You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto included in the Accountants' Report set out in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document and not rely merely on the information contained in this section. The historical financial information set forth in the Accountants' Report has been prepared in accordance with the IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for any future periods. 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 our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are a provider of edge AI chip products. Leveraging our robust chip design capabilities and strengths in the deep integration of display and sensing-control with chips, we have effectively commercialized our products at scale. Our display chip products mainly comprise AI Scaler and STDI chips; our sensing-control chip products mainly comprise TMCUs, general-purpose MCUs, touch ICs and SCCUs. Our products have been adopted by various mainstream automotive OEMs, through their Tier 1 suppliers, and leading consumer electronics brands, through electronic system integrators and solution providers, globally. Our mass-produced chip portfolio addresses diverse customer needs across consumer electronics, automotive industry and emerging markets such as embodied intelligence.

We have competitive R&D capabilities, established mass production experience and sound technological strengths, with solid expertise in image and video processing, sensing, SoC design and automotive-grade product development. Building on our edge AI advantages in display, sensing and control, we empower innovation in smart devices worldwide. Scaler chips are image processing chips that are widely applied in smartphone displays and automotive cockpit displays. We developed the world's first ASIC-based scaler, AI Scaler, according to the F&S Report, and command key technologies in visually lossless compression, image quality enhancement and high-speed interface transmission. Leveraging our presence in the smartphone display application market, our AI Scaler has achieved solid market share growth to become a leading product. In 2025, our shipment volume of AI Scaler was approximately 47 million units. According to the F&S Report, we ranked first globally in the scaler industry and the ASIC scaler industry, in each case as measured by shipment volume, in 2025. According to the same source, our latest automotive-grade TMCU maintains a leading position in specifications and performance for sensing and control in China. Benefiting from their sensing accuracy and anti-interference performance, our TMCUs have been deployed in a large number of mass-produced vehicle models of mainstream automotive OEMs and have been recognized in the global automotive industry.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Develop Competitive Products and Address Downstream Demands

The competitiveness of our edge AI chip products, in particular our display chip products and sensing-control chip products, are the pillar of our business strengths and key to our financial performance. Since our inception, we have invested significant resources in and curated a strong portfolio winning high market recognition, which has contributed significantly to our revenue growth. According to the F&S Report, we ranked first globally in the scaler industry and the ASIC scaler industry, as measured by shipment volume, in 2025. During the Track Record Period, our total revenue increased from RMB150.1 million for 2023 to RMB244.1 million for 2024, and further to RMB346.4 million for 2025, respectively. Such growth was underpinned by the competitiveness of the relevant products, including their technological and functional advantages and the close fit of such products with imminent market needs.

To achieve further growth, we must ensure the market position of our existing products and innovate new products to tap on unaddressed business opportunities. The competitiveness of our edge AI chip products depends on a variety of internal and external factors. Under the AI era, the display chip industry and sensing-control chip industry are characterized by higher integration, stronger intelligence, multimodal perception and fusion, and higher computing power and system collaboration. The competitiveness of our edge AI chip products is highly dependent on our ability to constantly align ourselves with these goals in a manner that outperforms our peers. This in turn mandates us, among others, to reinforce our technology leadership and strengthen our R&D capabilities. Specifically, as our products are deployed by our customers in their end products or operations, our ability to understand, address and even predict their needs, keep up with industry trends and standards and develop products tailored to such needs and trends effectively is crucial to the value of our products to customers. Moreover, due to the nature of the applications of our products, the competitiveness of our products also depends on the degree of cost-savings and engineering efficiency, satisfaction of compliance requirements and other practical benefits that our products can bring to our customers. In addition, the competitiveness of our products remains to be affected by the general industry landscape, including the products offered by other domestic and international players and the relative benefits and costs of our products versus theirs.

Our Technological Advantages and R&D Capabilities

We have built our accomplishments to date upon our technological advantages, which supports the competitiveness of our products and empowers efficient product innovations and development. Leveraging the underlying common edge AI technologies in display and sensing and control, we are at the forefront of the transformation in the edge AI chips and solutions industry. Since our inception, we have focused on the development of image processing and capacitive sensing technologies, through which we achieved efficient image compression and processing and advanced multimodal sensor fusion, forming the basis for rapid product derivation and stable mass production. We believe that these technological advantages will continue to underpin our commercial success.

Our R&D capabilities are the cornerstone of our technology leadership, enabling our product development, upgrades and extension. We have steadily invested substantial resources in our research and development efforts since our inception. From 2023 to 2025, our total research and development expenditure ratio was 58.5%, calculated by dividing annual total research and development expenditure for the three financial years prior to the [**REDACTED**] by total operating expenditure for the three financial years prior to the [**REDACTED**]. In 2023, 2024 and 2025, our research and development expenses amounted to RMB124.7 million, RMB86.8 million and RMB93.5 million. As of December 31, 2025, our R&D team has 84 members, most with over ten years of experience at leading global semiconductor companies and hold degrees from top domestic and overseas institutions. We will further enhance our technological innovation through "Industry-Academia-Research" collaborations and prospective R&D layouts in AI and robotics, strengthening our long-term competitiveness. We have signed a strategic cooperation agreement with the Faculty of Microelectronics at Xidian University and jointly established an Automotive Chip Technology Center with Tsinghua University. As a result, our research and development expenses may fluctuate along with, among others, development progress of our new products and the recruitment, retention and incentivization of our R&D personnel. To the extent that we increase our investments in R&D personnel and activities, our research and development expenses may increase. In addition, our R&D activities come with uncertainties in the process and outcome, and we may not predict the results of and return on such investment, which may in turn affect our results of operations.

The Effectiveness, Stability and Resilience of Our Supply Chain

Our supply chain capabilities are crucial to our ability to constantly deliver high-quality products that satisfy customer requirements, as well as our ability to achieve cost management and improve profitability. Under our fabless business model, we concentrate our resources on the design and development of high-performance edge AI chip products, while outsourcing all manufacturing processes, including wafer fabrication and chip packaging and testing, to our third-party business partners. As of the Latest Practicable Date, we had established stable relationships with eight major wafer foundries and 13 packaging and testing suppliers, enabling production capacity stability and cost competitiveness and advancing localization of our chip supply chain. Our ability to maintain stable and virtuous business relationship with these suppliers, collaborate with them in a cohesive and efficient manner, and secure their capacity on favorable or reasonable commercial terms that meet our requirements is essential to our fulfillment capabilities.

Similar to other fabless players in the semiconductor industry, our cost of sales, gross profit and results of operations are structurally affected by global and local supply chain status of the semiconductor sector, the availability, abundance and timeliness of raw materials and our suppliers' manufacturing capacity. These factors will affect our cost level, in particular our material costs which have a vital impact on our profitability, and we may adjust our stock preparation and procurement strategies from time to time in light of these evolving supply chain conditions, which may affect our margin. During the Track Record Period, our cost of sales amounted to RMB117.9 million, RMB174.8 million and RMB273.7 million for 2023, 2024 and 2025, respectively, representing 78.5%, 71.6% and 79.0% of our total revenue for the same years, respectively. Our cost of sales primarily consisted of (1) direct material costs, mainly including costs of procuring wafers, FLASH and PCBA modules, (2) packaging and testing costs, and (3) write-down of inventories. Our direct material costs amounted to RMB99.5 million, RMB145.9 million and RMB232.3 million for 2023, 2024 and 2025, respectively, representing 84.5%, 83.5% and 84.9% of our total cost of sales for the same years, respectively. We expect that our results of operations will continue to be affected by changes in the supply chain, as well as our strategies in response to these supply chain fluctuations.

Our Ability to Achieve Operating Efficiency

As we expanded our scale of operations, our ability to achieve operating efficiency has become more important to our results of operations. Specifically, our results of operations are also affected by our operating expenses, including our selling and distribution expenses and administrative expenses. While we recorded greater selling and distribution expenses and administrative expenses during the Track Record Period, in line with our expanded scale of operations, we were able to maintain these expenses at reasonable levels compared with our growth. During the Track Record Period, our selling and distribution expenses amounted to RMB28.4 million, RMB26.8 million and RMB27.9 million for 2023, 2024 and 2025, respectively, representing 18.9%, 11.0% and 8.1% of our total revenue for the same years, respectively. Our administrative expenses amounted to RMB43.3 million, RMB45.8 million and RMB54.6 million for 2023, 2024 and 2025, respectively, representing 28.8%, 18.7% and 15.8% of our total revenue for the same years, respectively. Going forward, we may continue to incur increasing operation expenses due to increased employee headcount and greater operating expenditure to meet the increasing needs of our business operations. Our profitability will also depend on, among others, our ability to enhance operating efficiency, attain economies of scale and achieve operating leverage to keep these costs at levels commensurate with our business growth.

BASIS OF PREPARATION

For capital subscribed by Pre-[**REDACTED**] Investors, our Directors considered that it is appropriate to present the Pre-[**REDACTED**] Investments as equity throughout the Track Record Period. Further details of the financial impacts of the arrangements are included in Note 32(d) to the Accountants' Report in Appendix I to this document.

The historical financial information of our Group has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the historical financial information throughout the relevant periods and in the period covered by the interim comparative financial information.

The historical financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL") which has been measured at fair value.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Results may differ from these estimates under different assumptions and conditions.

Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other assumptions which our management believes to be reasonable under the circumstances.

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

We provide (a) display chip products and (b) sensing-control chip products.

(a) Revenue from display chip products

The display chip products include sale of display chips and related products, provision of chip solutions services and revenue from cooperation development.

Sale of display chips and related products

Revenue from the sale of display chips and related products is recognized at the point in time when control of the asset is transferred to the customers, generally on delivery of the products. We act as principal as we have controls over the products before transferring the products to our customers. Accordingly, we recognize revenue and cost incurred on a gross basis.

Provision of chip technical services

We entered contract with certain customers to provide chip technical services which includes the design, deployment, commission and verification process of customized display chip products, revenue from chip technical service is recognized overtime, using an input method to measure process towards complete satisfaction of the services, because the customer simultaneously receives and consumes the benefits provided by us. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the chip technical services.

Revenue from cooperation development

We granted exclusive rights to certain customers to purchase our products in a pre-agreed period and we are entitled to a non-refundable service fee (the "Up-front Payment") pursuant to certain cooperation development agreements (the "Agreements").

Contracts for cooperation development comprised provision of exclusive rights and research and development services that are not distinct and incapable of being separately identifiable. Accordingly, the transaction price, i.e. the Upfront Payment, is recognized over time, using an output method to measure progress towards complete satisfaction of the service, because the customers simultaneously receive and consume the benefits provided by us. The output method recognizes revenue based on the actual quantities of products purchased by the customers relative to the estimated total quantities of products to be purchased during the pre-agreed period.

(b) Revenue from sensing-control chip products

The sensing-control chip products include sale of sensing-control chips. Revenue from the sale of sensing-control chips is recognized at the point in time when control of the asset is transferred to the customers, generally on delivery of the products.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Inventories

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

Provision against obsolete and slow-moving inventories

We review the condition of our inventories and make a provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Our management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. We carry out an inventory review at the end of each year and make a provision against obsolete and slow-moving items. Our management reassesses the estimation at the end of each year. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of inventories and the write-down of inventory amount in the year in which such estimates have been changed.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Modules and tools	33.33%
Electronic equipment	20% to 33.33%
Furniture and fixtures	20% to 33.33%
Leasehold improvements	Shorter of remaining lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the consolidated statements of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Share-based payments

We operate a share incentive plan. Employees and consultants of us receive incentives in the form of share-based payments, whereby employees and consultants render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the discounted cash flow model or when there is a recent share transaction price close to the grant date of the granted shares, the recent share transaction price is used.

The cost of equity-settled transactions is recognized in benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statements of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss items for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(RMB in thousands, except for percentages)					
Revenue	**150,112**	**100.0**	**244,071**	**100.0**	**346,359**	**100.0**
Cost of sales	(117,851)	(78.5)	(174,750)	(71.6)	(273,673)	(79.0)
Gross profit	**32,261**	**21.5**	**69,321**	**28.4**	**72,686**	**21.0**
Other income and gains, net	12,813	8.5	12,713	5.2	13,931	4.0
Selling and distribution expenses	(28,360)	(18.9)	(26,844)	(11.0)	(27,922)	(8.1)
Administrative expenses	(43,305)	(28.8)	(45,763)	(18.7)	(54,638)	(15.8)
Research and development expenses	(124,669)	(83.1)	(86,833)	(35.6)	(93,500)	(27.0)
Impairment losses on financial assets, net	(457)	(0.3)	(2,017)	(0.8)	(1,061)	(0.3)
Other expenses	(29)	(0.0)	(95)	(0.0)	(1,245)	(0.4)
Finance costs	(1,036)	(0.7)	(1,003)	(0.4)	(2,698)	(0.8)
Share of losses of an associate	(639)	(0.4)	–	–	–	–
LOSS BEFORE TAX	**(153,421)**	**(102.2)**	**(80,521)**	**(33.0)**	**(94,447)**	**(27.3)**
Income tax expense	–	–	(299)	(0.1)	(99)	(0.0)
LOSS FOR THE YEAR	**(153,421)**	**(102.2)**	**(80,820)**	**(33.1)**	**(94,546)**	**(27.3)**

For details of the accounting treatment of redemption rights and liquidation preference rights of pre-[**REDACTED**] investment, see Note 32 to the Accountants' Report in Appendix I to this document.

Non-IFRS Measure

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

We define adjusted net loss (non-IFRS measure) as loss for the year adjusted for (1) equity-settled share-based payments, and (2) [**REDACTED**]. Equity-settled share-based payments are non-cash expenses arising from share incentives granted to employees and consultants. [**REDACTED**] are expenses in relation to the [**REDACTED**]. The following table sets out a reconciliation from adjusted net loss (non-IFRS measure) to loss for the year which is presented in accordance with the IFRSs.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Loss for the year	**(153,421)**	**(80,820)**	**(94,546)**
Add: equity-settled share-based payment expenses	24,191	12,085	31,313
Add: [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net loss (non-IFRS measure)	**(129,230)**	**(68,735)**	**(51,070)**

Revenue

During the Track Record Period, we primarily generated revenue from the sales and provision of (1) display chip products, and (2) sensing-control chip products. In 2023, 2024 and 2025, our revenue was RMB150.1 million, RMB244.1 million and RMB346.4 million, respectively. The following table sets forth a breakdown of our revenue by product type, both in absolute amount and as percentage of our total revenue, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Display chip products:						
– AI Scaler	134,493	89.6	235,629	96.5	250,436	72.3
– STDI chips	–	–	434	0.2	12,920	3.7
– Others[(1)]	–	–	1,560	0.6	840	0.3
Subtotal	**134,493**	**89.6**	**237,623**	**97.4**	**264,196**	**76.3**
Sensing-control chip products:						
– TMCUs	–	–	19	0.0	3,177	0.9
– General-purpose MCUs	1,734	1.2	3,044	1.2	5,350	1.5
– Touch ICs	13,885	9.2	3,384	1.4	2,969	0.9
– SCCUs	–	–	–	–	70,667	20.4
Subtotal	**15,619**	**10.4**	**6,448**	**2.6**	**82,163**	**23.7**
Total	**150,112**	**100.0**	**244,071**	**100.0**	**346,359**	**100.0**

(1) Primarily included provision of technical services relating to our display chip products.

The following table sets forth a breakdown of our revenue by its major downstream applications, both in absolute amount and as percentage of our total revenue, for the years indicated.

	Year ended December 31,					
	2023	%	2024	%	2025	%
	(RMB in thousands, except for percentages)					
Consumer applications:						
AI Scaler	134,493	89.6	235,629	96.5	250,436	72.3
STDI chips	–	–	434	0.2	12,920	3.7
Touch ICs	13,885	9.2	3,384	1.4	2,969	0.9
Others[1]	–	–	1,560	0.6	840	0.3
Subtotal	**148,377**	**98.8**	**241,008**	**98.7**	**267,165**	**77.2**
Automotive applications:						
TMCUs	–	–	19	0.0	3,177	0.9
General-purpose MCUs	1,734	1.2	3,044	1.2	5,350	1.5
SCCUs	–	–	–	–	70,667	20.4
Subtotal	**1,734**	**1.2**	**3,063**	**1.3**	**79,194**	**22.8**
Total	**150,112**	**100.0**	**244,071**	**100.0**	**346,359**	**100.0**

(1) Primarily included provision of technical services.

The following table sets forth a breakdown of our revenue by geographical regions, both in absolute amount and as percentage of our total revenue, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in thousands, except for percentages)					
Chinese mainland	142,065	94.6	242,511	99.4	337,659	97.5
Other countries/regions[1]	8,047	5.4	1,560	0.6	8,700	2.5
Total	**150,112.0**	**100.0**	**244,071.0**	**100.0**	**346,359**	**100.0**

(1) Primarily included Hong Kong. The fluctuations of revenue generated from other countries/regions are attributable to the same reasons of the fluctuations of our overall revenue. See "—Period to Period Comparison of Results of Operations."

Cost of Sales

Our cost of sales primarily consists of (1) direct material costs, mainly including costs of procuring wafers, FLASH and PCBA modules, (2) packaging and testing costs, and (3) write-down of inventories. In 2023, 2024 and 2025, our cost of sales was RMB117.9 million, RMB174.8 million and RMB273.7 million, respectively, representing 78.5%, 71.6% and 79.0% of our revenue for the same years, respectively. The following table sets forth a breakdown of our cost of sales by nature, both in absolute amount and as percentage of our total cost of sales, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands, except for percentages)					
Direct material costs	99,548	84.5	145,868	83.5	232,325	84.9
Packaging and testing costs	14,750	12.5	18,641	10.7	26,782	9.8
Others[1]	1,876	1.6	2,994	1.7	4,161	1.5
Subtotal	**116,174**	**98.6**	**167,503**	**95.9**	**263,268**	**96.2**
Write-down of inventories[2][3]	1,677	1.4	7,247	4.1	10,405	3.8
Total	**117,851**	**100.0**	**174,750**	**100.0**	**273,673**	**100.0**

(1) Primarily included depreciation and amortization and technical service cost.

(2) We adopt a prudent inventory write-down policy. For inventories held for sale or use, we primarily assess those inventories based on their NRV: (1) for inventories tied to firm sales orders, NRV is determined with reference to the order price; (2) for other inventories, NRV is assessed with reference to recent market prices or estimated selling prices net of relevant taxes and costs. Where NRV cannot be reliably estimated, we supplement the assessment with an ageing analysis and apply category-specific ageing thresholds, under which items exceeding the relevant threshold are fully written down. In addition, for inventories showing specific write-down indicators, such as apparent obsolescence, technological iteration or product upgrade, we perform a separate item-by-item assessment and recognize the corresponding write-downs.

(3) In order to prevent future occurrences of significant write-down of inventories, we have implemented the following inventory management measures: (i) conducting more detailed sales forecasts taking into consideration of factors such as sales strategy, historical sales data, industry changes, inventory levels of finished goods, and supply chain risks; (ii) conducting regular checks and reviews on the performance of distributors and provide supports to underperformed distributors; (iii) strengthening the reviewing process of the key terms in relation to our agreements with customers and distributors to mitigate inventory risks which may arise from such agreements; and (iv) communicating more frequently with customers and distributors to obtain a better understanding of market demand.

The following table sets forth a breakdown of our write-down of inventories by product type, both in absolute amount and as percentage of our total write-down of inventories, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in thousands, except for percentages)					
Display chip products:						
– AI Scaler	924	55.1	(245)	(3.4)	1,808	17.4
– STDI chips	–	–	–	–	3,899	37.5
Subtotal	**924**	**55.1**	**(245)**	**(3.4)**	**5,706**	**54.8**
Sensing-control chip products:						
– TMCUs	40	2.4	(39)	(0.5)	37	0.4
– General-purpose MCUs	817	48.7	5,225	72.1	4,392	42.2
– Touch ICs	(105)	(6.2)	2,306	31.8	225	2.2
– SCCUs	–	–	–	–	45	0.4
Subtotal	**753**	**44.9**	**7,492**	**103.4**	**4,699**	**45.2**
Total write-down of inventories	**1,677**	**100.0**	**7,247**	**100.0**	**10,405**	**100.0**

Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, our gross profit was RMB32.3 million, RMB69.3 million and RMB72.7 million, respectively, representing gross profit margin of 21.5%, 28.4% and 21.0% for the same years, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)					
Display chips:						
AI Scaler	29,164	21.7	75,458	32.0	73,281	29.3
STDI chips*	–	–	(2)	(0.4)	(1,530)	(11.8)
Others[1]	–	–	997	63.9	787	93.7
Subtotal	**29,164**	**21.7**	**76,452**	**32.2**	**72,538**	**27.5**
Sensing-and-control chips:						
TMCUs	–	–	3	16.5	1,168	36.8
General-purpose MCUs*	(501)	(28.9)	(802)	(26.4)	(1,543)	(28.8)
Touch ICs	5,274	38.0	914	27.0	834	28.1
SCCUs	–	–	–	–	10,094	14.3
Subtotal	**4,774**	**30.6**	**116**	**1.8**	**10,553**	**12.8**
Total before write-down of inventories	**33,938**	**22.6**	**76,568**	**31.4**	**83,091**	**24.0**
Less: Write-down of inventories	(1,677)		(7,247)		(10,405)	
Total	**32,261**	**21.5**	**69,321**	**28.4**	**72,686**	**21.0**

* During the Track Record Period, we recorded gross loss margins for our STDI chips and general-purpose MCUs. This was primarily because the STDI chips and general-purpose MCUs sold during the Track Record Period represented our first-generation products in their respective series. These products were still in the early stages of commercialization and production ramp-up. As a result, our production and sales volumes had not yet reached a level sufficient to achieve meaningful economies of scale, resulting in relatively high average unit costs that could not be fully covered by the selling prices. This transitional phase is typical for the early-stage commercialization of new semiconductor products, according to Frost & Sullivan. With the launch of these upgraded products and our continuous market penetration efforts, we expect our production and sales volumes of STDI chips and general-purpose MCUs to scale up. In addition, we are proactively optimizing our supply chain by transitioning the manufacturing of our new products to domestic wafer foundries, which is expected to result in reduction in our direct material costs. The gradual realization of economies of scale, coupled with such supply chain optimization, are expected to optimize our unit manufacturing costs, which we anticipate will ultimately achieve the gross profit margins of these two product lines.

Other Income and Gains, Net

We recorded other net income and gains of RMB12.8 million, RMB12.7 million and RMB13.9 million in 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our other net income and gains for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Other income			
Government grants	8,134	8,356	11,070
Investment income from financial assets at FVPL	1,967	2,570	2,673
Interest income	622	500	188
Other interest income from debt investments at FVOCI	975	660	–
Gains			
Fair value gains on FVPL	641	404	–
Gains on termination of leases	–	223	–
Foreign exchange gains, net	474	–	–
Gain on disposal of a subsidiary	–	–	–
Total	**12,813**	**12,713**	**13,931**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (1) staff costs for our selling and distribution staff, (2) business development expenses, primarily including business travel expenses and other business development expenses in relation to selling and distribution activities, and (3) depreciation and amortization. In 2023, 2024 and 2025, our selling and distribution expenses were RMB28.4 million, RMB26.8 million and RMB27.9 million, respectively, representing 18.9%, 11.0% and 8.1% of our revenue for the same years, respectively. The following table sets forth a breakdown of our selling and distribution expenses by nature, both in absolute amount and as a percentage of our total selling and distribution expenses, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands, except for percentages)					
Staff costs	25,562	90.1	21,762	81.1	23,349	83.6
Business development expenses	1,350	4.8	2,162	8.1	2,739	9.8
Depreciation and amortization	669	2.4	762	2.8	1,023	3.7
Others[1]	779	2.7	2,158	8.0	811	2.9
Total	**28,360**	**100.0**	**26,844**	**100.0**	**27,922**	**100.0**

(1) Primarily including market promotion expenses.

Administrative Expenses

Our administrative expenses primarily consist of (1) staff costs for our administrative staff, (2) [**REDACTED**] in relation to the [**REDACTED**], (3) professional service fees, primarily comprised fees for consultants, auditors, lawyers and other professionals, (4) depreciation and amortization, (5) office expenses, and (6) taxes and surcharges. In 2023, 2024 and 2025, our administrative expenses were RMB43.3 million, RMB45.8 million and RMB54.6 million, respectively, representing 28.8%, 18.7% and 15.8% of our revenue for the same years, respectively. The following table sets forth a breakdown of our administrative expenses by nature, both in absolute amount and as a percentage of our total administrative expenses, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands, except for percentages)					
Staff costs	30,654	70.8	32,459	70.9	29,073	53.2
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional service fees	3,880	9.0	3,290	7.2	4,681	8.6
Depreciation and amortization	3,128	7.2	3,857	8.4	2,501	4.6
Office expenses	2,052	4.7	1,799	3.9	2,432	4.5
Taxes and surcharges	140	0.3	918	2.0	885	1.6
Others(1)	3,451	8.0	3,440	7.6	2,903	5.2
Total	**43,305**	**100.0**	**45,763**	**100.0**	**54,638**	**100.0**

(1) Primarily including business development expenses.

Research and Development Expenses

Our research and development expenses primarily consist of (1) staff costs for our research and development staff, (2) materials and consumables used for our research and development activities, (3) depreciation and amortization expenses, and (4) professional service fees, primarily comprising outsourced technical service fees and certification-related fees. In 2023, 2024 and 2025, our research and development expenses were RMB124.7 million, RMB86.8 million and RMB93.5 million, respectively, representing 83.1%, 35.6% and 27.0% of our revenue for the same years, respectively. The following table sets forth a breakdown of our research and development expenses by nature, both in absolute amount and as a percentage of our total research and development expenses, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(RMB in thousands, except for percentages)					
Staff costs	91,024	73.0	66,962	77.2	71,720	76.7
Materials and consumables	20,583	16.5	5,858	6.7	11,664	12.5
Depreciation and amortization	5,604	4.5	4,978	5.7	3,977	4.3
Professional service fees(1)	6,142	4.9	7,751	8.9	4,902	5.2
Others(1)	1,316	1.1	1,284	1.5	1,237	1.3
Total	**124,669**	**100.0**	**86,833**	**100.0**	**93,500**	**100.0**

(1) Professional service fees represent fees paid to external professional institutions for services supporting our research and development activities. Such professional service fees primarily comprised (i) outsourced technical service fees, representing fees incurred for project-specific R&D support provided by third-party technical organizations, including specialized development assistance, technical consulting, validation, and testing/analysis services, and (ii) certification-related fees, representing fees incurred to apply for, maintain and protect our R&D outcomes, including fees paid to professional legal or intermediary firms (such as patent agencies and certification bodies) for patent applications, software copyright registrations, and technical accreditations, together with the relevant official filing fees and agency charges.

(2) Primarily including business travel expenses and office expenses.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets represent impairment losses on trade and bill receivables and other receivables. In 2023, 2024 and 2025, our net impairment losses on financial assets were RMB0.5 million, RMB2.0 million and RMB1.1 million, respectively, representing 0.3%, 0.8% and 0.3% of our revenue for the same years, respectively.

Finance Costs

Our finance costs primarily consist of (1) interest on bank borrowings, and (2) interest on lease liabilities. In 2023, 2024 and 2025, our finance costs was RMB1.0 million, RMB1.0 million and RMB2.7 million, respectively, representing 0.7%, 0.4% and 0.8% of our revenue for the same years, respectively.

Income Tax Expense

We recorded income tax expense of nil, RMB0.3 million and RMB0.1 million in 2023, 2024 and 2025, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

The following description sets forth a summary of our major income tax exposures.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out in Note 11 to the Accountants' Report in Appendix I to this document.

Our Company and a subsidiary were accredited as a "High and New Technology Enterprise" under the relevant tax rules and regulations, and therefore these entities were entitled to a preferential CIT rate of 15% during the Track Record Period. This qualification is subject to review by the relevant tax authority in the PRC every three years. For details, see Note 11 to the Accountants' Report in Appendix I to this document.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 41.9% from RMB244.1 million in 2024 to RMB346.4 million in 2025, primarily driven by the successful commercialization of our SCCUs in 2025, marking our strategic expansion from chips to comprehensive automotive solutions.

- ***Display chip products.*** Our revenue from display chip products increased by 11.2% from RMB237.6 million in 2024 to RMB264.2 million in 2025, primarily due to our continuing efforts in enriching our product portfolio. In particular, our revenue from STDI chips increased from RMB0.4 million in 2024 to RMB12.9 million in 2025, primarily due to the successful commercialization of our STDI chips in late 2024, which received positive market response in 2025. Such positive reception was largely attributable to the innovative all-in-one architecture of our STDI chips, which integrates our proprietary scaler and TDDI functionalities, encompassing image processing, frame rate conversion, high-speed interface, display driver, and touch features into a single chip. This integrated design resonated well with the market as it effectively reduces system complexity, saves board space, and improves power efficiency, all while maintaining premium visual quality verified through stringent compatibility and reliability testing.

- ***Sensing-control chip products.*** Our revenue from sensing-control chip products increased significantly from RMB6.4 million in 2024 to RMB82.2 million in 2025, which was primarily driven by the revenue from SCCUs, which we launched in June 2025 and generated revenue of RMB70.7 million in 2025.

Cost of sales

Our cost of sales increased by 56.6% from RMB174.8 million in 2024 to RMB273.7 million in 2025, primarily due to an increase in direct material costs of RMB86.5 million, which was generally in line with our revenue growth in 2025.

The write-down of inventories increased from RMB7.2 million in 2024 to RMB10.4 million in 2025, primarily due to longer inventory aging attributable to our expansion of automotive-grade product lines, which generally has a long product introduction cycle in line with the characteristics of the industry and the product, resulting in increased aging of related inventories.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 4.9% from RMB69.3 million in 2024 to RMB72.7 million in 2025. Our gross profit margin decreased from 28.4% in 2024 to 21.0% in 2025.

- ***Display chip products***. Our gross profit margin (before write-down of inventories) for display chip products decreased from 32.2% in 2024 to 27.5% in 2025, primarily due to a decrease in the gross profit margin (before write-down of inventories) for AI Scaler. This decrease was driven by a structural shift in our AI Scaler portfolio following the launch of our new AI Scalers and our strategic price adjustments for existing AI Scaler in response to changing market conditions.

  – ***Existing AI Scaler***. As our existing AI Scaler entered the later stage of their lifecycle, their revenue contribution to the display chip products decreased from 99.2% in 2024 to 73.3% in 2025, and their gross profit margin decreased from 32.0% to 25.7% due to our strategic price adjustments in response to the changing market conditions. Such price adjustments were made after careful consideration of the following factors and changing market conditions: (i) increased market supply and technology imitation by competitors led to product homogenization, making pricing a critical competitive differentiator. To defend our market share against major competitors, we proactively adjusted our prices; (ii) downstream module and terminal device manufacturers faced severe cost pressures due to price volatility and soft end-market demand. This heightened their sensitivity to chip procurement costs, leading to explicit requests for price reductions from our customers; (iii) as our existing AI Scaler entered the maturity stage of their lifecycle, downstream demand gradually shifted toward next-generation solutions. We proactively offered price discounts to accelerate the clearance of older inventory, and (iv) the gradual release of domestic wafer fabrication and packaging and testing capacities continuously optimized our supply chain costs. This cost reduction afforded us the financial flexibility to implement these strategic price cuts while remaining commercially viable.

  – ***Newly launched AI Scaler***. Our new AI Scaler launched in 2025 achieved a relatively high gross profit margin of 41.5%. However, as they were still in the early stages of commercialization with a limited revenue contribution of 21.5% to the display chip products, their contribution to the overall gross profit margin for display chip products remained limited.

- ***Sensing-control chip products***. Our gross profit margin (before write-down of inventories) for sensing-control chip products increased from 1.8% in 2024 to 12.8% in 2025, primarily due to the launch and successful commercialization of our SCCUs in June 2025, which had a relatively higher gross profit margin than other sensing-control chip products.

Other income and gains, net

Our other net income and gains increased by 9.6% from RMB12.7 million in 2024 to RMB13.9 million in 2025, primarily due to an increase in government grants related to income of RMB2.7 million, primarily in relation to the government grants from Hefei government. In 2025, the government grants received from Hefei government amounted to RMB6.3 million in aggregate. Such grants consisted of the following three main components. The first grant of RMB4.8 million was awarded pursuant to an investment agreement entered into between Anhui Xihe and the Management Committee of Hefei Economic and Technological Development Area. Based on the fulfillment of specific assessment targets, this first grant comprised: (1) R&D subsidy of RMB4.3 million, representing 30% of the annual R&D investment; (2) a rental subsidy of RMB0.3 million; and (3) a renovation subsidy of RMB0.2 million for our R&D and office premises. The second was a Special Grant for Industry Innovation and R&D, which amounted to RMB1.0 million, which we received upon meeting the application criteria under the regional support policies for industry innovation and R&D in the Hefei Economic and Technological Development Area. The third was a bonus of RMB0.5 million through a entrepreneurship competition organized by the Anhui Provincial Department of Human Resources and Social Security.

The significant increase in government grants from the Hefei government in 2025 was primarily due to the timing of the disbursement of such grants. Specifically, we submitted the application for the first RMB5.3 million grant under the aforementioned investment agreement in 2024 upon meeting the relevant performance milestones, and the local government authority completed the review and approval process and disbursed the funds in 2025. This cross-period settlement resulted in a substantially higher amount of government grants actually received and recognized in 2025 compared to previous years.

Selling and distribution expenses

Our selling and distribution expenses increased by 4.0% from RMB26.8 million in 2024 to RMB27.9 million in 2025, primarily due to an increase in staff costs of RMB1.6 million, mainly as a result of the increase of the equity-based share-based payments for further incentivizing our staff.

Administrative expenses

Our administrative expenses increased by 19.4% from RMB45.8 million in 2024 to RMB54.6 million in 2025, primarily due to the [**REDACTED**] in relation to the [**REDACTED**] of RMB[**REDACTED**] million.

Research and development expenses

Our research and development expenses increased by 7.7% from RMB86.8 million in 2024 to RMB93.5 million in 2025, primarily due to an increase in materials and consumables of RMB5.8 million, mainly as a result of the tape-out for multiple new products of our AI Scaler, STDI chips and TMCUs, in line with our research and development progress.

Impairment losses on financial assets, net

We recorded an impairment loss on financial assets of RMB2.0 million and RMB1.1 million in 2024 and 2025, respectively.

Finance costs

Our finance costs increased significantly from RMB1.0 million in 2024 to RMB2.7 million in 2025, primarily due to an increase in interest on bank borrowings of RMB1.8 million.

Loss for the year

As a result of the foregoing, our loss for the year increased by 17.0% from RMB80.8 million in 2024 to RMB94.5 million in 2025.

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

Revenue

Our revenue increased by 62.6% from RMB150.1 million in 2023 to RMB244.1 million in 2024, primarily due to the increase of our revenue from AI Scaler.

- ***Display chip products.*** Our revenue from display chip products increased significantly from RMB134.5 million in 2023 to RMB237.6 million in 2024, primarily attributable to an increase in our revenue from AI Scaler from RMB134.5 million in 2023 to RMB235.6 million in 2024, mainly as a result of an increase in its sales volume from 16.0 million units in 2023 to 37.0 million units, owing to the positive market response to our new AI Scaler due to its robust specifications with competitive pricing. The robust specifications of our new AI Scaler launched in 2024 are characterized by several technical features, including the integration of on-chip RAM and support for DSC 10-bit, 3k resolution, and LTPO technology. Furthermore, our 2024 AI Scaler support high input refresh rates of up to 144Hz and Pentile MIPI output formats. Notably, our 2024 AI Scaler was the first to support the eDP interface, filling a technological gap in the ASIC scaler industry according to the F&S Report. In addition to these robust specifications, we adopted a competitive pricing strategy to accelerate market penetration. In 2024, the average selling price of our AI Scaler was approximately RMB6.4 per unit, which was significantly more attractive compared to the then prevailing industry average of RMB10 to RMB20 per unit. This combination of robust-performance features and competitive pricing allowed us to achieve a substantial increase in sales volume of AI Scaler in 2024.

- ***Sensing-control chip products.*** Our revenue from sensing-control chip products decreased significantly from RMB15.6 million in 2023 to RMB6.4 million in 2024, primarily due to a decrease in our revenue from touch ICs from RMB13.9 million in 2023 to RMB3.4 million in 2024, mainly as a result of a decrease in its sales volume from 11.6 million units in 2023 to 5.2 million units in 2024, owing to our strategy in discontinuing the legacy generation and allocating our resources to the research and development of the new generation of touch ICs and other product lines. Our strategy in discontinuing the legacy generation of touch ICs was carefully made after considering (i) the smaller relative market opportunity and lower performance of such legacy generation touch ICs, compared with our other product lines, (ii) the ongoing industry transition toward a new technology-based solutions for mobile displays, which reduced the commercial attractiveness of such legacy generation touch ICs, and (iii) the greater near-term market urgency and product continuity associated with our other product lines, in particular AI Scaler, for which we prioritized upgrades in 2024. In term of the technological transition, such legacy generation touch ICs were standalone chips limited to single-touch coordinate reporting for traditional Thin-Film Transistor Liquid Crystal Display (TFT LCD) screens. As the industry transitioned to "in-cell" technology, which demands higher touch precision and integration, these single-function legacy touch ICs became technologically obsolete. They were superseded by touch and display driver integration chips that combine touch and display functions. Recognizing that legacy touch ICs could no longer meet market needs, we discontinued them. Compared to these obsolete standalone legacy touch ICs, our current product focus, such as STDI chips, features a highly integrated architecture, touch control, and display driver functionalities, effectively addressing the transition of the display technologies. Furthermore, the discontinued legacy models are fundamentally different from the touch ICs that are still sold by our Group, as they target completely distinct downstream markets and application scenarios. While the legacy models were basic capacitive touch ICs primarily designed for traditional mobile phone displays, our currently sold touch ICs are advanced capacitive sensing ICs specifically applied in the AI smart wearable products sector, engineered to enable wear detection and human-machine interaction functions.

Cost of sales

Our cost of sales increased by 48.3% from RMB117.9 million in 2023 to RMB174.8 million in 2024, primarily due to an increase in direct material costs of RMB46.3 million, which was generally in line with the increase in the sales volume of AI Scaler in 2024.

The write-down of inventories increased from RMB1.7 million in 2023 to RMB7.2 million in 2024, primarily because we discontinued the legacy generation of certain touch ICs and, having assessed that the related work in progress and raw materials could no longer be used for production or sale, we fully wrote down and scrapped the relevant inventories.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased significantly from RMB32.3 million in 2023 to RMB69.3 million in 2024. Our gross profit margin increased from 21.5% in 2023 to 28.4% in 2024.

- ***Display chip products.*** Our gross profit margin (before write-down of inventories) for display chip products increased from 21.7% in 2023 to 32.2% in 2024, primarily due to an increase in our gross profit margin (before write-down of inventories) for AI Scaler, mainly as a result of (1) our enhanced R&D capability which enabled us to decrease the unit costs of our chips. In particular, our enhanced R&D capability enabled the architecture optimization and layout compaction at the same foundry node, so we achieved higher transistor density and a more efficient functional layout, which reduced the die area of our chips. A smaller die area allows more gross dies to be obtained from each wafer, which dilutes the wafer cost per unit; as a result, the unit costs of our chips decreased, and (2) continuous cost optimization driven by our accumulated production experience and increasing sales volume. Specifically, such cost optimization was achieved through the following:

  – ***Enhanced bargaining power in our upstream supply chain.*** As our sales scale and procurement volume expanded in 2024, our bargaining power with upstream suppliers was significantly strengthened. We effectively reduced the procurement costs of our core raw materials and services through centralized procurement, strategic supplier layout, and entering into long-term cooperation agreements with our core wafer foundries and packaging and testing service providers.

  – ***Improved product yield rates diluting unit fixed costs.*** We deepened our accumulation of production process know-how. By continuously optimizing production workflows, strengthening on-site management, and strictly controlling process parameters, we leveraged our extensive production experience to significantly improve the comprehensive yield rates of our product projects, thereby effectively diluting our unit fixed costs.

  – ***Implementation of lean production in testing processes.*** We significantly reduced testing time in our backend testing phase by deeply optimizing test program codes, eliminating redundant test items, and improving parallel testing efficiency. For instance, for certain high-volume product models, we successfully compressed the per-chip testing time through optimized testing algorithms and workflows. This reduction in testing time directly decreased the occupation duration of testing machines, which improved our equipment utilization rate at a constant production capacity, thereby lowering the allocated testing cost per unit and reducing retesting expenses and machine time losses.

- ***Sensing-control chip products.*** Our gross profit margin (before write-down of inventories) for sensing-control chip products decreased from 30.6% in 2023 to 1.8% in 2024, primarily due to our strategic discontinuation of the legacy generation of certain touch ICs, which had a relatively higher gross profit margin than other sensing-control chip products. Despite their legacy status and relatively lower performance, these touch ICs commanded a higher gross profit margin primarily because they primarily served an established base of certain existing customers who had well-defined performance requirements and faced high switching costs to change suppliers, which enabled us to maintain favorable pricing for these legacy touch ICs. As we executed the strategy to discontinue these legacy touch ICs, their revenue contribution to our sensing-control chip products declined substantially, which consequently lowered the overall gross profit margin of this business segment. Specifically, our revenue from touch ICs decreased from RMB13.9 million in 2023 to RMB3.4 million in 2024, and its proportion to the total revenue of sensing- control chip products decreased from approximately 88.9% in 2023 to 52.5% in 2024. For details of our strategic discontinuation of the legacy generation of certain touch ICs, see "—Period to Period Comparison of Results of Operations—Year ended December 31, 2024 Compared to Year ended December 31, 2023—Revenue."

Other income and gains, net

Our other net income and gains remained relatively stable at RMB12.8 million in 2023 and RMB12.7 million in 2024.

Selling and distribution expenses

Our selling and distribution expenses decreased by 5.3% from RMB28.4 million in 2023 to RMB26.8 million in 2024, primarily due to a decrease in staff costs of RMB3.8 million, mainly driven by the decrease in equity-settled share-based payment expenses, as a substantial amount of equity-settled share-based payment expenses was recognized in 2023.

Administrative expenses

Our administrative expenses remained relatively stable at RMB43.3 million in 2023 and RMB45.8 million in 2024.

Research and development expenses

Our research and development expenses decreased by 30.3% from RMB124.7 million in 2023 to RMB86.8 million in 2024, primarily due to (1) a decrease in staff costs of RMB24.1 million, mainly as a result of our strategy in streamlining an automotive-grade sensing-control chip R&D project, with longer expected commercialization timeline, and allocating our research and development resources to focus on our main business lines for a more focused and efficient R&D investment structure, and (2) a decrease in materials and consumables of RMB14.7 million, mainly as a result of fewer tape-out conducted in 2024, in line with our research and development progress.

Impairment losses on financial assets, net

Our net impairment losses on financial assets increased significantly from RMB0.5 million in 2023 to RMB2.0 million in 2024, primarily due to an increase in net impairment losses on trade receivable of RMB1.6 million.

Finance costs

Our finance costs remained relatively stable at RMB1.0 million in both 2023 and 2024.

Loss for the year

As a result of the foregoing, our loss for the year was RMB153.4 million and RMB80.8 million in 2023 and 2024, respectively.

DISCUSSION OF MAJOR ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
NON-CURRENT ASSETS			
Property, plant and equipment	14,617	9,630	5,719
Right-of-use assets	7,389	3,211	1,181
Intangible assets	8,117	7,748	16,838
Investments in an associate	–	–	–
Deposits	496	486	561
Debt investments at FVOCI	20,729	–	20,000
Equity investment designated at FVOCI	7,000	8,000	10,000
Total non-current assets	**58,348**	**29,075**	**54,299**
CURRENT ASSETS			
Inventories	41,253	51,103	123,049
Trade and bill receivables	5,846	5,739	12,183
Prepayments, deposits and other receivables	30,988	25,150	63,783
Financial assets at FVPL	126,641	163,804	10,000
Cash and cash equivalents	87,675	37,615	196,533
Total current assets	**292,403**	**283,411**	**405,548**
CURRENT LIABILITIES			
Trade payables	10,330	9,683	17,827
Contract liabilities	21,128	20,792	20,984
Other payables and accruals	31,086	18,322	47,527
Interest-bearing bank borrowings	11,600	59,255	89,503
Lease liabilities	3,468	2,202	1,276
Tax Payable	–	289	29
Total current liabilities	**77,612**	**110,543**	**177,146**
NET CURRENT ASSETS	**214,791**	**172,868**	**228,402**
TOTAL ASSETS LESS CURRENT LIABILITIES	**273,139**	**201,943**	**282,701**
NON-CURRENT LIABILITIES			
Lease liabilities	4,412	1,200	159
Other payables and accruals	–	–	7,303
Deferred income	746	497	3,475
Total non-current liabilities	**5,158**	**1,697**	**10,937**
Net assets	**267,981**	**200,246**	**271,764**
EQUITY			
Equity attributable to owners of the parent			
Share capital	–	–	10,152
Paid-in capital	9,715	9,715	–
Reserves	258,266	190,531	260,315
Non-controlling interests	–	–	1,297
Total equity	**267,981**	**200,246**	**271,764**

For details of the accounting treatment of redemption rights and liquidation preference rights of pre-[**REDACTED**] investment, see Note 32 to the Accountants' Report in Appendix I to this document.

Property, Plant and Equipment

Our property, plant and equipment consist primarily of (1) leasehold improvements, (2) electronic equipment, (3) modules and tools, and (4) furniture and fixtures. The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Leasehold improvements	4,422	2,331	1,081
Electronic equipment	6,098	3,865	2,146
Modules and tools	3,910	3,356	2,456
Furniture and fixtures	187	78	36
Total	**14,617**	**9,630**	**5,719**

Our property, plant and equipment decreased by 34.1% from RMB14.6 million as of December 31, 2023 to RMB9.6 million as of December 31, 2024, primarily due to (1) a decrease in leasehold improvements of RMB2.1 million, and (2) a decrease in electronic equipment of RMB2.2 million, both of which were mainly attributable to depreciation.

Our property, plant and equipment decreased by 40.6% from RMB9.6 million as of December 31, 2024 to RMB5.7 million as of December 31, 2025, primarily due to a decrease in electronic equipment of RMB1.7 million, which was mainly attributable to depreciation.

Right-of-use Assets

Our right-of-use assets consist of the properties leased primarily for our R&D facilities and office. Our right-of-use assets decreased by 56.5% from RMB7.4 million as of December 31, 2023 to RMB3.2 million as of December 31, 2024, primarily because we terminated lease contracts for certain leased properties to optimize our expenses. Our right-of-use assets decreased by 63.2% from RMB3.2 million as of December 31, 2024 to RMB1.2 million as of December 31, 2025, primarily due to depreciation.

Intangible Assets

Our intangible assets consist primarily of (1) IP licenses, primarily in relation to ARM® CPU core, eFlash IP and OTP, and (2) software. The following table sets forth the details of our intangible assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
IP licenses	7,050	5,867	4,832
Software	1,067	1,881	12,006
Total	**8,117**	**7,748**	**16,838**

Our intangible assets remained relatively stable at RMB8.1 million and RMB7.7 million as of December 31, 2023 and 2024, respectively. Our intangible assets increased by 117.3% from RMB7.7 million as of December 31, 2024 to RMB16.8 million as of December 31, 2025, primarily due to an increase of RMB10.1 million in software, mainly as a result of procurement of EDA development software, which is generally in line with our business growth.

Debt Investments at FVOCI

Our debt investments at FVOCI represents our negotiable certificate deposit. Our debt investments at FVOCI decreased from RMB20.7 million as of December 31, 2023 to nil as of December 31, 2024, and then increased to RMB20.0 million as of December 31, 2025, due to the purchase and disposal of such certificate deposit.

Equity Investment Designated at FVOCI

Our equity investment designated at FVOCI represents our equity investment in Wuhu Ruite Microelectronics Co., Ltd. ("Wuhu Ruite") and Hefei Ruituo Microelectronics Co., Ltd. ("Hefei Ruituo"). Such equity investment was irrevocably designated at FVOCI as we consider such investment to be strategic in nature.

In March 2022, we acquired 2% equity interest in Wuhu Ruite at a consideration of RMB10.0 million. The principal activity of Wuhu Ruite is the research and development of micro controller unit chips. The consideration is determined with reference to the equity valuation of Wuhu Ruite as of the date of investment. In September 2023, due to the internal group structure reorganization, the shareholders of Wuhu Ruite determined to deregister Wuhu Ruite and replace the equity interest in Wuhu Ruite by the equity interest in Hefei Ruituo, a subsidiary of Wuhu Ruite. Accordingly, we entered into a share transfer agreement with Wuhu Ruite and its shareholders, pursuant to which Wuhu Ruite has agreed to transfer its 4% equity interest in Hefei Ruituo to us at nil consideration in order to replace our original investment in Wuhu Ruite. Upon completion of the above transaction in 2023, our 2% equity interest in Wuhu Ruite was converted into a 4% equity interest in Hefei Ruituo. Our equity investment designated at FVOCI amounted to RMB7.0 million, RMB8.0 million and RMB10.0 million as of December 31, 2023, 2024 and 2025, respectively, representing the fair value of our investment in Hefei Ruituo, based on the enterprise value of Hefei Ruituo as appraised by valuer.

Inventories

Our inventories consist primarily of (1) finished goods, (2) work in progress, which consisted of semi-finished products that have completed mid-stage testing or packaging but have not undergone final testing, and (3) raw materials. The following table sets forth the details of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Finished goods	15,172	18,590	46,463
Work in progress	19,930	23,706	44,429
Raw materials	6,151	8,807	32,157
Total	**41,253**	**51,103**	**123,049**

Our inventories increased by 23.9% from RMB41.3 million as of December 31, 2023 to RMB51.1 million as of December 31, 2024, primarily due to (1) an increase in work in progress of RMB3.8 million, (2) an increase in finished goods of RMB3.4 million, and (3) an increase in raw materials of RMB2.7 million, all of which were attributable to our continued strategic stocking to maintain stable delivery capability amid growing sales of mass-produced chips and progress in new customer projects. Our inventories increased significantly from RMB51.1 million as of December 31, 2024 to RMB123.0 million as of December 31, 2025, primarily driven by (1) an increase in finished goods of RMB27.9 million, (2) an increase in work in progress of RMB20.7 million, and (3) an increase in raw materials of RMB23.4 million, all of which were attributable to our continued strategic stocking due to the continuing growth of our existing products in 2024 and the successful commercialization of the SCCUs in 2025.

The following table sets forth an aging analysis of our inventories, based on the transaction date, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	41,246	47,214	121,463
One to two years	7	3,889	1,586
Total	**41,253**	**51,103**	**123,049**

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	119	105	130

(1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by the number of days in that period (i.e., 360 days for a given year).

Our inventory turnover days decreased from 119 days in 2023 to 105 days in 2024, primarily due to successful product iterations and mass production of multiple products as well as sustained market demand for our products, which collectively expanded sales scale and improved our inventory turnover efficiency. Our inventory turnover days then increased to 130 days in 2025 primarily due to our continued strategic stocking due to the continuing growth of our existing products and the successful commercialization of the SCCUs in 2025.

As of April 30, 2026, RMB63.8 million, or 45.7%, of our inventories as of December 31, 2025 had been sold or otherwise consumed.

Inventories are stated at the lower of cost and net realizable value, which is determined based on estimated selling prices in the ordinary course of business, less estimated costs of completion and costs necessary to make the sales. In assessing impairment provisions for inventories, we have considered that: (1) approximately 100.0%, 92.4% and 98.7% of our inventories have an aging of less than one year as of December 31, 2023, 2024 and 2025, respectively, and (2) both raw materials and finished goods have relatively long product life cycles and sustained market value. Accordingly, as of December 31, 2023, 2024 and 2025, our allowance for inventory write-down were RMB3.3 million, RMB6.4 million and RMB16.7 million, representing 7.4%, 11.1% and 11.9% of the respective gross amounts of inventories, respectively. Our Directors consider that adequate impairment provisions had been made for inventories and there had been no impairment issue for inventories during the Track Record Period.

Trade and Bill Receivables

Our trade and bill receivables mainly represented outstanding amounts receivable from our direct sales customers. We maintain strict control over our outstanding trade and bill receivables and oversee our trade receivables to minimize credit risk. Our senior management regularly review the overdue balances and conducts periodic reconciliations with the sales staff. The following table sets forth details of our trade and bill receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables	6,988	8,809	13,146
Bill receivables	–	–	150
Less: Allowance for impairment of trade receivables	(1,142)	(3,070)	(1,113)
Total	**5,846**	**5,739**	**12,183**

Our trade and bill receivables remained relatively stable at RMB5.8 million as of December 31, 2023 and RMB5.7 million as of December 31, 2024. Our trade and bill receivables increased significantly from RMB5.7 million as of December 31, 2024 to RMB12.2 million as of December 31, 2025, primarily due to (1) the growth of our revenue in 2025, and (2) the trade and bill receivables in relation to the newly launched SCCUs in 2025.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	1,620	1,752	11,547
One to two years	4,226	1,346	486
Two to three years	–	2,641	–
Total	**5,846**	**5,739**	**12,033**

We have implemented measures to enhance the collection and management of our trade and bill receivables. Our business department specialists are responsible for breaking down accounts receivable according to contractually agreed payment schedules, reminding the sales department to initiate collection during the period when payment milestones are reached, while also flagging overdue payments through task reminders to prompt collection follow-up. Additionally, we have aligned the performance-based compensation of relevant sales personnel to actual payment collection progress. Furthermore, our business department regularly circulates sales reports summarizing payment statuses, with separate notifications issued to project managers for severely delinquent cases. Our sales personnel will first contact customers with payment notices and issue formal payment reminder letter if the customer is irresponsive. We will also escalate the issue to legal demand letter and other legal procedures in severe cases where appropriate.

We primarily settle with our customers by prepayment before delivery. For the limited cases where we sell on credit, the credit period with our customers for sales on credit is generally 30 to 90 days. The following table sets forth our trade receivables turnover days for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[(1)]	28	12	11

(1) The trade receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by the number of days in that period (i.e., 360 days for a given year).

Our trade receivables turnover days decreased from 28 days in 2023 to 12 days in 2024, and remained relatively stable at 11 days in 2025, primarily due to our continuing strengthened collection management and the broader adoption of the prepayment arrangement.

As of April 30, 2026, RMB8.8 million, or 66.2% of our trade receivables as of December 31, 2025 had been settled.

We do not anticipate any material recoverability issues in respect of our trade receivables, primarily for the following reasons:

(1) We continuously and prudently assess the credit quality of our customers, taking into account their business background, financial condition, historical transaction experience, and other relevant factors, and taking appropriate proactive follow-up actions to ensure timely payment;

(2) Throughout the Track Record Period, we have not experienced any material losses in respect of trade receivables, as the majority of such receivables arise from customers with strong credit profiles, and there has been no history of material default on payment obligations by these customers;

(3) As of December 31, 2025, over 95% of our trade receivables were aged within one year;

(4) For key customers with receivables aged over one year, specific repayment plans have been established, and repayments are progressing in accordance with the agreed schedules; and

(5) As of April 30, 2026, RMB8.8 million, or 66.2% of our trade receivables as of December 31, 2025 had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consisted of (1) prepayments, (2) value-added tax recoverable, (3) deposits and other receivables (both current and non-current), and (4) deferred [**REDACTED**]. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current			
Prepayments	17,686	10,549	41,951
Value-added tax recoverable	11,008	10,619	18,962
Deposits and other receivables[1]	2,489	4,266	4,091
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Less: Impairment[1]	(195)	(284)	(3,190)
Total	**30,988**	**25,150**	**63,783**
Non-current			
Deposits[1]	496	486	561

(1) Deposits and other receivables are unsecured and non-interest-bearing. Included in deposits and other receivables is an amount due from an associate of RMB1.9 million, RMB3.0 million and nil, which is net of impairment of RMB0.1 million, RMB0.2 million and RMB3.1 million as of December 31, 2023, 2024 and 2025, respectively, which bears an interest rate at 4% per annum. The amount due from such associate was fully impaired as of December 31, 2025 due to recoverability issue, because this associate ceased its operation as it did not achieve expected R&D outcome.

Our prepayments, deposits and other receivables (current portion) decreased by 18.8% from RMB31.0 million as of December 31, 2023 to RMB25.2 million as of December 31, 2024, primarily due to a decrease in prepayments of RMB7.1 million, mainly as a result of improved supply chain management, including the successful introduction of new wafer foundries and packaging and testing service providers with better payment terms and credit structures, reducing prepayment ratios. Our prepayments, deposits and other receivables (current portion) increased significantly by 153.6% from RMB25.2 million as of December 31, 2024 to RMB63.8 million as of December 31, 2025, primarily due to (1) an increase of prepayment of RMB31.4 million, mainly as a result of our strategic stocking of storage chips in response to the price surge in 2025, in particular for our SCCUs and other new products, which resulted in higher advance payments to suppliers, and (2) an increase in value-added tax recoverable of RMB8.3 million, primarily due to higher VAT incurred on increased procurement activities and the new VAT favorable policy.

As of April 30, 2026, RMB35.7 million, or 53.3% of our prepayments, deposits and other receivables (current portion) as of December 31, 2025 had been settled.

Our prepayments, deposits and other receivables (non-current portion) comprised deposits and other receivables, which were RMB0.5 million, RMB0.5 million and RMB0.6 million as of December 31, 2023, 2024 and 2025, respectively.

Financial Assets at FVPL

Our financial assets at FVPL consisted of (1) wealth management products, and (2) structured deposits. The following table sets forth the details of our financial assets at FVPL as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Wealth management products	116,641	123,804	–
Structured deposits	10,000	40,000	10,000
Total	**126,641**	**163,804**	**10,000**

Our financial assets at FVPL increased by 29.3% from RMB126.6 million as of December 31, 2023 to RMB163.8 million as of December 31, 2024, primarily due to the deployment of temporarily idle funds into bank wealth management products following the receipt of capital injection proceeds in 2023. Our financial assets at FVPL decreased by 93.9% from RMB163.8 million as of December 31, 2024 to RMB10.0 million as of December 31, 2025, primarily due to a reduction in investments in wealth management products, mainly as a result of the centralized redemption of wealth management products upon maturity, and adjustments to the allocation of wealth management products in response to changes in market interest rates.

Investment Management Policy

We believe we can make better use of our surplus cash by making appropriate investments in low-risk investment products including structured deposits, time deposits, large denomination certificates of deposit, and low-risk bonds, which generate income without interfering with our business operation or capital expenditures. We have established policies prohibiting high-risk investments. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by our senior management.

We have also established a set of internal control measures designed to achieve a reasonable return on investments while effectively reducing exposure arising from high-risk investments. Specific internal control measures include (1) opening investment and wealth-management accounts in our Company's name only and prohibiting the use of accounts of any other entity or individual, (2) prohibiting the pledge of wealth management funds, (3) segregating the roles of applicant, reviewer and approver for wealth management transactions, with oversight by our internal audit department, and (4) granting the independent non-executive Directors the authority to supervise and inspect the use of funds for wealth management purposes and, where necessary, to engage professional institutions to conduct audits.

For day-to-day operations involving the wealth management of idle funds, our finance department is responsible for review and execution; any single investment exceeding RMB5 million must be reviewed by the head of our finance department and submitted to the deputy general manager for approval; and for more material investment management matters, such as product selection, engagement with counter parties and the formulation of wealth management plans, our finance department prepares proposals and completes the corresponding approval procedures in accordance with our Company's authorization matrix.

For strategic external investments, such as equity investments and project investments, we implement a tiered decision-making mechanism: the chief executive officer exercises decision-making authority within the scope authorized by applicable laws and regulations and our Articles of Association; and our Board of makes decisions within the scope prescribed by applicable laws and regulations, the Articles of Association, or as authorized by the general meeting of Shareholders. Where a potential investment is of particular significance to our Company or exceeds the established authorization limits, it will be submitted to the Board or the general meeting of shareholders for consideration in accordance with the relevant internal policy and our Articles of Association.

We follow the principle of safeguarding capital security while balancing liquidity and moderate returns in our investment and wealth management activities. We believe that our internal policies regarding financial products and the related risk management mechanism are adequate. We may continue to purchase financial products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the completion of the [**REDACTED**]. We will comply with relevant size test requirements under Chapter 14 of the Listing Rules and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the [**REDACTED**].

Cash and Cash Equivalent

See "—Liquidity and Capital Resources—Cash Flows." During the Track Record Period, most of our bank balances were denominated in Renminbi.

Trade Payables

Our trade payables were relatively stable at RMB10.3 million, RMB9.7 million as of December 31, 2023 and 2024, respectively. Our trade payables increased from RMB9.7 million as of December 31, 2024 to RMB17.8 million as of December 31, 2025, primarily due to the launch of our SCCUs and business expansion, which resulted in a substantial increase in raw material procurement and packaging and testing requirements, leading to higher payables to suppliers.

The following table sets forth an aging analysis of our trade payables, based on the invoice dates, as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within one year	5,201	4,399	17,668
Over one year	5,129	5,284	159
Total	**10,330**	**9,683**	**17,827**

Our suppliers generally grant us a credit period of 30 to 90 days. The following table sets forth our trade payables turnover days for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[(1)]	29	21	18

(1) Trade payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of sales for the same period, multiplied by the number of days in that period (i.e., 360 days for a given year).

Our trade payables turnover days decreased from 29 days in 2023 to 21 days in 2024, and remained relatively stable at 18 days in 2025, primarily because we proactively settled payments with suppliers to secure faster delivery of raw materials, which supported our accelerated production and shipment schedules.

As of April 30, 2026, RMB17.7 million, or 99.3%, of our trade payables as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities consisted of advance payments from customers, as we generally adopt a prepayment arrangement. Our contract liabilities remained relatively stable at RMB21.1 million, RMB20.8 million and RMB21.0 million as of December 31, 2023, 2024 and 2025, respectively.

As of April 30, 2026, RMB17.2 million, or 82.0% of our contract liabilities as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of payroll payables, advance from an investor, other tax payables, other payables and accruals, borrowings from a non-controlling shareholder and payable for purchase of intangible assets. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current liabilities			
Payroll payables	25,271	14,700	16,428
Advance payment from an investor	–	–	19,090
Other tax payables	2,775	3,124	3,165
Other payables and accruals	3,040	498	7,844
Borrowings from a non-controlling shareholder	–	–	1,000
Subtotal	**31,086**	**18,322**	**47,527**
Non-current liabilities			
Payable for purchase of intangible assets	–	–	7,303
Total	**31,086**	**18,322**	**54,830**

Our other payables and accruals decreased by 41.1% from RMB31.1 million as of December 31, 2023 to RMB18.3 million as of December 31, 2024, primarily due to a decrease in payroll payables of RMB10.6 million, mainly as a result of business adjustments and optimization of employee headcount. Our other payables and accruals increased by 199.3% from RMB18.3 million as of December 31, 2024 to RMB54.8 million as of December 31, 2025, primarily due to an increase in advance payment from an investor and an increase in payable for purchase of intangible assets mainly including payables accrued for the procurement of EDA development software, and for the [**REDACTED**] in relation to the [**REDACTED**].

As of April 30, 2026, RMB47.4 million, or 99.7% of our other payables and accruals as of December 31, 2025 had been settled.

Share Capital and Paid-in Capital

Share capital

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital
	(in thousand)	(RMB in thousands)
As of January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024 and January 1, 2025	—	—
Issue of ordinary shares upon conversion into a joint stock company of RMB1 each *(note c)*	9,715	9,715
Issue of ordinary shares *(note a)*	437	437
As of December 31, 2025	10,152	10,152

Paid-in capital

	Registered and paid-in capital
	(RMB in thousands)
As of January 1, 2023	6,939
Capital contribution by shareholders *(note b)*	2,776
As of December 31, 2023, January 1, 2024, December 31, 2024 and January 1, 2025	9,715
Conversion into a joint stock company *(note c)*	(9,715)
As of December 31, 2025	–

Notes:

(a) Pursuant to the approval in the shareholders' meeting in 2025, 437,000 shares of RMB1.00 each were issued to certain investors at a total consideration of RMB131,771,000, which has been fully paid during the year ended December 31, 2025. The capital contribution has increased the share capital and capital reserve by RMB437,000 and RMB131,334,000, respectively.

(b) Pursuant to the approval in the shareholders' meeting in 2023, the registered capital of our Company was increased from RMB6,939,000 to RMB9,715,000. The increase in registered capital of RMB2,776,000 was subscribed by certain investors, including certain directors of our Company, at a total consideration of RMB288,307,000, which has been fully paid during the year ended December 31, 2023. The capital contributions has increased the paid-in capital and capital reserve by RMB2,776,000 and RMB285,531,000, respectively.

(c) Pursuant to the approval in the shareholders' meeting held in October 2025, our Company was converted from a limited liability company into a joint stock limited company on November 5, 2025. Upon conversion, the net assets of our Company as of August 31, 2025 were capitalised into 9,715,000 ordinary shares with a nominal value of RMB1.00 each, which were allotted to the existing shareholders in proportion to their respective interests prior to the conversion. The excess of net assets value as of August 31, 2025 over the nominal value of the share capital was recorded as capital reserve of our Company.

Pursuant to the shareholders' agreements entered into during the Track Record Period (collectively, the "Agreements"), the Pre-[**REDACTED**] Investors subscribed for RMB4,189,000 capital of our Company for a total net cash proceed of approximately RMB566,300,000. Pursuant to the Agreements, the Pre-[**REDACTED**] Investors were granted by our Company with Special Rights which included redemption rights and liquidation preferences rights.

There was no exercise of the Special Rights throughout the Track Record Period.

On October 13, 2025, our Company and all of its shareholders (including the Pre-[**REDACTED**] Investors subsequently entered into the Supplemental Agreements, agreeing that the certain of the Special Rights granted by our Company to the Pre-[**REDACTED**] Investors, including redemption rights and liquidation preferences rights, have been irrecoverably terminated and shall be *void ab initio*. Taking into account the legal and regulatory framework of our Company's jurisdiction and the governing law of the Supplemental Agreements, our Directors considered that it is appropriate to present the Pre-[**REDACTED**] Investments as equity throughout the Track Record Period.

Had the redemption rights and liquidation preferences rights granted by our Company to the Pre-[**REDACTED**] Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the Supplemental Agreements, (i) the redemption financial liabilities, total current liabilities, net liabilities and net current liabilities would have been:

	As of December 31,	
	2023	2024
	(RMB in thousands)	
Redemption financial liabilities	606,923	651,629
Total current liabilities	684,535	762,172
Net liabilities	338,942	451,383
Net current liabilities	392,132	478,761

and (ii) the finance costs associated with the redemption financial liabilities, and the net loss for each of the Track Record Period would have been:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands except for per share value)		
Financial costs associated with the redemption financial liabilities	(33,584)	(44,706)	(29,682)
Total net loss	(187,005)	(125,526)	(124,228)
Basic and dilutive loss per share (RMB)	(22.69)	(12.92)	(12.79)

For details of the accounting treatment of redemption rights and liquidation preference rights of pre-[**REDACTED**] investment, see Note 32 to the Accountants' Report in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash are to fund our procurement of raw materials, R&D activities and other operational needs. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with funds from equity financing, and borrowings. After the [**REDACTED**], we believe that our liquidity requirements will continue to be satisfied with a combination of these sources and net [**REDACTED**] from the [**REDACTED**]. As of December 31, 2023, 2024 and 2025 and April 30, 2026, we had cash and cash equivalents of RMB87.7 million, RMB37.6 million, RMB196.5 million and RMB86.3 million, respectively. As of the same dates, we had debt investments at FVOCI (representing negotiable certificate deposit) of RMB20.7 million, nil, RMB20.0 million and RMB70.0 million, respectively. As of the same dates, we had financial assets at FVPL (representing wealth management products and structured deposits) of RMB126.6 million, RMB163.8 million, RMB10.0 million and RMB50.1 million, respectively. As of April 30, 2026, our committed unutilized banking facilities available for use were RMB220.0 million. We do not anticipate any material changes to the availability of financing to fund our operations in the future. Taking into account the financial resources available to us, including our cash and cash equivalents, debt investments at FVOCI representing negotiable certificate deposit, financial assets at FVPL representing wealth management products and structured deposits, available bank facilities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly (1) net cash used in operating activities, (2) payments for the purchases of property, plant and equipment and intangible assets, and (3) lease payments. Our historical cash burn rate was RMB13.4 million for the year ended December 31, 2025. We had cash and cash equivalents, debt investments at FVOCI, and financial assets at FVPL of RMB86.3 million, RMB70.0 million and RMB50.1 million as of April 30, 2026, respectively. As of April 30, 2026, our bank facilities available for use were RMB220.0 million. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range in this Document. Assuming that the average cash burn rate going forward will be RMB13.4 million, similar to the cash burn rate level for the year ended December 31, 2025 based on the underlying assumptions that (1) the number of our employees will not increase significantly; (2) we do not expect substantial capital investment; and (3) we do not expect significant acquisitions or investments, we estimate that our cash and cash equivalents, financial assets at FVPL, and bank facilities available for use as of April 30, 2026, will be able to maintain our financial viability for [**REDACTED**] months or, if we take into account [**REDACTED**]% of the estimated net [**REDACTED**] from the [**REDACTED**] (namely, the portion allocated for our working capital and other general corporate purposes), [**REDACTED**] months or, if we also take into account the estimated net [**REDACTED**] from the [**REDACTED**], [**REDACTED**] months. We will continue to monitor our cash flows from operations closely and maintain our financial viability through a variety of means, including, among others, banking facilities and external financings, with a minimum buffer of 12 months.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Operating loss before changes in working capital	(119,385)	(49,292)	(39,053)
Working capital changes	(2,993)	(25,817)	(110,129)
Cash used in operations	(122,378)	(75,109)	(149,182)
Interest received	622	500	188
Tax payable	–	(299)	(359)
Net cash used in operating activities	(121,756)	(74,908)	(149,353)
Net cash flows (used in)/from investing activities	(127,907)	(18,764)	127,639
Net cash generated from financing activities	275,427	43,641	181,018
Cash and cash equivalent at beginning of the year	61,437	87,675	37,615
Cash and cash equivalent at end of year	**87,675**	**37,615**	**196,533**

Net cash used in operating activities

We expect that our measures to improve profitability will enhance our operating cash flow condition over time. For details, see "Business—Path to Profitability." In addition, we plan to continuously improve our net operating cash outflow position by (1) expanding our high-margin businesses, including our AI Scaler and TMCUs, and (2) using strategic R&D investment and optimizing supply chain to reduce costs and strengthen product competitiveness.

Net cash used in operating activities was RMB149.4 million in 2025, primarily due to our loss before tax of RMB94.4 million, as adjusted by (1) certain non-cash and non-operating items, primarily including (i) equity-settled share-based payments of RMB31.3 million, (ii) write-down of inventories to net realizable value of RMB10.4 million, and (iii) depreciation of property and equipment of RMB6.0 million, and (2) changes in working capital that negatively affected our cash flows, primarily including (i) increase in inventories of RMB82.3 million, (ii) an increase in prepayments, deposits and other receivables of RMB39.5 million, (iii) an increase in other payables and accruals of RMB4.8 million, and (iv) an increase in trade and bill receivables of RMB9.6 million, partially offset by changes in working capital that positively affected our cash flows, primarily including an increase in trade payables of RMB13.3 million.

Net cash used in operating activities was RMB74.9 million in 2024, primarily due to our loss before tax of RMB80.5 million, as adjusted by (1) certain non-cash and non-operating items, primarily including (i) equity-settled share-based payments of RMB12.1 million, (ii) write-down of inventories to net realizable value of RMB7.2 million, (iii) depreciation of property and equipment of RMB6.9 million, and (iv) amortization of intangible assets of RMB3.4 million, and (2) changes in working capital that negatively affected our cash flows, primarily including (i) increase in inventories of RMB12.9 million, and (ii) decrease in other payables and accruals of RMB12.5 million, partially offset by changes in working capital that positively affected our cash flows, primarily including a decrease in prepayments, deposits and other receivables of RMB2.6 million.

Net cash used in operating activities was RMB121.8 million in 2023, primarily due to our loss before tax of RMB153.4 million, as adjusted by (1) certain non-cash and non-operating items, primarily including (i) equity-settled share-based payments of RMB24.2 million, (ii) depreciation of right-of-use assets of RMB4.2 million, and (iii) depreciation of property and equipment of RMB3.6 million, and (2) changes in working capital that negatively affected our cash flows, primarily including (i) increase in prepayments, deposits and other receivables of RMB15.7 million, and (ii) an increase in inventories of RMB11.5 million, partially offset by changes in working capital that positively affected our cash flows, primarily including (i) an increase in other payables and accruals of RMB14.6 million, and (ii) a decrease in trade receivables of RMB9.8 million.

Net cash flows (used in)/from investing activities

Net cash flows generated from investing activities was RMB127.6 million in 2025, primarily due to proceeds from sale of wealth management products and structured deposits of RMB475.5 million, partially offset by purchases of wealth management products and structured deposits of RMB322.1 million.

Net cash flows used in investing activities was RMB18.8 million in 2024, primarily due to purchases of wealth management products and structured deposits of RMB656.0 million, partially offset by proceeds from disposal of financial assets at FVPL of RMB618.6 million.

Net cash flows used in investing activities was RMB127.9 million in 2023, primarily due to (1) purchases of wealth management products and structured deposits of RMB826.5 million, (2) purchases of debt investments at FVOCI of RMB20.7 million, and (3) purchases of property, plant and equipment of RMB10.5 million, partially offset by proceeds from sale of wealth management products and structured deposits of RMB732.9 million.

Net cash from financing activities

Net cash flows from financing activities was RMB181.0 million in 2025, primarily due to (1) proceeds from issue of shares of RMB136.0 million, and (2) new bank loans of RMB116.8 million, partially offset by repayment of bank loan of RMB86.5 million.

Net cash flows from financing activities was RMB43.6 million in 2024, primarily due to new bank loans of RMB119.1 million, partially offset by repayment of bank loans and other borrowings of RMB71.5 million.

Net cash flows from financing activities was RMB275.4 million in 2023, primarily due to (1) proceeds from issue of shares of RMB288.3 million, and (2) new bank loans of RMB25.0 million, partially offset by (1) repayment of bank loans and other borrowings of RMB33.0 million, and (2) lease payments of RMB4.2 million.

Current Assets and Current Liabilities

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB in thousands)			(Unaudited)
CURRENT ASSETS				
Inventories	41,253	51,103	123,049	134,553
Trade and bill receivables	5,846	5,739	12,183	14,710
Prepayments, deposits and other receivables	30,988	25,150	63,783	83,270
Financial assets at FVPL	126,641	163,804	10,000	50,095
Cash and cash equivalents	87,675	37,615	196,533	86,280
Total current assets	**292,403**	**283,411**	**405,548**	**368,908**
CURRENT LIABILITIES				
Trade payables	10,330	9,683	17,827	24,205
Contract liabilities	21,128	20,792	20,984	4,821
Other payables and accruals	31,086	18,322	47,527	10,055
Interest-bearing bank borrowings	11,600	59,255	89,503	72,000
Lease liabilities	3,468	2,202	1,276	1,719
Tax payable	–	289	29	–
Total current liabilities	**77,612**	**110,543**	**177,146**	**112,800**
NET CURRENT ASSETS	**214,791**	**172,868**	**228,402**	**256,108**

Our net current assets decreased by 19.5% from RMB214.8 million as of December 31, 2023 to RMB172.9 million as of December 31, 2024, primarily due to (1) a decrease in cash and cash equivalents of RMB50.1 million, and (2) an increase in interest-bearing bank borrowings of RMB47.7 million, partially offset by (1) an increase in financial assets at FVPL of RMB37.2 million, (2) a decrease in other payables and accruals of RMB12.8 million, and (3) an increase in inventories of RMB9.9 million.

Our net current assets increased by 32.1% from RMB172.9 million as of December 31, 2024 to RMB228.4 million as of December 31, 2025, primarily due to (1) an increase in cash and cash equivalents of RMB158.9 million, (2) an increase in inventories of RMB71.9 million, and (3) an increase in prepayments, deposits and other receivables of RMB38.6 million, partially offset by (1) a decrease in financial assets at FVPL of RMB153.8 million, (2) an increase in interest-bearing bank borrowings of RMB30.2 million, (3) an increase in contract liabilities of RMB0.2 million, and (4) an increase in other payables and accruals of RMB29.2 million.

Our net current assets increased by 12.1% from RMB228.4 million as of December 31, 2025 to RMB256.1 million as of April 30, 2026, primarily due to (1) an increase in financial assets at FVPL of RMB40.1 million, (2) a decrease in other payables of RMB37.5 million, (3) an increase in prepayments, deposits and other receivables of RMB19.5 million, (4) a decrease in interest-bearing bank borrowings of RMB17.5 million, and (5) a decrease in contract liabilities of RMB16.2 million, partially offset by a decrease in cash and cash equivalent of RMB110.3 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the years indicated.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands) (Unaudited)	
Research and development expenses	30,798	14,863	21,437
Workforce employment	110,082	121,110	94,478
Direct production costs	152,943	203,506	406,378
Product marketing	18,172	13,917	23,832
Non-income taxes, royalties and other governmental charges	1,620	3,356	4,532
Contingency allowances	–	–	–

INDEBTEDNESS

Our indebtedness during the Track Record Period primarily consisted of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
		(RMB in thousands)		(Unaudited)
Current				
Interest-bearing bank borrowings	11,600	59,255	89,503	72,000
Lease liabilities	3,468	2,202	1,276	1,719
Subtotal	**15,068**	**61,457**	**90,779**	**73,719**
Non-current				
Lease liabilities	4,412	1,200	159	1,318
Subtotal	**4,412**	**1,200**	**159**	**1,318**
Total	**19,480**	**62,657**	**90,938**	**75,037**

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings were primarily used to finance our working capital requirements and capital expenditures. We had interest-bearing bank borrowings of RMB11.6 million, RMB59.3 million, RMB89.5 million and RMB72.0 million as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively, all of which were repayable within one year or on demand and denominated in Renminbi. The following table sets forth the breakdown of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,						As of April 30, 2026	
	2023		2024		2025			
	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000	Effective Interest rate (%)	RMB'000
Bank loans — unsecured	3.05%-4.35%	11,600	2.9%-3%	41,040	2.35%-2.70%	79,503	2.11%-2.41%	72,000
Bank loans — secured[(1)]	–	–	3%-3.85%	18,215	2.65%	10,000	–	–
Total		**11,600**		**59,255**		**89,503**		**72,000**

(1) As of December 31, 2024 and December 31, 2025, bank loans of approximately RMB18.3 million and RMB10.0 million, respectively, were secured by certain patents of our Group.

As of April 30, 2026, our committed unutilized banking facilities available for use were RMB220.0 million.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China. Our Directors confirmed that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities represent our obligation to make lease payments arising from our leases of properties and offices. We recorded lease liabilities of RMB7.9 million, RMB3.4 million, RMB1.4 million and RMB3.0 million as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively.

Indebtedness Statement

Save as disclosed above, as of December 31, 2023, 2024 and 2025 and April 30, 2026, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities.

Since April 30, 2026 and up to the Latest Practicable Date, there had not been any material change in our indebtedness.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and result of operations.

RESEARCH AND DEVELOPMENT EXPENDITURE AND TOTAL OPERATING EXPENDITURE

During the Track Record Period, our research and development expenditure primarily consisted of research and development expenses adjusted by adding back intangible assets related to research and development acquired from third parties and capitalized and deducting amortization expenses for capitalized intangible assets included in research and development expenditure. The table below sets forth our annual and total research and development expenditure for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Research and development expenses	**124,669**	**86,833**	**93,500**
Adjustments:			
Add: intangible assets acquired from third parties and capitalized	4,035	2,553	12,504
Less: amortization expense of capitalized intangible assets included in research and development expenditure	(2,125)	(1,385)	(1,158)
Annual research and development expenditure	**126,579**	**88,001**	**104,846**
Total research and development expenditure for the three financial years prior to the [REDACTED]			**319,426**

The table below sets forth our annual and total operating expenditure for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Research and development expenses	124,669	86,833	93,500
Selling and distribution expenses	28,360	26,844	27,922
Administrative expenses	43,305	45,763	54,638
Adjustments:			
Add: intangible assets acquired from third parties and capitalized	4,035	2,553	12,504
Less: amortization expense of capitalized intangible assets included in research and development expenditure	(2,125)	(1,385)	(1,158)
Annual total operating expenditure	**198,244**	**160,608**	**187,406**
Total operating expenditure for the three financial years prior to the [REDACTED]			**546,258**

The table below sets forth our annual research and development expenditure ratio and total research and development expenditure ratio for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Annual research and development expenditure ratio[(1)]	63.9%	54.8%	55.9%
Total research and development expenditure ratio[(2)]			58.5%

(1) Calculated by dividing annual research and development expenditure by annual total operating expenditure.

(2) Calculated by dividing annual total research and development expenditure for the three financial years prior to the [**REDACTED**] by total operating expenditure for the three financial years prior to the [**REDACTED**].

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to payments for (1) purchases of property, plant and equipment, and (2) purchases of intangible assets. The following table sets forth our capital expenditures during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Purchases of property, plant and equipment	10,535	1,985	2,119
Purchases of intangible assets	4,035	2,994	6,735
Total	**14,570**	**4,979**	**8,854**

We funded our capital expenditure during the Track Record Period mainly from a combination of existing cash. We plan to fund our planned capital expenditure with a combination of existing cash, and net [**REDACTED**] from the [**REDACTED**].

We did not have any material capital commitment during the Track Record Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

[REDACTED]

We recorded [**REDACTED**] of [**REDACTED**], [**REDACTED**] and RMB[**REDACTED**] million in 2023, 2024 and 2025, respectively. We expect to incur a total of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of [**REDACTED**] in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised), including (1) [**REDACTED**] fees and AFRC [**REDACTED**] for all [**REDACTED**] of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (2) non-[**REDACTED**] related expenses of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) sponsor fee and other fees and expenses of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million). Approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be deducted from equity. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. Our related party transactions during the Track Record Period primarily included sales of goods to Nanning Qingzhi. See Note 37 to the Accountants' Report included in Appendix I to this document for details. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin(1)	21.5%	28.4%	21.0%
Current ratio(2)	3.8	2.6	2.3
Quick ratio(3)	3.2	2.1	1.6

(1) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100.0%.

(2) The calculation of current ratio is based on current assets divided by current liabilities as of year end.

(3) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year end.

Analysis of Key Financial Ratios

Gross profit margin

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Current ratio and quick ratio

Our current ratio and quick ratio decreased from 3.8 and 3.2 as of December 31, 2023, respectively, to 2.6 and 2.1 as of December 31, 2024, respectively, primarily due to (1) an increase in interest-bearing bank borrowings, and (2) a decrease in cash and cash equivalents. Our current ratio and quick ratio then decreased to 2.3 and 1.6 as of December 31, 2025, respective, primarily due to an increase in interest-bearing bank borrowings.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Our principal financial instruments comprise cash and cash equivalents and financial assets at FVOCI. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade payables, other receivables and other payables, which arise directly from our operations.

The main risks arising from our financial instruments are, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below. See Note 40 to the Accountants' Report included in Appendix I to this document for details.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. See Note 40 to the Accountants' Report included in Appendix I to this document for details.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations. See Note 40 to the Accountants' Report included in Appendix I to this document for details.

DIVIDENDS

We are a joint stock company incorporated under PRC laws. According to the PRC Company Law, a PRC-incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, determined under PRC GAAP, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, no dividend shall be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, if any, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached 50% or more of our registered capital. As of the Latest Practicable Date, we did not have a formal dividend policy. No dividend has been paid or declared by us during the Track Record Period. We did not have a pre-determined dividend payout ratio as of the Latest Practicable Date.

DISTRIBUTABLE RESERVES

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

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2025 (being the end date of the periods reported in Appendix I to this document) and there is no event since December 31, 2025, which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for details of our unaudited [**REDACTED**] adjusted consolidated net tangible assets.