The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a recognized fabless high-speed mixed-signal chip design company, dedicated to upgrading data transmission and video processing infrastructure for smart terminals and devices, as well as AI applications. Leveraging our core competencies in (i) SerDes, (ii) high-speed interface protocol processing and data encryption, and (iii) HD video and audio processing and display driver technologies, our products facilitate efficient data processing, transmission, and format conversion among computing, storage, and display units. These include intelligent vision terminals, smart vehicles, AR/VR devices and AI & HPC. By integrating high-definition video processing and display capabilities with intelligent sensing and human-machine interaction technologies, our chips establish a solid technical foundation designed to support on-device AI-powered applications in the future. According to Frost & Sullivan, we are the number one fabless design company based in Chinese Mainland in the video bridging chip market in terms of revenue in 2025, with a market share of 4.1%, which represents a key segment of mixed-signal chips.

We achieved continuous growth in our financial performance during the Track Record Period. Driven by our business expansion, we recorded revenue of RMB323.1 million and RMB466.0 million and RMB568.2 million in 2023, 2024 and 2025, respectively, with a CAGR of 32.6% from 2023 to 2025. Benefiting from product sales growth and effective cost control, we recorded gross profit margins of 53.6%, 54.3% and 52.9% in 2023, 2024 and 2025, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been and will continue to be affected by the following major factors:

Industry Development and Downstream Demand

The development of the high-speed mixed-signal chip industry is a primary driver of our performance. Our results of operation are affected by the development of this industry and the growth of the downstream industries in which our customers operate.

Driven by the rising downstream demand, advances in technical standards and architectural innovation and supportive government policies, according to Frost & Sullivan, the global market size of smart video chips is expected to increase from RMB111.8 billion in 2026 to RMB143.1 billion in 2030, with a CAGR of 6.4%. The global market size of interconnect chips is expected to increase from RMB213.4 billion in 2026 to RMB490.7 billion in 2030, with a CAGR of 23.1%.

Through nearly two decades of technological advancement and strategic focus, we have established a market-leading position in the industry. Capitalizing on the growing global demand, we believe our market presence in the industry reinforces our position as a market leader, enabling us to establish long-term partnerships with customers and drive our sustained growth.

Technological Innovation and Development

The smart video chip industry and interconnect chip industry feature rapid technological advancement and frequent product upgrades. To remain agile amid fast-changing market dynamics, we made significant investments in R&D. In 2023, 2024 and 2025, our R&D expenses amounted to RMB74.5 million, RMB100.0 million and RMB113.2 million, accounting for 23.1%, 21.5% and 19.9% of our total revenue, respectively.

Through sustained R&D efforts, we have established a robust R&D platform and developed a competitive advantage. We have created ClearEdge, a technology platform that leverages our core technologies to support flexible, diversified and cost-efficient products. Based on our proprietary technologies, we also established three core value propositions: (i) high-speed, stable, highly compatible, low-latency SerDes technology, (ii) comprehensive coverage of mainstream video signal protocols and active development of other high-bandwidth SerDes interfaces, and (iii) adaptability across diverse application scenarios.

We will continue to invest in proprietary technology development to enhance our product offerings. By investing in emerging technologies, we aim to deliver high-quality, cost-effective solutions that support greater autonomy and long-term value for customers.

Upstream Supply and Production Capacity

We operate under a fabless business model, outsourcing the manufacturing and testing of our chips to leading wafer foundries and assembly and testing providers. Given the concentration of the upstream semiconductor supply chain, we rely on a limited number of key suppliers for wafer fabrication as well as assembly and testing services. During the Track Record Period, we have established long-term and stable relationships with our key suppliers, which enable us to ensure consistent product quality and timely delivery. We believe that maintaining such strategic cooperation is essential to securing high-quality and cost-competitive wafers and services, which in turn are critical to our business operations and financial performance.

However, disruptions in the supply chain, shortages of raw materials or capacity constraints at our wafer foundries or assembly and testing partners could delay production and delivery schedules and drive up procurement costs, which may affect our results of operations. We plan to maintain a stable upstream supply to support our business expansion, sustain operational efficiency, and ensure timely delivery of high-quality products to customers.

Collaborative Ecosystem with Upstream and Downstream Participants

Our ability to establish a mutually beneficial ecosystem through collaboration with upstream suppliers and downstream customers is critical to our results of operations and future growth. Leveraging our technological capabilities, we have established a recognized brand presence in the global market and developed stable relationships with key customers. By delivering high-performance products, we are able to respond effectively to customer needs and drive recurring business through repeat orders and large-scale deployments. We also plan to expand our customer base and broaden our penetration into new markets, which is essential to supporting our sustainable growth and market expansion.

We are also committed to strengthening our partnerships with leading global suppliers. We collaborate with leading IC foundries and assembly and testing service providers to manufacture and deliver products that meet stringent quality standards. Leveraging dual-track supply chain systems covering both domestic and international sources, we aim to ensure supply chain stability while meeting the diversified requirements of customers in different markets. In the meantime, we engage in deep technical collaboration with our upstream partners by sharing industry insights and enhancing technology exchanges, thereby jointly advancing innovations in key manufacturing technologies. We have deepened our reference design collaborations with global semiconductor leaders such as NVIDIA, Qualcomm, and Intel. Such close cooperation enables us to optimize our R&D processes, improve our responsiveness to market needs and further reinforce our long-term, mutually beneficial relationships with upstream suppliers.

Cost and Inventory Management as well as Operational Efficiency

Our profitability and sustainable growth are affected by our ability to manage costs and inventory effectively and enhance operational efficiency. In 2023, 2024 and 2025, our cost of sales amounted to RMB149.9 million, RMB213.1 million and RMB267.5 million, accounting for 46.4%, 45.7% and 47.1% of our total revenue, respectively. Our cost of sales primarily consists of (i) cost of wafers and (ii) cost of assembly and testing. As a fabless design company, we work closely with third-party suppliers for wafer foundry services as well as assembly and testing services, and the prices of these services are influenced by overall supply-demand dynamics, supplier pricing policies and the scale of our businesses with these suppliers. We coordinate with our third-party suppliers on capacity allocation, production and delivery schedules based on our production plans and product demand. This enables us to optimize our procurement costs, reduce production-related expenses and lower inventory levels, thereby improving our overall cost efficiency. In addition, effective inventory management enables us to ensure timely fulfilment of customer needs while reducing inventory holding costs and associated risks. To this end, we proactively track changes in market conditions and maintain safety stock to prepare for unexpected increases in demand or supply delays. We routinely monitor our inventory and ensure that all goods in transit are effectively managed.

Moreover, our ability to effectively manage our operating expenses would also substantially impact our profitability. Our operating expenses, amounted to RMB110.9 million, RMB139.7 million and RMB158.8 million in 2023, 2024 and 2025, accounting for 34.3%, 30.0%, and 28.0% of our total revenue during the same periods, respectively. Going forward, while we continue to invest in R&D and marketing to support our business growth, we aim to maintain stringent cost control and continuously improve our operational efficiency, thereby improving our gross margin and overall profitability.

Continuous Upgrade and Expansion of Our Product Offerings

Our competitive strength lies in our diverse product offerings that cater to a wide range of customer needs. With nearly two decades of experience, we have built a product portfolio of over 200 chip models that spans from fundamental functional chips to high-end system-level solutions. Our products have been widely applied in various application scenarios, including but not limited to intelligent vision terminals, smart vehicles, AR/VR systems, and AI & HPC platforms.

We continuously advance our product portfolio through technological innovation and platform-based design. Leveraging our proprietary ClearEdge platform, we can rapidly adapt and adjust the functionality of our products to meet diverse customer demands, balancing standardized production with customized solutions. Additionally, our products continue to penetrate into emerging application areas. For example, we have already achieved initial milestones with our in-development AI interconnect chip portfolio, including the successful prototyping of our PCIe to SATA controller. We believe the AI interconnect chips have the potential to contribute to our future growth.

Looking ahead, we will continue to upgrade and expand our product offerings, expand market penetration of our high-performance products, and create sustainable growth momentum.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for financial investments at fair value through profit or loss which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the management to make judgements, estimates and assumptions in the process of applying our Group's accounting policies. Judgements made by the management in the application of IFRSs that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included in Appendix I to this Document.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material 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. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. For details of our material accounting policies, estimates and accounting judgments, which are important for understanding our financial condition and results of operations, see Notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

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

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	**323,147**	**100.0**	**466,003**	**100.0**	**568,204**	**100.0**
Cost of sales	(149,876)	(46.4)	(213,149)	(45.7)	(267,532)	(47.1)
Gross profit	**173,271**	**53.6**	**252,854**	**54.3**	**300,672**	**52.9**
Other income and gains, net	44,044	13.6	43,552	9.3	37,138	6.5
Selling and marketing expenses	(9,090)	(2.8)	(11,072)	(2.4)	(10,274)	(1.8)
Administrative expenses	(27,273)	(8.4)	(28,620)	(6.1)	(35,309)	(6.2)
Research and development expenses	(74,527)	(23.1)	(99,969)	(21.5)	(113,248)	(19.9)
Impairment losses on financial assets under the ECL model, net	(139)	(0.0)	(1,490)	(0.3)	(2,217)	(0.4)
Other expenses	(1,006)	(0.3)	(2,270)	(0.5)	(2,075)	(0.4)
Finance costs	(63)	(0.0)	(37)	(0.0)	(12)	(0.0)
Profit before tax	**105,217**	**32.6**	**152,948**	**32.8**	**174,675**	**30.7**
Income tax expense	(2,521)	(0.8)	(8,536)	(1.8)	(2,758)	(0.5)
Profit for the year	**102,696**	**31.8**	**144,412**	**31.0**	**171,917**	30.3

Revenue

During the Track Record Period, we primarily generate revenue from the sales and provision of (i) smart video chips, (ii) interconnect chips, and (iii) others, primarily representing revenue from technological services and ancillary components. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as percentages of the total revenue, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Smart video chips	269,543	83.4	381,387	81.8	473,109	83.3
Interconnect chips	52,154	16.1	73,287	15.7	93,331	16.4
Others[(1)]	1,450	0.5	11,329	2.5	1,764	0.3
Total	**323,147**	**100.0**	**466,003**	**100.0**	**568,204**	**100.0**

Note:

(1) Others primarily include revenue from technological services and ancillary components. Technological services include technology licensing and custom chip design services. Ancillary components include printed circuit boards, security keys and other auxiliary chips.

Revenue by Business Line

Smart Video Chips

Comparison between 2024 and 2025. Our revenue from smart video chips increased by 24.0% from RMB381.4 million in 2024 to RMB473.1 million in 2025, primarily due to the increase in the sales volume from 25,584 thousand units in 2024 to 35,816 thousand units in 2025, mainly attributable to our continuous launch of new products that received wide market acceptance, especially our new products used for intelligent vision terminals such as smart commercial displays and smart video conferencing systems.

Comparison between 2023 and 2024. Our revenue from smart video chips increased by 41.5% from RMB269.5 million in 2023 to RMB381.4 million in 2024, mainly due to the increase in the sales volume from 17,542 thousand units in 2023 to 25,584 thousand units in 2024, primarily attributable to the sales growth of products used for (i) intelligent vision terminals such as smart video conferencing systems driven by the robust market demand and continuous iteration of downstream video conferencing solutions; and (ii) smart vehicles, driven by (a) increased sales of our existing products used for multiple displays in the cockpit domain, and (b) additional products that received the AEC-Q100 automotive qualification in 2024.

Interconnect Chips

Comparison between 2024 and 2025. Our revenue from interconnect chips increased by 27.4% from RMB73.3 million in 2024 to RMB93.3 million in 2025, mainly attributable to the sales growth of a certain product used for intelligent vision terminal that was launched in 2024 following validations and small-scale testing by our customers.

Comparison between 2023 and 2024. Our revenue from interconnect chips increased by 40.5% from RMB52.2 million in 2023 to RMB73.3 million in 2024, mainly due to the increase in the sales volume from 6,953 thousand units in 2023 to 8,883 thousand units in 2024, primarily attributable to the sales growth of products used for smart vehicles, primarily driven by increased sales of our existing products enabling HUD, as a result of the rising penetration and increasing adoption of HUD in smart vehicles.

Revenue by Application Scenario

The following table sets forth a breakdown of our revenue by application scenario, in absolute amounts and as percentages of the total revenue, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Intelligent vision terminals	265,069	82.0	353,449	75.8	432,357	76.1
Smart vehicles	34,954	10.8	84,033	18.0	89,059	15.7
AR/VR	22,366	6.9	22,715	4.9	36,387	6.4
AI & HPC	758	0.3	5,806	1.3	10,401	1.8
Total	**323,147**	**100.0**	**466,003**	**100.0**	**568,204**	**100.0**

During the Track Record Period, our revenue from all application scenarios generally experienced an upward trend. Our products for intelligent vision terminals remained our largest revenue contributor during the Track Record Period, with its percentage of revenue decreased from 82.0% in 2023 to 75.8% in 2024, primarily due to the relatively faster growth in the revenue generated from the products for other three application scenarios, namely smart vehicles, AR/VR and AI & HPC. The revenue contribution of our products for intelligent vision terminals remained relatively stable at 75.8% in 2024 and 76.1% in 2025. Particularly, the revenue contribution of our products for smart vehicles increased from 10.8% in 2023 to 18.0% in 2024, primarily attributable to (i) the increase in market demand for our products used for smart vehicles, driven by the electrification, intelligence and connectivity of the smart vehicles, which in turn stimulated automotive-related consumption, according to Frost & Sullivan, and (ii) additional products received the AEC-Q100 automotive qualification in 2024. In addition, revenue from products for AR/VR increased from RMB22.7 million in 2024 to RMB36.4 million in 2025, with its percentage of revenue increasing from 4.9% to 6.4%, primarily because we established cooperation with certain key customers resulting from our enhanced product quality and growing market recognition of our products.

During the Track Record Period, our revenue growth rate were higher than the industry average primarily because (i) our growth was mainly driven by strong demand from intelligent vision terminals, while certain downstream markets that our industry peers primarily served, such as PCs, automotive and industrial semiconductor markets, experienced sluggish growth; (ii) we have been proactively expanding into new application scenarios, including smart vehicles and AR/VR, which have also contributed to our superb performances (iii) our customer base was more diversified as compared to that of certain industry peers, which were more susceptible to a limited number of customers' demands and performances; and (iv) favorable industry trends supporting the growth of domestic fabless design companies, according to Frost & Sullivan.

Revenue by Geographic Location

During the Track Record Period, we sold our products mainly to Chinese Mainland, Hong Kong, Taiwan and other regions. We did not sell our products directly to the United States, or engage any distributors located in the United States. The following table sets forth a breakdown of our revenue by geographic location in absolute amounts and as percentages of the total revenue, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	186,522	57.7	286,990	61.6	355,735	62.6
Hong Kong	93,564	29.0	117,072	25.1	154,602	27.3
Taiwan	37,889	11.7	57,903	12.4	53,077	9.3
Other regions(1)	5,172	1.6	4,038	0.9	4,790	0.8
Total	**323,147**	**100.0**	**466,003**	**100.0**	**568,204**	**100.0**

Note:

(1) Other regions mainly included South Korea, Japan and Singapore during the Track Record Period.

Revenue generated from Chinese Mainland amounted to RMB186.5 million, RMB287.0 million and RMB355.7 million in 2023, 2024 and 2025, representing approximately 57.7%, 61.6% and 62.6% of our total revenue in the same periods, respectively. The upward trend of our revenue from Chinese Mainland during the Track Record Period was primarily driven by increased demand for our products, stemming from our continuous improvements in product quality and technological capabilities. According to Frost & Sullivan, this trend aligns with the strong growth momentum of domestic fabless design companies in the industry, primarily due to advancements in key technical areas in recent years.

Revenue generated from Hong Kong, Taiwan and other regions amounted to RMB136.6 million, RMB179.0 million and RMB212.5 million in 2023, 2024 and 2025, representing approximately 42.3%, 38.4% and 37.4% of our total revenue in the same periods. Our revenue generated from Hong Kong, Taiwan and other regions remained relatively stable, while the revenue percentage decreased due to the strong revenue growth from Chinese Mainland.

Cost of Sales

Our cost of sales primarily comprises (i) cost of wafers, (ii) cost of assembly and testing services, and (iii) other cost of sales, primarily including freight costs, labor costs and depreciation. The following table sets forth a breakdown of our cost of sales, in absolute amounts and as percentages of our total cost of sales for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of wafers	103,637	69.1	145,934	68.5	176,120	65.8
Cost of assembly and testing	40,028	26.7	56,400	26.5	77,418	28.9
Other cost of sales	6,226	4.2	7,888	3.7	9,597	3.6
Impairment	(15)[1]	(0.0)	2,927	1.3	4,397	1.6
Total	**149,876**	**100.0**	**213,149**	**100.0**	**267,532**	**100.0**

Note:

(1) We recorded reversal of impairment in 2023, mainly attributable to the decreased ending balance of inventories as of December 31, 2023, mainly due to our increased sales and recovery of the industry.

Our cost of sales increased by 42.2% from RMB149.9 million in 2023 to RMB213.1 million in 2024, and further by 25.5% to RMB267.5 million in 2025, primarily due to the increases in cost of wafers and cost of assembly and testing, resulting from our increased product sales and business expansion.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit by business line, in absolute amounts and as percentages of revenue, or gross profit margins, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Smart video chips	141,777	52.6	197,652	51.8	248,974	52.6
Interconnect chips	30,357	58.2	44,130	60.2	50,408	54.0
Others	1,137	78.4	11,072	97.7	1,290	73.1
Total	**173,271**	**53.6**	**252,854**	**54.3**	**300,672**	**52.9**

Smart Video Chips

Comparison between 2024 and 2025. Our gross profit margin of smart video chips increased from 51.8% in 2024 to 52.6% in 2025, primarily attributable to (i) our continuous launch of new products with higher profit margins that support higher transmission rates and establish technical barriers compared with peer products, and (ii) our strategic optimization of product mix, which increased the sales contribution from products with higher profit margins.

Comparison between 2023 and 2024. Our gross profit margin of smart video chips remained relatively stable at 52.6% in 2023 and 51.8% in 2024.

Interconnect Chips

Comparison between 2024 and 2025. Our gross profit margin of interconnect chips decreased from 60.2% 2024 to 54.0% in 2025, primarily attributable to the change in our product mix, as sales of certain products with relatively lower profit margins recorded relatively faster growth.

Comparison between 2023 and 2024. Our gross profit margin of interconnect chips increased from 58.2% in 2023 to 60.2% in 2024, primarily because certain products contributed a higher proportion of our total revenue, particularly those products enabling HUD benefited from the rising penetration and increasing adoption in smart vehicles, which had relatively higher gross profit margins.

Net Other Income and Gains

Our net other income and gains mainly comprise (i) government grants, mainly comprising government subsidies to support our business operations, R&D activities and talent recruitment, (ii) additional VAT deduction in relation to the preferential VAT super deduction policy, (iii) fair value gains on financial investments at fair value through profit or loss mainly in relation to our structured deposits and certificates of deposit, and (iv) others. The following table sets forth a breakdown of our net other income and gains, in absolute amounts and as percentages of our total net other income and gains, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income	14,526	33.0	18,470	42.4	12,247	33.0
Government grants	13,229	30.1	14,792	34.0	9,026	24.3
Additional VAT deduction	884	2.0	2,661	6.1	2,513	6.8
Others	413	0.9	1,017	2.3	708	1.9
Other gains, net	29,518	67.0	25,082	57.6	24,891	67.0
Fair value gains on financial investments at fair value through profit or loss	28,659	65.0	24,884	57.1	24,518	66.0
Others	859	2.0	198	0.5	373	1.0
Total other income and gains	**44,044**	**100.0**	**43,552**	**100.0**	**37,138**	**100.0**

Our net other income and gains remained relatively stable at RMB44.0 million in 2023 and RMB43.6 million in 2024. Our net other income and gains decreased by 14.7% from RMB43.6 million in 2024 to RMB37.1 million in 2025, primarily due to the decrease in government grants of RMB5.8 million, mainly attributable to the phasing out of certain subsidy programs and timing differences in the renewal of government grants.

Selling and Marketing Expenses

Our selling and marketing expenses comprise (i) staff costs mainly representing salaries and benefits paid to our selling and marketing personnel, (ii) marketing and promotion expenses mainly representing expenses related to distributor conferences, (iii) share-based payments mainly in relation to our share incentive plan, and (iv) others. The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as percentages of our total selling and marketing expenses, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	8,336	91.7	8,966	81.0	8,467	82.4
Marketing and promotion expenses	158	1.7	242	2.2	915	8.9
Share-based payments	158	1.7	1,280	11.6	200	1.9
Others	438	4.9	584	5.2	692	6.7
Total	**9,090**	**100.0**	**11,072**	**100.0**	**10,274**	**100.0**

Our selling and marketing expenses increased by 21.8% from RMB9.1 million in 2023 to RMB11.1 million in 2024, primarily due to the increase in share-based payments of RMB1.1 million in relation to our share incentive plan implemented in 2024. Our selling and marketing expenses decreased by 7.2% from RMB11.1 million in 2024 to RMB10.3 million in 2025, primarily due to the decrease in share-based payments of RMB1.1 million, mainly attributable to a reassessment of vesting conditions, which resulted in an adjustment of previously recognized expenses.

Administrative Expenses

Our administrative expenses comprise (i) staff costs mainly representing salaries and benefits paid to our administrative personnel, (ii) depreciation and amortization, (iii) property expenses in relation to our offices in Hefei and Shenzhen, (iv) share-based payments mainly in relation to our share incentive plan, and (v) others. The following table sets forth a breakdown of our administrative expenses, in absolute amounts and as percentages of our total administrative expenses, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	14,195	52.1	14,424	50.4	17,238	48.8
Depreciation and amortization	7,431	27.2	7,247	25.3	10,403	29.5
Property expenses	982	3.6	1,069	3.7	1,139	3.2
Share-based payments	208	0.8	1,384	4.8	566	1.6
Others	4,457	16.3	4,496	15.8	5,963	16.9
Total	**27,273**	**100.0**	**28,620**	**100.0**	**35,309**	**100.0**

Our administrative expenses increased by 4.9% from RMB27.3 million in 2023 to RMB28.6 million in 2024, primarily due to the increase in share-based payments of RMB1.2 million in relation to our share incentive plan implemented in 2024. Our administrative expenses increased by 23.4% from RMB28.6 million in 2024 to RMB35.3 million in 2025, primarily due to the increases in (i) depreciation and amortization of RMB3.2 million, mainly attributable to the upgrades to our network, software and information systems in 2025, leading to an increase in the relevant fixed and intangible assets, and (ii) staff costs of RMB2.8 million resulting from the increased number and salaries of our administrative personnel to support our business expansion.

Research and Development Expenses

Our R&D expenses comprise (i) staff costs mainly representing salaries and benefits paid to our R&D personnel, (ii) depreciation and amortization, (iii) testing expenses mainly relating to the purchases of testing molds and testing tools, and third-party testing fees, (iv) raw materials consumed in the product design and R&D processes, (v) share-based payments mainly in relation to our share incentive plan, and (vi) others. The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as percentages of our total research and development expenses, for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	57,174	76.7	72,157	72.2	82,609	72.9
Depreciation and amortization	12,029	16.1	12,073	12.1	15,729	13.9
Testing expenses	1,774	2.4	3,838	3.8	5,117	4.5
Raw materials consumed	2,217	3.0	1,973	2.0	2,610	2.3
Share-based payments	711	1.0	9,092	9.1	2,846	2.5
Others	622	0.8	836	0.8	4,337	3.8
Total	**74,527**	**100.0**	**99,969**	**100.0**	**113,248**	**100.0**

Our research and development expenses increased by 34.1% from RMB74.5 million in 2023 to RMB100.0 million in 2024, primarily due to the increases in (i) staff costs of RMB15.0 million, mainly attributable to our increased number of R&D personnel as a result of our continued investment in R&D, and (ii) share-based payments of RMB8.4 million in relation to our share incentive plan implemented in 2024. Our research and development expenses increased by 13.3% from RMB100.0 million in 2024 to RMB113.2 million in 2025, primarily due to the increase in staff costs of RMB10.5 million, mainly attributable to our increased number and salaries of R&D personnel as a result of our continued investment in R&D.

Net Impairment Losses on Financial Assets under the ECL Model

Our net impairment losses on financial assets under the ECL model increased significantly from RMB0.1 million in 2023 to RMB1.5 million in 2024, primarily due to the increase in our trade receivables in line with the growth in our total revenue. Our net impairment losses on financial assets under the ECL model increased by 48.8% from RMB1.5 million in 2024 to RMB2.2 million in 2025, primarily due to the increase in the balance of trade receivables in line with our business expansion.

Other Expenses

Our other expenses increased significantly from RMB1.0 million in 2023 to RMB2.3 million in 2024, primarily due to the increase in net foreign exchange differences of RMB1.6 million, as a result of exchange rate fluctuations. Our other expenses remained relatively stable at RMB2.3 million in 2024 and RMB2.1 million in 2025.

Finance Costs

Our finance costs represent our interest on lease liabilities in relation to our leased office in Shenzhen.

Our finance costs decreased by 41.3% from RMB63.0 thousand in 2023 to RMB37.0 thousand in 2024, primarily due to the decrease in interest on lease liabilities resulting from our settlement of lease payments. Our finance costs decreased by 67.6% from RMB37.0 thousand in 2024 to RMB12.0 thousand in 2025, primarily due to the decrease in interest on lease liabilities resulting from our settlement of lease payments.

Income Tax Expense

Our principal applicable taxes and tax rates are set forth as follows:

Chinese Mainland

Pursuant to the Law of the Chinese Mainland on Enterprise Income Tax and respective regulations, we and our subsidiary which operate in the Chinese Mainland are subject to a statutory rate of 25% or a preferential rate of 10% or 15% where applicable as set out below:

We were qualified as a "High and New Technology Enterprise" and were therefore entitled to a preferential income tax rate of 15% during the Track Record Period. The qualification is subject to review by the relevant tax authority in the Chinese Mainland every three years.

A reduction of income tax rate from 15% to 10% for the Track Record Period under Preferential Enterprise Income Tax Policies was applied as we were qualified as a Key IC Design Enterprise and a Software Enterprise according to the annual review by the tax authorities.

Our subsidiary, Shenzhen Lontium Semiconductor Technology Co., Ltd was qualified as a "High and New Technology Enterprise" and was therefore entitled to a preferential income tax rate of 15% during the Track Record Period. The qualification is subject to review by the relevant tax authority in the Chinese Mainland every three years.

Singapore

Under the tax regulations of Singapore, the statutory corporate income tax rate is 17% as stipulated by local laws. No provision for profits tax in Singapore was made as we did not have any assessable income subject to profits tax in Singapore during the Track Record Period.

We recorded income tax expenses of RMB2.5 million, RMB8.5 million, and RMB2.8 million in 2023, 2024 and 2025, respectively. Our effective tax rate (calculated as income tax expense divided by profit before tax) was 2.4%, 5.6% and 1.6% for the same periods, respectively. Our effective tax rate was relatively low at 1.6% in 2025, primarily due to (i) an increase in tax-deductible expenses arising from the exercise of share-based payment awards in 2025, and (ii) super deductions for research and development expenses during the same period, resulting in a higher amount eligible for additional tax deductions. As of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

The following table sets forth a breakdown of our income tax expense, in absolute amounts and as percentages of our total income tax expense for the periods indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Current income tax	248	9.8	10,984	128.7	2,892	104.9
Deferred income tax	2,273	90.2	(2,448)	(28.7)	(134)	(4.9)
Total	**2,521**	**100.0**	**8,536**	**100.0**	**2,758**	**100.0**

Our income tax expense increased from RMB2.5 million in 2023 to RMB8.5 million in 2024, mainly in line with the growth in our profit before tax. Our income tax expense decreased by 67.7% from RMB8.5 million in 2024 to RMB2.8 million in 2025, primarily due to (i) an increase in tax-deductible expenses arising from the exercise of share-based payment awards in 2025, and (ii) super deductions for research and development expenses in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 40.6% from RMB102.7 million in 2023 to RMB144.4 million in 2024, and further increased by 19.0% from RMB144.4 million in 2024 to RMB171.9 million in 2025.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements mainly from cash generated from our business operations and equity financing. After the **[REDACTED]**, we intend to finance our future capital requirements through cash generated from our business operations, the net **[REDACTED]** from the **[REDACTED]**, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB112.3 million, RMB359.9 million and RMB457.3 million as of December 31, 2023, 2024 and 2025, respectively.

Working Capital Sufficiency

Taking into account the net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the periods indicated.

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	103,412	116,887	112,413
Net cash flows (used in)/from investing activities	(1,063,108)	286,415	43,731
Net cash flows from/(used in) financing activities	1,008,945	(155,823)	(57,838)
Net increase/(decrease) in cash and cash equivalents	49,249	247,479	98,306
Cash and cash equivalents at the beginning of the year	62,805	112,332	359,922
Effect of foreign exchange rate changes, net	278	111	(949)
Cash and cash equivalents at the end of the year	112,332	359,922	457,279

Net Cash Flows From Operating Activities

Our cash flows from operating activities reflect our profit before tax adjusted for: (i) non-cash or non-operating items (such as fair value gains on financial investments at fair value through profit or loss, and depreciation of property, plant and equipment); (ii) the effects of movement in working capital (such as inventories, trade receivables, and other payables and accruals); and (iii) other cash items (such as income tax paid).

In 2025, we had net cash flows from operating activities of RMB112.4 million. We had operating cash inflow before changes in working capital, primarily consisting of profit before tax of RMB174.7 million, adjusted for certain non-cash or non-operating items, primarily including (i) fair value gains on financial investments at fair value through profit or loss of RMB24.5 million, and (ii) depreciation of property, plant and equipment of RMB19.0 million. Changes in working capital resulted in a net cash outflow, primarily consisting of increase in inventories of RMB51.0 million, as we strategically increased our inventory levels to meet the rising market demand and growing order volume from our major customers.

In 2024, we had net cash flows from operating activities of RMB116.9 million. We had operating cash inflow before changes in working capital, primarily consisting of profit before tax of RMB152.9 million, adjusted for certain non-cash or non-operating items, primarily including (i) fair value gains on financial investments at fair value through profit or loss of RMB24.9 million, and (ii) depreciation of property, plant and equipment of RMB16.2 million. Changes in working capital resulted in a net cash outflow, primarily consisting of increase in inventories of RMB44.6 million, as we strategically increased our inventory levels to meet the rising market demand and growing order volume from our major customers.

In 2023, we had net cash flows from operating activities of RMB103.4 million. We had operating cash inflow before changes in working capital, primarily consisting of profit before tax of RMB105.2 million, adjusted for certain non-cash or non-operating items, primarily including (i) fair value gains on financial investments at fair value through profit or loss of RMB28.7 million, and (ii) depreciation of property, plant and equipment of RMB15.8 million. Changes in working capital resulted in a net cash inflow, primarily consisting of increase in other payables and accruals of RMB16.5 million in connection with the increases in the number of our employees and their salaries, partially offset by increase in prepayments, other receivables and other assets of RMB14.7 million in connection with our cooperation with new suppliers who required advance payments.

Net Cash Flows (Used in)/From Investing Activities

Our cash inflows from investing activities primarily consisted of disposal of financial investments at fair value through profit or loss and investment income. Our cash outflows from investing activities primarily consist of investment in financial investments at fair value through profit or loss and purchases of items of property, plant and equipment.

In 2025, our net cash flows from investing activities were RMB43.7 million, which consisted primarily of disposal of financial investments at fair value through profit or loss of RMB4,352.6 million in connection with our redemption of structured deposits to support our business expansion, partially offset by (i) investments in financial investments at fair value through profit or loss of RMB4,250.5 million in relation to our purchase of structured deposits and certificates of deposit, and (ii) additions to leasehold land of RMB51.8 million, mainly because we obtained the land use right for our Hefei R&D center in 2025.

In 2024, our net cash flows from investing activities were RMB286.4 million, which consisted primarily of disposal of financial investments at fair value through profit or loss of RMB3,132.0 million in connection with our redemption of structured deposits to support our business expansion, partially offset by investments in financial investments at fair value through profit or loss of RMB2,849.5 million in connection with our purchase of structured deposits and certificates of deposit.

In 2023, our net cash flows used in investing activities were RMB1,063.1 million, which consisted primarily of investments in financial investments at fair value through profit or loss of RMB2,564.0 million in connection with our increased purchase of structured deposits after taking into account our idle cash and cash flow position, partially offset by disposal of financial investments at fair value through profit or loss of RMB1,523.0 million.

Net Cash Flows From/(Used in) Financing Activities

Our cash inflows from financing activities primarily consisted of proceeds from issue of shares. Our cash outflows from financing activities primarily consisted of dividends paid and share repurchase.

In 2025, our net cash flows used in financing activities were RMB57.8 million, which consisted primarily of dividends paid of RMB71.0 million, partially offset by proceeds from issue of shares of RMB22.0 million in connection with our share incentive plan.

In 2024, our net cash flows used in financing activities were RMB155.8 million, which consisted primarily of dividends paid of RMB96.5 million, and share repurchase of RMB59.2 million.

In 2023, our net cash flows from financing activities were RMB1,008.9 million, which consisted primarily attributable to net proceeds of RMB1,030.3 million from our A-share listing in 2023.

SELECTED BALANCE SHEET ITEMS

Current Assets/Liabilities

The following table sets out our current assets and liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Inventories	73,086	114,773	161,346	186,543
Trade receivables	5,250	33,537	75,689	34,840
Income tax recoverable	6,643	—	35	7,022
Prepayments, other receivables and other assets	17,876	1,899	18,826	20,520
Financial investments at fair value through profit or loss	1,158,181	867,886	763,995	955,494
Pledged deposits	1	1	1	1
Cash and cash equivalents	112,332	359,922	457,279	290,042
Total current assets	**1,373,369**	**1,378,018**	**1,477,171**	**1,494,462**
Current liabilities				
Trade payables	9,078	6,007	31,217	26,707
Contract liabilities	7,674	274	23	75
Other payables and accruals	29,164	44,266	55,750	49,601
Lease liabilities	493	525	—	—
Income tax payable	—	5,501	776	—
Total current liabilities	**46,409**	**56,573**	**87,766**	**76,383**
Net current assets	**1,326,960**	**1,321,445**	**1,389,405**	**1,418,079**

Our net current assets increased from RMB1,321.4 million as of December 31, 2024 to RMB1,389.4 million as of December 31, 2025, primarily due to the increase in cash and cash equivalents of RMB97.4 million generated from our business operations. Our net current assets remained relatively stable at RMB1,327.0 million as of December 31, 2023 and at RMB1,321.4 million as of December 31, 2024.

Inventories

Our inventories primarily consist of (i) raw materials, (ii) finished goods, (iii) materials consigned for processing, and (iv) semi-finished goods. The following table sets forth our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	31,730	59,027	67,940
Finished goods	30,407	44,741	48,044
Materials consigned for processing	17,504	18,354	54,560
Semi-finished goods	425	723	1,062
Provision for impairment losses on inventories	(6,980)	(8,072)	(10,260)
Total	**73,086**	**114,773**	**161,346**

Our inventory increased from RMB73.1 million as of December 31, 2023 to RMB114.8 million as of December 31, 2024, and further increased to RMB161.3 million as of December 31, 2025, as we strategically increased our inventory levels to meet the rising market demand and growing order volume from our major customers.

Our inventories are subject to provision for impairment losses. Provision for inventories is recognized for the amount by which the carrying amount of the inventories exceeds the net realizable value and is recorded in cost of sales in the consolidated income statements. We had provision for impairment losses on inventories of approximately RMB7.0 million, RMB8.1 million and RMB10.3 million, as of December 31, 2023, and 2024 and 2025.

We believe we have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We regularly assess inventories based on the lower of cost or net realizable value to make impairment provisions. In addition, we further review the recoverability of our inventories to identify items with low sales or usage value and make additional impairment provisions accordingly. In accordance with our accounting policy, we estimate net realizable value of inventories based on specific facts and circumstances. For different types of inventories, we require the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories.

Our Directors are of the view that we have made sufficient impairment provision for inventories during the Track Record Period for the following reasons, (i) our inventories mainly consist of wafers and chips, which are properly stored under stringent storage requirements and have low risk of damage or deterioration, (ii) as of December 31, 2025, RMB106.0 million, or 92.3% of inventories as of December 31, 2024, had been used, consumed or sold, (iii) we have implemented a robust inventory monitoring system involving regular inventory screening and inventory risk assessments, to ensure that our inventory level is properly managed, and (iv) we have established comprehensive inventory provision policies and have made sufficient provisions for any slow-moving or at-risk inventories identified under our inventory monitoring system.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	60,517	107,564	149,805
1 to 2 years	8,844	2,735	9,308
Over 2 years	3,725	4,474	2,233
Total	**73,086**	**114,773**	**161,346**

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

	Year Ended December 31,		
	2023	2024	2025
Inventory turnover days(1)	192.3	160.8	188.4

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given period divided by cost of sales for that corresponding period and multiplied by 365 days for 2023, 2024 and 2025.

Our inventory turnover days decreased from 192.3 days in 2023 to 160.8 days in 2024, primarily due to our increased sales and strengthened inventory management. Our inventory turnover days increased from 160.8 days in 2024 to 188.4 days in 2025, primarily because we proactively increased our inventory level in anticipation of increased market demand and future sales growth. We plan to optimize our inventory turnover efficiency through (i) well-planned procurement based on sales forecasts, actual sales orders, and inventory levels; (ii) an optimized supply chain by introducing additional wafer suppliers to shorten production cycle; and (iii) regular inventory checks along with the development of differentiated sales strategies.

As of April 30, 2026, RMB122.5 million, or 75.9%, of our inventories as of December 31, 2025 had been sold or utilized.

Trade Receivables

Our trade receivables mainly represent outstanding amounts due from our distributors. Our trade receivables were generally settled within one month. See "Business — Our Customers" for details. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	5,526	35,302	79,673
Impairment	(276)	(1,765)	(3,984)
Total	**5,250**	**33,537**	**75,689**

Our trade receivables increased from RMB5.3 million as of December 31, 2023 to RMB33.5 million as of December 31, 2024, mainly because we extended the credit limits of certain distributors to over one million at the year end given their good credit profiles and our long-term cooperation. We have cooperated with all these selected distributors for nearly ten years, and their trade receivables were subsequently settled in accordance with the credit terms. Our trade receivables further increased from RMB33.5 million as of December 31, 2024 to RMB75.7 million as of December 31, 2025, primarily due to (i) our business expansion and revenue growth, and (ii) increased procurement activities by our downstream customers in the year end in anticipation of the potential price rise of our products following the higher cost for assembly and testing services in the market, leading to higher ending balances of our trade receivables. We plan to strengthen our trade receivables collection through (i) continuous optimization of our policies and management processes for credit management that regulate customer entry, training, and evaluation procedures. We will conduct credit evaluations every six months to determine our customers' credit limits and terms; (ii) monthly reconciliations and payment reminders sent to customers before due dates; and (iii) monitoring of the collection progress.

We made allowance for credit losses in trade receivables of RMB0.3 million, RMB1.8 million and RMB4.0 million as of December 31, 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, all of our trade receivables were aged within one year. During the Track Record Period, we did not experience any significant losses associated with our trade receivables, and the fluctuation in our trade receivables did not have any material adverse impact on our liquidity or cash flows.

The following table sets forth our trade receivables turnover days during the periods indicated.

	Year Ended December 31,		
	2023	**2024**	**2025**
Trade receivables turnover days[1]	4.3	15.2	35.1

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant period, divided by the revenue for the same period and multiplied by 365 days for 2023, 2024 and 2025.

Our trade receivables turnover days were 4.3 days, 15.2 days and 35.1 days in 2023, 2024 and 2025. Such upward trend was mainly due to (i) our business expansion and (ii) the increase in the year-end balance of our trade receivables as a result of the increased procurement activities by our downstream customers in the year end in anticipation of the potential price rise of our products following the higher cost for assembly and testing services in the market.

As of April 30, 2026, all of our trade receivables as of December 31, 2025, had been settled.

Prepayments, Other Receivables and Other Assets — Current

Our current prepayments, other receivables and other assets primarily consist of (i) prepayments mainly to our suppliers for the purchase of raw materials, (ii) deposits mainly in connection with our leased office in Shenzhen and bidding activities, (iii) value added tax recoverable, (iv) **[REDACTED]**, and (v) other receivables. The following table sets forth our current prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	17,754	1,754	2,502
Deposits	125	148	122
Value added tax recoverable	—	—	2,575
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables	3	5	1
Subtotal	17,882	1,907	18,832
Less: Impairment losses	(6)	(8)	(6)
Total	**17,876**	**1,899**	**18,826**

Our current prepayments, other receivables and other assets decreased from RMB17.9 million as of December 31, 2023 to RMB1.9 million as of December 31, 2024, primarily due to the decrease in prepayments of RMB16.0 million, mainly because the above-mentioned supplier granted us credit terms and no longer required advance payments. Our current prepayments, other receivables and other assets increased from RMB1.9 million as of December 31, 2024 to RMB18.8 million as of December 31, 2025, primarily due to the increase in our **[REDACTED]** of RMB**[REDACTED]** in connection with the **[REDACTED]**.

As of April 30, 2026, RMB5.1 million, or 26.8%, of our current prepayments, other receivables and other assets as of December 31, 2025, had been settled.

Financial Investments at Fair Value through Profit or Loss

Our financial investments at fair value through profit or loss consist of (i) structured deposits, and (ii) certificates of deposit. The following table sets forth our financial investments at fair value through profit or loss as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Structured deposits	1,158,181	697,140	588,434
Certificates of deposit	—	170,746	175,561
Total	**1,158,181**	**867,886**	**763,995**

Our financial investments at fair value through profit or loss decreased from RMB1,158.2 million as of December 31, 2023 to RMB867.9 million as of December 31, 2024, and further to RMB764.0 million as of December 31, 2025, primarily due to the decrease in structured deposits, mainly attributable to our redemption of structured deposits to support our business expansion.

Under our investment policy on the purchase of such financial assets, we seek to prudently use idle cash without affecting our business operations or capital expenditure. Our investment strategy includes, in particular: (i) only deploying surplus funds for cash management to generate reasonable returns, (ii) being confined to low-risk, highly liquid and capital-secure short-term products, mainly including structured deposits and certificates of deposit, and (iii) ensuring that the products offer guaranteed returns and are issued by reputable banks. In limited circumstances, such as where quota for structured deposits is temporarily constrained, we may invest a small portion of our surplus funds in wealth management products, provided that such products are classified as low-risk and are primarily invested in fixed-income assets.

We have established strict approval procedures for such investments. After our finance department formulates investment plans, which set out, among others, the types of investment products, the maximum investment limits and the manner of implementation, such investment plans are approved by our Board, and are further executed by our general manager, including selecting qualified issuers, determining investment amounts, choosing products and signing relevant agreements. We have also established stringent internal control and risk management policies regarding our financial investments, including: (i) ongoing monitoring of product performance and taking timely actions to mitigate potential risks, (ii) oversight by independent directors, who may engage external professionals for audits when necessary, and (iii) regular review by our internal audit department.

Our Board is actively involved in overseeing our financial investment activities and is responsible for reviewing and approving investment plans as well as supervising the implementation on an ongoing basis. Our Board and senior management collectively possess extensive industry experience and financial management expertise, which enable them to effectively oversee these investments. See "Directors and Senior Management" for details. In addition, these investments will be subject to compliance with the applicable requirements under Chapter 14 of the Listing Rules upon the **[REDACTED]**.

Trade Payables

Our trade payables mainly represent balances due to our suppliers including wafer foundries and assembly and testing service providers. Our trade payables amounted to RMB9.1 million and RMB6.0 million as of December 31, 2023 and 2024, maintaining relatively stable as a percentage of our revenue in the same period, with fluctuations primarily influenced by our procurement arrangements. Our trade payables increased from RMB6.0 million as of December 31, 2024 to RMB31.2 million as of December 31, 2025, primarily due to an increase in procurement as we strategically expanded our inventory levels in anticipation of future sales growth. As of December 31, 2023, 2024 and 2025, all of our trade payables were aged within one year.

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

	Year Ended December 31,		
	2023	**2024**	**2025**
Trade payable turnover days(1)	18.1	12.9	25.4

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a period divided by our cost of sales for the relevant period and multiplied by 365 days for 2023, 2024 and 2025.

Our trade payables turnover days in 2023, 2024 and 2025 were generally in line with the one-month credit period granted by our major suppliers, with the fluctuations primarily reflecting variations in procurement and delivery arrangements.

As of April 30, 2026, RMB31.2 million, or 99.9%, of our trade payables as of December 31, 2025, had been subsequently settled.

Contract Liabilities

Our contract liabilities mainly represent prepayments received under technological service agreements.

Our contract liabilities decreased from RMB7.7 million as of December 31, 2023 to RMB0.3 million as of December 31, 2024, primarily due to the completion of the technological service agreements, converting contract liabilities into recognized revenue. Our contract liabilities remained relatively stable at RMB0.3 million as of December 31, 2024 and RMB23.0 thousand as of December 31, 2025.

As of April 30, 2026, all of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Other Payables and Accruals

Our other payables and accruals consist of (i) payroll and welfare payables in connection with the salaries and benefits payable to our employees, (ii) payables for purchase of property, plant, equipment and other intangible assets, mainly in relation to our purchase of software and intellectual property rights, (iii) deposits mainly provided by distributors to ensure their compliance with our management policy, (iv) other tax payables mainly representing VAT and other relevant tax surcharges, (v) repurchase obligations of restricted shares, (vi) **[REDACTED]**, and (vii) others. The table below sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	20,880	27,675	30,829
Payables for purchase of property, plant, equipment and other intangible assets	6,371	8,786	11,327
Deposits	—	5,150	5,433
Other tax payables	1,904	2,232	1,931
Repurchase obligations of restricted shares	—	411	294
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	9	12	—
Total	**29,164**	**44,266**	**55,750**

Our other payables and accruals increased from RMB29.2 million as of December 31, 2023 to RMB44.3 million as of December 31, 2024, primarily due to the increase in (i) payroll and welfare payables of RMB6.8 million, mainly attributable to the increases in the number of our employees and their salaries, and (ii) deposits from nil to RMB5.2 million, because we previously returned deposits to distributors at the end of each year before 2024, contingent on compliance with our management policy, and then recharged them at the start of the next year. We discontinued this practice in 2024 to simplify the process. Our other payables and accruals increased from RMB44.3 million as of December 31, 2024 to RMB55.8 million as of December 31, 2025, primarily due to increases in (i) **[REDACTED]** of RMB**[REDACTED]** in connection with the **[REDACTED]**, and (ii) payables for purchase of property, plant, equipment and other intangible assets of RMB2.5 million, mainly attributable to our purchase of design software to support our business growth.

As of April 30, 2026, RMB43.6 million, or 78.3%, of total other payables and accruals as of December 31, 2025, had been subsequently settled.

Non-Current Assets/Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-Current Assets			
Property, plant and equipment	104,184	102,676	104,450
Right-of-use assets	1,005	500	51,038
Other intangible assets	7,369	12,459	16,255
Prepayments, other receivables and other assets	610	4,966	5,166
Deferred tax assets	—	3,741	3,930
Total Non-Current Assets	**113,168**	**124,342**	**180,839**
Non-Current Liabilities			
Deferred income	9,875	13,987	10,754
Lease liabilities	545	—	—
Deferred tax liabilities	242	—	—
Total Non-Current Liabilities	**10,662**	**13,987**	**10,754**

Property, Plant and Equipment

Our property, plant and equipment consists of (i) buildings, (ii) machinery, (iii) masks, (iv) electronic equipment and other equipment, (v) building improvements, (vi) construction in progress, and (vii) motor vehicles. The following table sets forth our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	66,855	64,597	62,339
Machinery	17,632	20,240	17,773
Masks	12,101	14,121	17,574
Electronic equipment and other equipment	1,817	2,094	2,172
Building improvements	—	1,415	1,128
Construction in progress	5,735	—	3,258
Motor vehicles	44	209	206
Total	**104,184**	**102,676**	**104,450**

Our property, plant and equipment decreased from RMB104.2 million as of December 31, 2023 to RMB102.7 million as of December 31, 2024, primarily due to the decrease in buildings of RMB2.3 million, mainly attributable to depreciation. Our property, plant and equipment increased from RMB102.7 million as of December 31, 2024 to RMB104.5 million as of December 31, 2025 primarily due to increases in (i) masks of RMB3.5 million, and (ii) construction in progress of RMB3.3 million.

Right-of-Use Assets

Our right-of-use assets consist of (i) leasehold land in connection with our Hefei R&D center, and (ii) buildings representing our leased offices in Shenzhen. The following table sets forth our right-of-use assets as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold land	—	—	51,038
Buildings	1,005	500	—
Total	**1,005**	**500**	**51,038**

Our right-of-use assets decreased from RMB1.0 million as of December 31, 2023 to RMB0.5 million as of December 31, 2024, primarily due to the decrease in buildings resulting from depreciation. Our right-of-use assets increased from RMB0.5 million as of December 31, 2024 to RMB51.0 million as of December 31, 2025, primarily due to the increase in leasehold land of RMB51.0 million, mainly because we obtained the land use right for our Hefei R&D center in 2025.

Other Intangible Assets

Our other intangible assets consist of (i) software, and (ii) licenses. The following table sets forth our other intangible assets as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Software	635	7,310	12,690
Licenses	6,734	5,149	3,565
Total	**7,369**	**12,459**	**16,255**

Our other intangible assets increased from RMB7.4 million as of December 31, 2023 to RMB12.5 million as of December 31, 2024, and further to RMB16.3 million as of December 31, 2025, primarily due to the increase in software, mainly because we purchased multiple new systems and design software to support our business expansion.

Deferred Tax Assets

Our deferred tax assets increased from nil as of December 31, 2023 to RMB3.7 million as of December 31, 2024, primarily because we incurred share-based payments in 2024 while the tax deduction for these expenses has not yet been realized. Our deferred tax assets remained relatively stable at RMB3.7 million as of December 31, 2024 and RMB3.9 million as of December 31, 2025.

Deferred Income

Our deferred income increased from RMB9.9 million as of December 31, 2023 to RMB14.0 million as of December 31, 2024, primarily because we received new government grants. Our deferred income decreased from RMB14.0 million as of December 31, 2024 to RMB10.8 million as of December 31, 2025, primarily due to the amortization of government grants.

INDEBTEDNESS

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Lease liabilities	493	525	—	—
Non-current				
Lease liabilities	545	—	—	—
Total	**1,038**	**525**	**—**	**—**

Lease Liabilities

Our lease liabilities are in relation to our leased office in Shenzhen. As of December 31, 2023, 2024 and 2025 and April 30, 2026, our lease liabilities, including current and non-current portion, amounted to RMB1.0 million, RMB0.5 million, nil and nil, respectively. The downward trend of our lease liabilities during the Track Record Period was primarily due to our settlement of lease payments. The following table sets forth the maturity profile of our lease liabilities, based on the contractual undiscounted payments, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	531	538	—
1 to 2 years	558	—	—
Over 2 years	—	—	—
Total	**1,089**	**538**	**—**

Contingent Liabilities or Guarantees

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities that would have a material impact on our financial position or results of operations.

No Other Outstanding Indebtedness

Except as disclosed above, as of April 30, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. As of April 30, 2026, we did not have any committed unutilized banking facilities. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since April 30, 2026.

CAPITAL EXPENDITURE

The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Purchases of items of property, plant and equipment	27,913	18,256	26,167
Additions to other intangible assets	5,673	10,510	6,736
Additions to leasehold land	—	—	51,815
Total	**33,586**	**28,766**	**84,718**

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities and equity financing. We expect to incur capital expenditure in the near future, primarily to support the growth of our business. We expect to fund these capital expenditures with a combination of cash flow generated from operating activities, equity and debt financing and net **[REDACTED]** from the **[REDACTED]**. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**" for further details about our planned capital expenditure. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB8.2 million, RMB14.3 million and RMB246.9 million, respectively, primarily in connection with capital expenditure contracted for but not yet provided for purchase of software and construction of an R&D center.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated.

	As of/For the year ended December 31,		
	2023	2024	2025
Revenue growth rate(1)	34.1%	44.2%	21.9%
Quick ratio(2)	28.0	22.3	15.0
Return on assets(3)	11.1%	9.7%	10.9%
Return on equity(4)	11.8%	10.1%	11.5%
Gross profit margin	53.6%	54.3%	52.9%
Net profit margin	31.8%	31.0%	30.3%

Notes:

(1) Revenue growth rate is calculated as the year-on-year growth rate of revenue.

(2) Quick ratio equals current assets excluding inventories divided by current liabilities as of the relevant period end.

(3) Return on assets is calculated as net profit for the period divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the period, divided by two.

(4) Return on equity is calculated as net profit for the period divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the period, divided by two.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 35 to the Accountants' Report included in Appendix I. Our related party transactions were trade in nature. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board manages and monitors these risks to ensure appropriate measures are implemented in a timely and effective manner. See Note 38 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

DIVIDENDS

In 2023, 2024 and 2025, we paid dividends of RMB20.8 million, RMB96.5 million and RMB71.0 million, respectively, representing final dividends in respect of the preceding year.

Pursuant to our Articles of Association and in accordance with the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 — 上市公司現金分紅(2025年修訂)》), we have adopted a general dividend policy, pursuant to which we may declare dividends in the form of cash dividends, stock dividends, or a combination of both, subject to applicable laws and our Articles of Association. In addition, our Board of Directors may, having regard to our funding requirements, propose interim dividends. In determining whether to declare and pay dividends, our Directors take into account, among others, the nature of the industry in which we operate, our stage of development, business model, profitability and major capital expenditure plans.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had approximately RMB369.4 million of retained profits available for distribution to our Shareholders.

[REDACTED]

Our **[REDACTED]** mainly include (i) **[REDACTED]**, such as **[REDACTED]** fees and **[REDACTED]**, and (ii) **[REDACTED]** expenses, comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**, and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total **[REDACTED]** (based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the maximum **[REDACTED]**) and assuming that the **[REDACTED]** is not exercised) for the **[REDACTED]** are approximately HK$**[REDACTED]**, accounting for approximately **[REDACTED]**% of our gross **[REDACTED]**. Among such estimated total **[REDACTED]**, we expect to pay **[REDACTED]** expenses of HK$**[REDACTED]**, professional fees for our legal advisors and Reporting Accountants of HK$**[REDACTED]** and other fees and expenses of HK$**[REDACTED]**. An estimated amount of HK$**[REDACTED]** for our **[REDACTED]**, accounting for approximately **[REDACTED]**% of our gross **[REDACTED]**, was or is expected to be expensed through the statement of profit or loss and the remaining amount of HK$**[REDACTED]** is expected to be recognized directly as a deduction from equity upon the **[REDACTED]**. We recognized **[REDACTED]** RMB**[REDACTED]** in our consolidated statements of profit or loss and other comprehensive income in the Track Record Period.

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

See "Appendix II — Unaudited **[REDACTED]** Financial Information."

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.