease in trade receivable balances, which reduced the required impairment provisions and resulted in higher reversals.

FINANCIAL INFORMATION

Change in Fair Value of Preferred Shares

We record change in fair value of preferred shares of RMB115.1 million and RMB1,229.3 million for 2024 and 2025, respectively. The change is primarily attributable to the increase in the valuation of our Company given the growth in our business during the year.

Loss for the Year

As a result of the foregoing, the recorded loss of the year increased by RMB1,077.3 million from RMB291.1 million in 2024 to RMB1,368.4 million in 2025.

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

Revenue

Our revenue decreased by RMB93.3 million or 6.2% from RMB1,513.0 million in 2023 to RMB1,419.7 million in 2024. This decrease was attributable to a one-time impact from our strategic decision to discontinue relationship with the Early OEM End-customer—where we supplied basic domain controllers, rather than our integrated domain control solutions—that we determined were not aligned with our long-term strategies. For more information about this “Early OEM End-customer,” see “Business—Our Customers—Major Customers—The Early OEM End-customer.” As a result, we experienced a decline in revenue contribution from such design-wins in 2024. Although this decision had a one-time impact on our revenue and delivery volume, it was part of our broader strategy to redirect resources toward more technically advanced design-wins that are better aligned with our long-term strategies. The revenue derived from the discontinued relationship with the Early OEM end-customer amounted to RMB885 million and RMB61 million in 2023 and 2024, respectively, see “—Key Operating and Financial Data.”

Following the above-mentioned strategic move, and supported by our continued customer demand, expansion of our customer base, and deeper collaboration with existing customers, our gross profit margin improved significantly, from 12.1% in 2023 to 21.8% in 2024, as discussed in detailed below. We also maintained delivery volumes of our solutions, with 637,980 units in 2023 and 634,337 units in 2024.

Cost of Revenue; Gross Profit Margin

Our cost of revenue decreased by RMB219.4 million or 16.5% from RMB1,329.9 million in 2023 to RMB1,110.5 million in 2024. This decrease was primarily due to lower costs associated with our strategic decision to discontinue relationship with Early OEM End-customer which carried relatively low margins. We determined that our relationship with the Early OEM End-customer—where we supplied basic domain controllers, rather than our integrated domain control solutions—was not aligned with our long-term strategies.

As a result of the foregoing, our gross profit increased by RMB126.1 million or 68.9% from RMB183.1 million in 2023 to RMB309.3 million in 2024. Our gross profit margin increased from 12.1% in 2023 to 21.8% in 2024, primarily due to (i) the positive impact of discontinuing our relationship with the Early OEM End-customer; and (ii) changes in our product portfolio towards higher-margin solutions.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 58.3% from RMB21.7 million in 2023 to RMB34.4 million in 2024. This increase was primarily attributable to the expansion of our sales and marketing team to support our growing customer base, including our continued efforts to acquire and engage with joint venture brands and overseas customers. Our selling and marketing expenses as a percentage of revenue increased to 2.4% in 2024 from 1.4% in 2023.

Administrative Expenses

Our administrative expenses increased by 21.7% from RMB61.6 million in 2023 to RMB75.0 million in 2024, primarily due to an increase in the number of our administrative employees required to support our growing business. Our administrative expenses as a percentage of revenue increased from 4.1% in 2023 to 5.3% in 2024.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 23.3% from RMB290.2 million in 2023 to RMB357.8 million in 2024, driven primarily by increased investment in R&D headcounts to support continued investments in AI capabilities, including both software development and AI infrastructure, to enable the application of AI across vehicle intelligence use cases. Research and development expenses as a percentage of revenue increased from 19.2% in 2023 to 25.2% 2024. Despite the increase in headcount, our R&D efficiency has improved substantially, driven by the use of AI technologies and our modular, standardized software development architecture. As a testament to our increased R&D efficiency, the R&D expenses per active design-win has decreased significantly by 33.2% between 2023 and 2024.

Finance Costs

Our finance costs increased significantly from RMB1.8 million in 2023 to RMB8.9 million in 2024, primarily driven by higher interest expenses on bank borrowings as we used more credit facilities during a year of relatively low interest rates.

Other Income

Our other income increased by RMB0.1 million or 1.3% from RMB10.7 million in 2023 to RMB10.8 million in 2024, primarily due to an increase in government grants, partially offset by lower interest income from bank balances.

Other Gains and Losses

Our other losses decreased by RMB3.3 million or 15.3% from RMB21.3 million in 2023 to RMB18.1 million in 2024, primarily due to a decrease in foreign exchange loss from RMB20.8 million in 2023 to RMB17.9 million in 2024, as a result of favorable fluctuations in the exchange rate between U.S. dollars and Renminbi.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal, decreased by RMB3.7 million or 65.3% from RMB5.7 million in 2023 to RMB2.0 million in 2024, primarily due to a significant increase in trade receivables as of the end of 2023 driven by the revenue growth during the year.

Change in Fair Value of Preferred Shares

We record change in fair value of preferred shares of RMB148.1 million and RMB115.1 million in 2023 and 2024, respectively. The decrease in the loss from the change in fair value of preferred shares as a percentage of total revenue—from 9.8% in 2023 to 8.1% in 2024—was primarily due to a slower rate of increase in our Company’s valuation during the later rounds of preferred share financings. This resulted in a lower fair value adjustment in the corresponding years.

Loss for the Year

As a result of the foregoing, the recorded loss of the year decreased by RMB65.5 million, or 18.4% from RMB356.6 million in 2023 to RMB291.1 million in 2024.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant’s Report included in Appendix I to this Document:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets	69,570	84,410	89,404
Current assets	1,381,913	2,053,557	2,064,654
Total assets	1,451,483	2,137,967	2,154,058
Non-current liabilities	2,156	6,473	12,171
Current liabilities	2,816,237	3,783,521	5,168,222
Total liabilities	2,818,393	3,789,994	5,180,393
Total assets less current liabilities	(1,364,754)	(1,645,554)	(3,014,164)
Net current liabilities	(1,434,324)	(1,729,964)	(3,103,568)
Net liabilities	(1,366,910)	(1,652,027)	(3,026,335)
Share capital	75	75	75
Reserves	(1,366,985)	(1,652,102)	(3,026,410)
Total deficit	(1,366,910)	(1,652,027)	(3,026,335)

Current Assets and Current Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Current Assets				
Inventories	135,122	191,987	263,979	373,850
Trade receivables	669,271	649,231	456,536	226,558
Notes receivables	57,195	249,486	274,740	415,324
Prepayments, deposits and other receivables	321,854	544,510	497,400	311,059
Financial assets at fair value through profit or loss	—	10,003	—	—
Contract assets	5,190	2,918	3,727	3,391
Contract costs	7,555	18,701	20,710	21,158
Restricted Cash	—	200,000	—	—
Cash and cash equivalents	185,726	186,721	547,562	403,836
Total Current Assets	1,381,913	2,053,557	2,064,654	1,755,176
Current Liabilities				
Trade payables	399,995	318,690	230,473	204,701
Accrued expense and other payables	362,756	923,897	591,465	398,755
Lease liabilities	7,934	7,885	8,530	6,989
Bank borrowings	55,000	330,000	687,000	717,010
Financial liabilities from notes discounted	—	101,627	101,561	63,752
Contract liabilities	23,499	19,277	17,045	17,831
Convertible redeemable preferred shares	1,967,053	2,082,145	3,532,148	3,619,117
Total Current Liabilities	2,816,237	3,783,521	5,168,222	5,028,155
Net Current Liabilities	(1,434,324)	(1,729,964)	(3,103,568)	(3,272,979)

FINANCIAL INFORMATION

Our net current liabilities increased from RMB3,103.6 million as of December 31, 2025 to RMB3,273.0 million as of March 31, 2026, primarily due to the decrease in our total current assets that outweighed the decrease in total current liabilities. Our total current assets decreased by RMB309.5 million from RMB2,064.7 million as of December 31, 2025 to RMB1,755.2 million as of March 31, 2026, primarily attributable to the decrease in trade receivables due to the seasonality of our operations, as we experienced slowdowns of the OEMs’ production schedules and temporary slowdowns around the Chinese New Year holiday period, which led to decreased trade receivables received from customers. Our total current liabilities decreased by RMB140.1 million from RMB5,168.2 million as of December 31, 2025 to RMB5,028.2 million as of March 31, 2026, primarily attributable to the decrease in accrued expense and other payables as we experienced slowdowns of the OEMs’ production schedules and temporary slowdowns around the Chinese New Year holiday period, which led to a decrease in amounts due to subcontractors.

Our net current liabilities increased from RMB1,730.0 million as of December 31, 2024 to RMB3,103.6 million as of December 31, 2025, primarily due to the increase of convertible redeemable preferred shares by RMB1,450.0 million. Excluding the effect of the convertible redeemable preferred shares, our net current assets increased from RMB352.2 million to RMB428.6 million, primarily due to an increase in current assets and the decrease in our total current liabilities. Our total current assets increased by RMB11.1 million from RMB2,053.6 million as of December 31, 2024 to RMB2,064.7 million as of December 31, 2025, primarily attributable to an increase in cash and cash equivalents of RMB360.8 million, mainly due to the receipt of funds from our Series D+ financing, partially offset by (i) a decrease in restricted cash of RMB200.0 million and (ii) a decrease in trade receivables of RMB192.7 million, due to the continued improvement in customer credit policies and our enhanced efforts in collecting trade receivables. Excluding the effect of the convertible redeemable preferred shares, our total current liabilities decreased by RMB65.3 million from RMB1,701.4 million as of December 31, 2024 to RMB1,636.1 million as of December 31, 2025, primarily attributable to (i) the decrease in trade payables of RMB88.2 million, and (ii) the decrease in accrued expenses and other payables of RMB332.4 million, partially offset by the increase in bank borrowings of RMB357.0 million to support working capital needs.

Our net current liabilities increased from RMB1,434.3 million as of December 31, 2023 to RMB1,730.0 million as of December 31, 2024, primarily due to the increase in our total current liabilities, which outweighed the increase in our total current assets. Our total current liabilities increased by RMB967.3 million from RMB2,816.2 million as of December 31, 2023 to RMB3,783.5 million as of December 31, 2024, primarily attributable to (i) the increase in our accrued expense and other payables of RMB561.1 million, (ii) the increase in our bank borrowing of RMB275.0 million, (iii) the increase in our convertible redeemable preferred shares of RMB115.1 million and (iv) an increase in financial liabilities from notes discounted of RMB101.6 million. The increase in accrued expenses and other payables primarily reflected our higher volume of solution delivery and expanded collaboration with customers, leading to higher accrued procurement, logistics, and project-based fulfillment expenses. The increase in bank borrowings was primarily driven by our growing working capital needs. This was partially offset by (i) the decrease in our trade payables of RMB81.3 million and (ii) the decrease in our contract liabilities of RMB4.2 million. This was partially offset by the increase in our total current assets of RMB671.6 million from RMB1,381.9 million as of December 31, 2023 to RMB2,053.6 million as of December 31, 2024, primarily due to (i) the increase in our prepayments, deposits and other receivables of RMB222.7 million, (ii) the increase in our restricted cash of RMB200.0 million, (iii) the increase in our trade and notes receivables of RMB172.3 million, (iv) the increase in our inventories of RMB56.9 million, and (v) the increase in our financial assets at fair value through profit or loss of RMB10.0 million. These increases were largely driven by our expanding project execution and pipeline, requiring advance payments to suppliers.

Our net current liabilities position during the Track Record Period primarily arose from convertible redeemable preferred shares, amounting to RMB1,967.1 million, RMB2,082.1 million and RMB3,532.1 million as of December 31, 2023, 2024 and 2025, respectively, and total deficits, amounting to RMB1,366.9 million, RMB1,652.0 million and RMB3,026.3 million as of December 31, 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Assets

Property and Equipment

Our property and equipment primarily consist of (i) furniture and fixtures, (ii) electric equipment, primarily including server and testing equipment, and (iii) leasehold improvement.

The following table sets forth the breakdown of our property and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Property and equipment			
Furniture and fixtures	1,801	1,426	1,085
Electric equipment	21,914	17,358	21,454
Others	744	472	357
Leasehold improvement	1,857	3,044	1,915
Total	26,316	22,300	24,811

The carrying amount of our property, plant and equipment amounted to RMB26.3 million, RMB22.3 million and RMB24.8 million as of December 31, 2023, 2024 and 2025, respectively. The decrease in the carrying amount of our property, plant and equipment from 2023 to 2024 was mainly due to a lower level of new equipment procurement compared to 2023, coupled with depreciation recognized during the year. The increase in the carrying amount of our property, plant and equipment from 2024 to 2025 was primarily due to the purchase of electric equipment to serve our operating needs.

Right-of-use Assets

Our right-of-use assets represent our leases of office spaces and warehouses. As of December 31, 2023, 2024 and 2025, our right-of-use assets were RMB9.8 million, RMB14.9 million and RMB13.3 million, respectively. The year-on-year increase of 50.9% in 2024 as compared to 2023 was primarily due to the renewal of certain lease contracts upon expiration. The subsequent year-on-year decrease of 10.6% in 2025 was primarily due to the depreciation of lease contracts with lease terms of longer than one year.

Intangible Assets

Our intangible assets primarily represent software purchased from third parties. As of December 31, 2023, 2024 and 2025, our intangible assets were RMB6.9 million, RMB7.8 million and RMB6.3 million, respectively. The increase in intangible assets from 2023 to 2024 was primarily attributable to our increased purchases of software licenses and systems from third-party vendors to support our operational and R&D needs. The decrease in intangible assets from 2024 to 2025 was mainly due to scheduled amortization, which resulted in a reduction in the balance of intangible assets.

Inventories

Our inventories consist of raw materials and finished goods. Raw materials primarily include key components such as chips and modules sourced from our upstream suppliers. Finished goods comprise domain controllers that have been pre-installed with our proprietary operating system and software, fully configured and ready for delivery to OEMs.

FINANCIAL INFORMATION

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Inventories			
Raw materials	101,351	139,143	196,003
Finished goods	33,771	52,844	67,976
Total	135,122	191,987	263,979

Our inventories increased from RMB135.1 million as of December 31, 2023 to RMB192.0 million as of December 31, 2024, driven primarily by higher sales orders from both new and existing customers. The significant increase in raw materials as of December 31, 2025, compared to December 31, 2024, was primarily attributable to higher advance purchases of chips to mitigate the risks of potential supply shortage.

We closely monitor our inventory on a weekly basis to maintain tight control. Before each purchase, we review the available inventory for each component and factor in lead times, production schedules, and customer demand to manage inventory effectively and avoid unnecessary stockpiling. We draw on historical sales data and demand forecasts to determine appropriate stock levels, maintaining enough inventory to support production without overcommitting capital to unsold goods. Because our inventory is largely customer-driven, any potential excess can typically be managed through coordination with customers, product design modifications, or repurposing components in other products to minimize the risk of write-downs.

We utilize an advanced ERP system that tracks the status and movement of each inventory item in real time, with automated alerts triggered when a component has not been delivered for a prolonged period of time flagging it as potentially slow-moving. To ensure data accuracy and transparency, we leverage advanced inventory systems that track every item’s status and movement in real time. These systems, combined with quarterly physical counts, help us maintain accurate records and reduce discrepancies. Any sudden changes in inventory movement are analyzed to identify underlying causes, with findings promptly shared with the sales and commercial teams. In cases where excess inventory results from customer-related issues, we actively pursue customer compensation. We also carry out periodic spot checks, including unannounced warehouse audits, to maintain inventory controls across our operations.

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

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	43.1	53.8	73.9

Note:

(1) Inventory turnover days for a year equals the average of the gross value of the opening and closing inventories balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year (i.e. 365 days for a fiscal year).

The increase in inventory turnover days from 53.8 days in 2024 to 73.9 days in 2025 was primarily due to the increase in raw materials as of December 31, 2025 as we made higher advance purchase of chips to mitigate the risks of potential supply shortage.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 180 days	116,843	177,079	241,345
181 to 365 days	9,905	8,085	10,673
Over 365 days	8,374	6,823	11,961
Total	135,122	191,987	263,979

FINANCIAL INFORMATION

Our inventories have generally increased during the Track Record Period, in line with the continued expansion of our business scale, customer base, number of design-wins, and revenue. At the same time, our inventory levels are subject to a range of factors, such as production and delivery schedules, design-win implementation progress, customer order timing, and raw material procurement cycles, and may therefore fluctuate across different years.

As of March 31, 2026, RMB119.2 million, or 45.2% of our inventories outstanding as of December 31, 2025 had been subsequently sold or utilized.

Trade Receivables

Trade receivables represent amounts due from customers for goods delivered or services rendered in the ordinary course of business. For example, we grant credit terms to certain customers to strengthen our customer relationships. These credit terms typically range between 30 days to 90 days and may vary depending on the nature of the customer relationship and the terms of the sales contract.

Our trade receivables declined slightly from RMB669.3 million as of December 31, 2023 to RMB649.2 million as of December 31, 2024. Our trade receivables decreased from RMB649.2 million as of December 31, 2024 to RMB456.5 million as of December 31, 2025, representing a decline of 29.7%. This decrease was primarily due to shortened payment cycle of some of our customers and a growing portion of revenue contribution by customers with relatively shorter payment terms, reflecting our enhanced credit policies and trade receivables collection measures.

The following table sets forth an aging analysis of our trade receivables, net of allowance for credit losses as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade and notes receivables			
Within 90 days	632,574	632,654	447,146
91 - 180 days	28,321	16,478	7,553
181 - 365 days	7,271	—	1,578
1 - 2 years	211	99	160
2-3 years	894	—	99
Total	669,271	649,231	456,536

We perform impairment assessments on financial asset receivables subject to impairment under IFRS 9 using the expected credit loss (ECL) model. The ECL amount is updated at each reporting date to reflect changes in credit risk since initial recognition. For trade receivables, we apply the simplified approach under IFRS 9, which measures the loss allowance at lifetime ECL. We determine the ECL on these items by referencing information on probability of default and loss given default for the respective credit rating grades published by external credit rating agencies, adjusted for forward-looking information that is available without undue cost or effort.

In 2025, our allowance for ECL for trade receivables decreased compared to 2024. The decrease was in line with the decrease in our trade receivables.

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

	Year Ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	99.7	169.5	135.3

Note:

- (1) Trade receivables turnover days for a year equals the average of the gross value of the opening and closing trade receivables balance divided by revenue for the relevant year and multiplied by the number of days in the relevant year (i.e. 365 days for a fiscal year).

FINANCIAL INFORMATION

For the year ended December 31, 2023, 2024 and 2025, our trade receivables turnover days were 99.7 days, 169.5 days and 135.3 days, respectively. The increase in turnover days in 2024 was mainly driven by a slight decrease in revenue from 2023 to 2024, and the higher concentration of sales in the fourth quarter of each year, which tends to increase outstanding balances at year-end. Our trade receivables declined slightly from RMB669.3 million as of December 31, 2023 to RMB649.2 million as of December 31, 2024, which was in line with our slight decrease in revenue from 2023 to 2024. As a result, the opening trade receivables for calculating the trade receivable turnover days in 2023 was RMB157.3 million, much less than the opening trade receivables for calculating the trade receivable turnover days in 2024, which was RMB669.3 million. The difference in opening trade receivables, as well as the slight decrease in revenue from 2023 to 2024, together contributed to the increase in trade receivables turnover days from 2023 to 2024. Our trade receivables turnover days decreased from 169.5 days in 2024 to 135.3 days in 2025, primarily due to shortened payment cycle of some of our customers and a growing portion of revenue contribution by customers with relatively shorter payment terms, reflecting our enhanced credit policies and trade receivables collection measures.

We actively manage trade receivables from our customers. Our sales team will regularly assess customers' credibility and require prepayment for those evaluated as higher risks. In cases of spotting long trade receivable turnover days, we will assign a delegated employee to keep track the status and communicate with the customer to ensure on-time collection.

As of March 31, 2026, RMB404.3 million, or 88.6% of our trade receivables outstanding as of December 31, 2025, had been subsequently collected.

Notes Receivables

Notes received by us primarily represent bank acceptance bills received from customers for the settlement of trade receivables. These instruments are held for future settlement purposes and are typically used in place of cash payments. Some of these bank acceptance bills by us are subsequently held or further discounted or endorsed to third parties. For further details, see Note 22 of the Accountant's Report included in Appendix I to this Document. All notes received by us are with a maturity period of less than one year.

Our notes receivables increased from RMB57.2 million as of December 31, 2023 to RMB249.5 million as of December 31, 2024, and further increased to RMB274.7 million, primarily because more customers choose to settle payments through notes to satisfy their payment obligation.

As of March 31, 2026, RMB145.9 million, or 53.1% of our notes receivables outstanding as of December 31, 2025 had been subsequently collected.

Prepayments, Deposits and Other Receivables

Amounts due from subcontractor constitute the largest component of our prepayments, deposits and other receivables. These amounts primarily represent receivables due from our contract manufacturers. Our business model with contract manufacturers results in both amounts due from and due to subcontractors. See “—Liabilities—Accrued Expenses and Other Payables.” We typically supply raw materials to them, who then process and sell the finished goods (i.e. domain controllers embedded with our software) back to us. Accordingly, we record amounts due from subcontractors, while recognizing amounts due to them for the corresponding finished products. Our prepayments, deposits and other receivables also include (i) deferred expenses, which are mostly payments made to suppliers of key materials that will be recognized gradually over future periods, (ii) rental and other deposits, (iii) prepayments to suppliers and service provider, which primarily consist of advance payments for software, development fees, technical services, and equipment purchases, (iv) issue cost, (v) input value-added tax recoverable, and (vi) others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Amounts due from subcontractors	294,015	518,806	467,056
Deferred expenses	17,896	31,497	34,044
Rental and other deposits	19,253	15,907	16,206
Prepayments to suppliers and service providers	8,860	15,236	17,974
Deferred issue cost	—	—	2,964
Input value added tax recoverable	6,156	137	612
Others	2,198	2,424	3,526
Total	348,378	584,007	542,382
Analyzed as:			
Non-current	26,524	39,497	44,982
Current	321,854	544,510	497,400
	<u>348,378</u>	<u>584,007</u>	<u>542,382</u>

Our prepayments, deposits and other receivables increased from RMB348.4 million as of December 31, 2023 to RMB584.0 million as of December 31, 2024, primarily due to higher amounts due from subcontractors as we ramped up manufacturing and outsourced more production tasks as well as higher deferred expenses associated with our business expansion and R&D and product development activities. Our prepayments, deposits and other receivables decreased to RMB542.4 million as of December 31, 2025, which was mainly due to lower amounts due from subcontractors, in line with the decrease in our delivery volume and the corresponding procurement of services from contract manufacturers.

As of March 31, 2026, RMB332.3 million, or 61.3% of our prepayments and other receivables as of December 31, 2025, had been subsequently settled.

Liabilities

Trade Payables

Our trade payables primarily relate to our purchases of components from suppliers. During the Track Record Period, our trade payables were with a credit term of 30 to 90 days.

Our trade payables decreased by 20.3% from RMB400.0 million as of December 31, 2023 to RMB318.7 million as of December 31, 2024, mainly because we reduced purchases based on our inventory at the end of the year. As of December 31, 2025, trade payables further decreased by 27.7% to RMB230.5 million, primarily due to growing purchase amounts from suppliers with relatively shorter payment terms.

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 in thousands)		
Within 90 days	379,167	294,850	218,295
90 – 180 days	20,828	23,840	12,178
Total	399,995	318,690	230,473

FINANCIAL INFORMATION

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

	For the year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	65.7	118.1	89.0

Note:

- (1) Trade payables turnover days for a year equals the average of the gross value of the opening and closing trade payables balance divided by cost of revenue for the relevant year and multiplied by the number of days in the relevant year (i.e. 365 days for a fiscal year).

Our trade payable turnover days increased from 65.7 days in 2023 to 118.1 days in 2024. It decreased from 118.1 days in 2024 to 89.0 days in 2025. This trend was primarily in line with the decrease in trade payables due to a growing portion of purchase amounts from suppliers with relatively shorter payment terms.

As of March 31, 2026, RMB177.3 million, or 76.9% of our trade payables outstanding as of December 31, 2025, had been subsequently settled.

Accrued Expenses and Other Payables

Our accrued expenses and other payables represent (i) amounts due to subcontractors, representing the payments owed to our contract manufacturers for production services, (ii) investment funds received in advance, representing contributions received from investors pending their formal registration as shareholders, (iii) accrued salaries, (iv) other taxes payables, (v) accrued expenses, representing amounts owed to third-party service providers, (vi) warranty provision, representing estimated costs associated with the product warranties offered to customers, and (vii) accrued [REDACTED] expense, (viii) accrued issue cost and (ix) other miscellaneous payables.

The following table sets forth the details of our accrued expenses and other payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Amounts due to subcontractors	307,738	643,770	509,042
Investment funds received in advance	—	200,000	—
Accrued salaries	30,087	37,639	39,594
Other taxes payables	8,885	27,425	25,790
Accrued expenses	9,720	5,479	5,481
Warranty provision	5,363	8,004	5,763
Accrued [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Accrued issue cost	—	—	464
Others	963	1,580	1,839
Total	362,756	923,897	591,465

Our accrued expenses and other payables increased from RMB362.8 million as of December 31, 2023 to RMB923.9 million as of December 31, 2024, primarily due to the substantial increases in amounts due to subcontractors. The increases were mainly driven by higher procurement volumes of key components and materials as we ramped up production to meet growing customer demand. Additionally, some of these payments were settled using bank acceptance bills, which were included in payables even though they had been endorsed and transferred to suppliers. This accounting treatment also contributed to the increase in amounts due to subcontractors. The increase in amounts due to subcontractors was also because we have engaged more subcontractors for the manufacture of our integrated domain controllers. In 2023, a large number of our domain controllers was supplied to the Early OEM-end customer through Customer A, who was responsible for manufacture. Since we have discontinued our cooperation with the Early OEM-end Customer in 2024, we have increased our cooperation with subcontractors. See “Business—Our Customers—Major Customers—The Early

FINANCIAL INFORMATION

OEM End-customer.” From December 31, 2024 to December 31, 2025, our accrued expenses and other payables decreased significantly to RMB591.5 million, primarily due to lower amounts payable to subcontractors, which was in line with the decrease in our delivery volume, as well as the settlement of funds received for the issuance of the Preferred Shares upon the closing of the preferred share issuance in 2025.

Lease liabilities

Lease liabilities represent payments owed under our office lease agreements. We recorded current lease liabilities of RMB7.9 million, RMB7.9 million and RMB8.5 million, respectively, as of December 31, 2023, 2024 and 2025. We recorded non-current lease liabilities of RMB2.2 million, RMB6.5 million and RMB2.8 million, respectively, as of December 31, 2023, 2024 and 2025. The increase in 2024 compared to 2023 was mainly driven by the renewal of some of our office leases, which extended their terms and resulted in higher non-current liabilities. The decrease in lease liabilities from 2024 to 2025 was primarily due to the payment of certain leases. As of December 31, 2023, 2024 and 2025, the incremental annual borrowing rates applied to our lease liabilities ranged from 5.42% to 7.12%, from 4.57% to 7.08% and from 4.57% to 7.08%, respectively.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Lease liabilities:			
Within one year	7,934	7,885	8,530
Within a period of more than one year but not exceeding two years	2,156	6,187	1,720
Within a period of more than two years but not exceeding three years	—	286	1,124
Total	10,090	14,358	11,374
Less: Amounts due for settlement within 12 months shown under current liabilities	(7,934)	(7,885)	(8,530)
Amounts due for settlement after 12 months shown under non-current liabilities	2,156	6,473	2,844

Bank Borrowings

Bank borrowings represent funds drawn from our credit facilities with commercial banks to support our daily operations and manage working capital needs. As of December 31, 2023, 2024 and 2025, we had total bank borrowings of RMB55.0 million, RMB330.0 million and RMB687.0 million, respectively. As of December 31, 2025, all of our bank borrowings were denominated in Renminbi, with annual interest rates ranging from 2.11% to 2.65% for almost all borrowings. As of March 31, 2026, we had bank facilities of RMB433 million which remained unutilized. Such bank facilities were all committed facilities, meaning that, subject to the satisfaction of the relevant drawdown conditions and in the absence of any event of default, the lenders are required to make the relevant loan amounts available to us.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Bank borrowings—unsecured and unguaranteed	55,000	300,000	687,000
Bank borrowings—secured	—	30,000	—
Total	55,000	330,000	687,000

Financial Liabilities from Notes Discounted

We recorded financial liabilities from notes discounted of nil, RMB101.6 million and RMB101.6 million, respectively, as of December 31, 2023, 2024 and 2025. Our financial liabilities from notes discounted represent

FINANCIAL INFORMATION

the cash received from the discounting of notes receivable to banks on a full recourse basis. Because we retain the significant risks and rewards associated with the underlying notes, we continue to recognize the full carrying amount and has recognized the cash received on the transfer as a collateralized borrowing on our balance sheet.

Contract Liabilities

Contract liabilities represent advance payments received from customers for the purchase of our integrated domain control solutions that have yet been performed. As of December 31, 2023, 2024 and 2025, we had total contract liabilities of RMB23.5 million, RMB19.3 million and RMB17.0 million, respectively. The changes in our contract liabilities during the Track Record Period were primarily influenced by the timing of customer orders and related advance payments as well as the timing of revenue recognition when performance obligations were satisfied.

As of March 31, 2026, RMB765 thousand, or 4.5% of our contract liabilities outstanding as of December 31, 2025, had been subsequently settled.

Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares represent amounts invested by investors during our Series A through D+ financing rounds, classified as liabilities on our balance sheet under the applicable accounting standards. As of December 31, 2023, 2024 and 2025, we had total convertible redeemable preferred shares of RMB1,967.1 million, RMB2,082.1 million and RMB3,532.1 million, respectively. The increases in convertible redeemable preferred shares throughout the Track Record Period were primarily driven by the addition of new investors and changes in our valuation. For further details of the identity and background of these investors and the principal terms of their investments, see “History, Development and Corporate Structure—Pre-[REDACTED] Investments” and Note 33 to the Accountant’s Report set out in Appendix I to this Document.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents our consolidated cash flow data for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash used in operating activities	(332,497)	(560,655)	(446,133)
Net cash (used in)/generated from investing activities	(22,821)	(225,442)	191,966
Net cash from financing activities	231,264	799,022	629,006
Effects of exchange rate changes	(15,994)	(11,930)	(13,998)
Net (decrease)/increase in cash and cash equivalents	(140,048)	995	360,841
Cash and cash equivalents at beginning of the year	325,774	185,726	186,721
Cash and cash equivalents at end of the year	185,726	186,721	547,562

During the Track Record Period and as of the Latest Practicable Date, our principal sources of liquidity have been cash generated from financing activities, bank borrowings and capital contribution from our Shareholders.

We experienced negative operating cash flows during the Track Record Period. However, we expect to improve our net operating cash flow by: (i) growing revenue through expanding our customer base; (ii) enhancing our existing solutions and launching new ones to deliver greater value to customers; (iii) streamlining our cost structure and further improving R&D and overall operational efficiency; and (iv) strengthening working capital management, including better collections, more effective inventory management to meet downstream demand, and prudent financial resource allocation.

Based on our available cash and cash equivalents, and despite the net operating cash outflows during the Track Record Period, we believe our cash balance is sufficient to meet our operating needs and support our planned expansion. Accordingly, we believe we have adequate working capital to fund our operations, taking into account our available financial resources.

FINANCIAL INFORMATION

Net Cash Generated from Operating Activities

Net cash used in operating activities in 2025 was RMB446.1 million, primarily representing our loss before tax of RMB1,368.4 million, adjusted for certain non-cash and non-operating items, primarily including (i) loss on fair value change of convertible redeemable preferred shares of RMB1,229.3 million, (ii) depreciation of property and equipment of RMB14.1 million and (iii) finance costs of RMB13.0 million. This amount was further adjusted by changes in certain working capital accounts, primarily including decreases in trade receivables of RMB195.2 million; partially offset by (i) decreases in accrued expense and other payables of RMB138.2 million, (ii) increases in notes receivables of RMB280.7 million and (iii) decreases in trade payables of RMB109.1 million.

Net cash used in operating activities in 2024 was RMB560.7 million, primarily representing our loss before tax of RMB291.1 million, adjusted for certain non-cash and non-operating items, primarily including (i) loss on fair value change of preferred shares of RMB115.1 million, (ii) foreign exchange loss of RMB17.9 million, (iii) depreciation of property and equipment of RMB15.5 million, (iv) depreciation of right-of-use assets of RMB10.6 million, (v) finance costs of RMB8.9 million, (vi) write-down loss on inventories of RMB7.1 million, and (vii) amortization of other intangible assets of RMB2.3 million. This amount was further adjusted by changes in certain working capital accounts due to the expansion of our business, primarily including (i) the increase of RMB356.2 million in accrued expense and other payables; (ii) the decrease of RMB2.3 million in contract assets; and (iii) the increase of RMB4.7 million in provisions; partially offset by (i) the increase of RMB238.8 million in prepayments, deposits and other receivables; (ii) the increase of RMB464.8 million in notes receivables; (iii) the decrease of RMB50.5 million in trade and notes payables; and (iv) the increase of RMB64.0 million in inventories.

The changes in our notes receivables in 2024 and 2025, which contributed to our net cash outflow position, have reflected the net settlement of notes discounted to banks. During the Track Record Period and in the ordinary course of our business, we received notes issued by our customers as payment to our products in the form of bankers’ acceptance. From time to time, we discount certain notes to banks prior to their maturity dates for better liquidity. The net settlement of notes discounted to banks amounted to RMB241.7 million in 2024 and RMB276.6 million in 2025, respectively, which reflected those scheduled to mature in the same years indicated and therefore would contribute to cash inflow under operating activities had we not make the discount.

Net cash used in operating activities in 2023 was RMB332.5 million, primarily representing our loss before tax of RMB356.6 million, adjusted for certain non-cash and non-operating items, primarily including (i) loss on fair value change of preferred shares of RMB148.1 million, (ii) foreign exchange loss of RMB20.8 million, (iii) depreciation of right-of-use assets of RMB12.7 million, (iv) depreciation of property and equipment of RMB12.5 million, (v) write-down loss on inventories of RMB7.9 million, (vi) impairment losses recognized under expected credit loss model of RMB5.7 million, (vii) finance costs of RMB1.8 million, and (viii) amortization of other intangible assets of RMB1.7 million. This amount was further adjusted by changes in certain working capital accounts due to the expansion of our business, primarily including (i) the increase of RMB610.9 million in trade and notes receivables; (ii) the increase of RMB240.2 million in accrued expense and other payables and (iii) the decrease of RMB35.9 million in inventories; (iv) the decrease of RMB11.5 million in contract assets; partially offset by (i) the increase of RMB358.4 million in trade and notes payables; (ii) the increase of RMB 208.8 million in prepayments, deposits and other receivables; and (iii) the decrease of RMB20.6 million in contract liabilities.

Net Cash (Used in) / Generated from Investing Activities

In 2025, our net cash generated from investing activities was RMB192.0 million, which primarily consisted of the release of restricted bank balance of RMB200.0 million; partially offset by purchase of property and equipment of RMB16.8 million.

In 2024, our net cash used in investing activities was RMB225.4 million, which consisted of (i) the placement of RMB200.0 million as restricted cash, which was not intended for investment purposes (see the footnote to the table under “—Liquidity and Capital Resources” for further details about such restricted cash),

FINANCIAL INFORMATION

(ii) purchase of property and equipment of RMB12.0 million, (iii) purchase of financial assets at fair value through profit or loss of RMB10.0 million, (iv) purchases of intangible assets of RMB3.1 million, and (v) payments for right-of-use assets of RMB0.7 million; partially offset by proceeds from disposal of property and equipment of RMB0.4 million.

In 2023, our net cash used in investing activities was RMB22.8 million, which consisted of (i) purchase of property and equipment of RMB16.4 million, (ii) purchases of intangible assets of RMB5.9 million, and (iii) payments for right-of-use assets of RMB0.5 million.

Net Cash Generated from Financing Activities

Net cash generated from financing activities in 2025 was RMB629.0 million, which primarily consisted of (i) proceeds from bank borrowings of RMB780.0 million and (ii) proceeds from notes discounted to banks with full recourse of RMB276.5 million; partially offset by the repayment of bank borrowings of RMB423.0 million.

Net cash generated from financing activities in 2024 was RMB799.0 million, which consisted of (i) proceeds from bank borrowings of RMB497.1 million, and (ii) proceeds from bills discounted to bank with full recourse of RMB343.6 million; (iii) proceeds from issue of preferred shares of RMB200.0 million; partially offset by (i) repayment of bank borrowings of RMB222.1 million, (ii) repayments of lease liabilities of RMB10.6 million, and (iii) interest paid of RMB8.9 million.

Net cash generated from financing activities in 2023 was RMB231.3 million, which consisted of (i) proceeds from issue of preferred shares of RMB193.4 million and (ii) proceeds from bank borrowings of RMB118.7 million; partially offset by (i) repayment of bank borrowings of RMB63.7 million, (ii) repayments of lease liabilities of RMB15.4 million, and (iii) interest paid of RMB1.8 million.

WORKING CAPITAL

Taking into account the financial resources available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available bank facilities and the estimated net [REDACTED] from the [REDACTED], our Directors believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document. After making reasonable inquiries of our management about our working capital, the Joint Sponsors concur with the views of our Directors.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities, bank facilities and funds raised from financing activities, including the net [REDACTED] we will receive from the [REDACTED].

INDEBTEDNESS

The following table sets forth a breakdown of our bank borrowings and leased liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Current				
Bank borrowings	55,000	330,000	687,000	717,010
Financial liabilities from notes discounted	—	101,627	101,561	63,752
Lease liabilities	7,934	7,885	8,530	6,989
Convertible redeemable preferred shares	1,967,053	2,082,145	3,532,148	3,619,117
Non-Current				
Lease liabilities	2,156	6,473	2,844	2,396
Total	<u>2,032,143</u>	<u>2,528,130</u>	<u>4,332,083</u>	<u>4,409,264</u>

FINANCIAL INFORMATION

Our bank borrowings amounted to RMB55.0 million, RMB330.0 million, RMB687.0 million and RMB717.0 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. For the interest rate profile of our interest-bearing bank borrowings during the Track Record Period, see Note 31 to the Accountant’s Report in Appendix I to this Document. We had unsecured bank borrowings of RMB55.0 million, RMB300.0 million, RMB687.0 million and RMB717.0 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively.

Lease liabilities represent payments owed under our office lease agreements. We recorded current lease liabilities of RMB7.9 million, RMB7.9 million, RMB8.5 million and RMB7.0 million, respectively, as of December 31, 2023, 2024, 2025 and March 31, 2026. We recorded non-current lease liabilities of RMB2.2 million, RMB6.5 million, RMB2.8 million and RMB2.4 million respectively, as of the same dates indicated.

Since incorporation, we have completed several rounds of financing through issuing preferred shares with special rights. If we were to be required to redeem all such preferred shares, the aggregate redemption price would be calculated based on a complex formula that takes into account factors such as the original issue price, the expected returns, any applicable dividends, interest, and adjustments for conversion or anti-dilution provisions. As of December 31, 2023, 2024 and 2025, our preferred shares amounting to RMB1,967.1 million, RMB2,082.1 million and RMB3,532.1 million, respectively, are measured as financial liabilities at FVTPL, which is determined using discounted cashflow method with significant unobservable inputs used. The redemption of the preferred shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition. For further details of our historical Pre-[REDACTED] Investments and the terms of the preferred shares with special rights, see “History, Development and Corporate Structure—Pre-[REDACTED] Investments” and Note 33 to the Accountant’s Report set out in Appendix I to this Document.

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of March 31, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since March 31, 2026, and up to the Latest Practicable Date.

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

CAPITAL EXPENDITURES

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

	Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Property and equipment	16,395	11,985	16,847
Right-of-use assets	2,364	16,000	7,152
Intangible assets	5,937	3,134	1,082
Total	24,696	31,119	25,081

Our capital expenditures are primarily attributable to capital expenditures on property, plant and equipment, leases properties and intangible assets. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operating activities, our available banking facilities, and [REDACTED] from the [REDACTED]. We will continue to make capital expenditures to support the expected growth of our business.

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have any capital commitments as of December 31, 2023, 2024, and 2025.

OFF-BALANCE SHEET ARRANGEMENTS

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

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We may enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business on an arm’s-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become not reflective of our future performance. For more details, see Note 42 of the Appendix I to this Document.

KEY FINANCIAL RATIOS

The following table sets forth some of our key financial ratios for the years and as of the dates indicated.

	As of/For Years Ended December 31,		
	2023	2024	2025
Gross profit/(loss) margin	12.1%	21.8%	24.5%
Adjusted net loss margin ⁽¹⁾ (non-IFRS measures)	(13.8%)	(12.4%)	(8.0%)
Current ratio ⁽²⁾	0.49	0.54	0.40
Quick ratio ⁽³⁾	0.44	0.49	0.35

Note:

- (1) See “– Non-IFRS Measures” for a reconciliation between our non-IFRS measures and our IFRS measures.
- (2) The current ratio is calculated by dividing current assets by current liabilities as of the same date. We believe that convertible redeemable preferred shares from the current liabilities should be excluded from the calculation of the current ratio because shares are typically not considered part of our short-term financial obligations, which better reflects our financial substance and provides more meaningful information to investors. Our current ratios (excluding redeemable preferred shares) were 1.63, 1.21 and 1.26 in 2023, 2024 and 2025.
- (3) Quick ratio equals current assets minus inventories, divided by current liabilities as of the same date. Similar to the above, we believe that convertible redeemable preferred shares from the current liabilities should be excluded from the calculation of the quick ratio because these shares are typically not considered part of our short-term financial obligations. Our quick ratios (excluding redeemable preferred shares) were 1.47, 1.09 and 1.10 in 2023, 2024 and 2025.

For a more comprehensive discussion of the factors affecting our key financial ratios and our net loss and net loss margin during the Track Record Period, see “Financial Information—Discussion of Results of Operations.”

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our activities expose us to a variety of financial risks, primarily the interest risk, credit risk, liquidity risk, equity price risk and foreign currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For further details, see Note 39 to the Accountants’ Report in Appendix I to this Document.

FINANCIAL INFORMATION

DIVIDEND

During the Track Record Period, no dividends have been declared and paid by us. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account 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. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board, but no dividend may exceed the amount recommended by our Board. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that we may pay a dividend out of either profit or a share premium account, provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, until the aggregated amount of such funds reaches 50% of their registered capital, which are not available for distribution as cash dividends. We do not expect to pay any cash dividends in the foreseeable future.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had no retained earnings that were available for distribution to our equity shareholders.

[REDACTED]

Based on the mid-point [REDACTED] of HK\$[REDACTED] (being the mid-point of our [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), the total [REDACTED] (including [REDACTED]) payable by our Company are estimated to be approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), assuming the [REDACTED] is not exercised. These [REDACTED] mainly comprise professional fees paid and payable to the professional parties, and [REDACTED] payable to the [REDACTED], for their services rendered in relation to the [REDACTED] and the [REDACTED].

As of December 31, 2025, we incurred [REDACTED] of RMB[REDACTED] million, of which RMB[REDACTED] million was charged to the consolidated statements of profit or loss and RMB[REDACTED] million was recognized as a reduction in equity upon successful [REDACTED].

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of the Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2025, the end of the period reported on the Accountant’s Report included in Appendix I to this Document; and there has been no event since December 31, 2025 which would materially affect the information presented in the Accountant’s Report set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.