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You should read the following discussion and analysis in conjunction with our audited consolidated financial information and the respective accompanying notes thereto included in the Accountants’ Report set out in Appendix I to this document which have been prepared in accordance with IFRS. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in “Forward-looking Statements” and “Risk Factors.” In evaluating our business, you should carefully consider the information provided in this document including but not limited to the sections headed “Risk Factors” and “Business” in this document.

OVERVIEW

We are a leading provider of enterprise software and intelligent services. Leveraging core technologies, such as AI, big data, and cloud computing, we focus on the R&D, innovation, commercialization and delivery of digital and intelligent software and services for enterprises. According to Frost & Sullivan, we are the largest player in China’s enterprise software and service market by revenue in 2025 with a market share of 3.8%, and we are also the largest domestic enterprise software company in China in 2025 by overseas revenue. Our core offering, Yonyou BIP, empowers enterprises to enhance their digital and intelligent capabilities through enabling digital, data-driven, and intelligent operations.

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our total revenue was RMB9,442.5 million, RMB8,817.4 million, RMB8,862.3 million, RMB1,307.2 million and RMB1,382.6 million, respectively. Our revenue fluctuations were primarily caused by the prolonged customer acquisition and delivery cycle associated with the complex requirements of top-tier customers, as well as our transition towards promoting new-generation cloud-base services, particularly our Yonyou BIP product series.

During the Track Record Period, we recorded loss for the year/period of RMB933.2 million, RMB2,069.8 million, RMB1,351.1 million, RMB756.3 million and RMB744.4 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. We recorded adjusted net loss (non-IFRS measure) of RMB891.0 million, RMB1,990.8 million, RMB1,316.9 million, RMB745.8 million and RMB739.5 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. Our adjusted EBITDA (non-IFRS measure) was RMB134.4 million and RMB222.6 million in 2023 and 2025, respectively, while our negative adjusted EBITDA (non-IFRS measure) was RMB676.4 million, RMB367.8 million and RMB326.1 million in 2024 and the three months ended March 31, 2025 and 2026, respectively.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”). All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. We have not adopted any new standards or interpretations that were not yet effective during the Track Record Period.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growing Enterprise Software and Service Market Fueled by Emerging Technologies

Our business and results of operations are driven by the demand for enterprise software and intelligent services, which in turn is dependent on the growth of the global and China’s enterprise software and services market. According to Frost & Sullivan, the size of the global enterprise software and service industry is expected to increase from US\$417.5 billion in 2025 to US\$722.5 billion in 2030 at a CAGR of 11.6%. China’s enterprise software and service industry is projected to increase from RMB222.5 billion in 2025 to RMB391.5 billion by 2030 at a CAGR of 12.0%. This robust market growth is primarily driven by the widespread adoption of emerging technologies, the information technology application innovation initiatives, and the globalization of Chinese enterprises. In particular, the rapid evolution of AI is expected to propel the expansion of the enterprise software and service industry. AI accelerates the digital and intelligent transformation of enterprises, promotes system-wide intelligent upgrades, and advances the transition into a new generation of enterprise software. With our advanced, AI-powered Yonyou BIP, we are well positioned to seize this evolving market trend and increase our market share.

Adoption of domestically-developed enterprise software and cloud-based services has become a prevalent trend due to the initiatives promoting information technology application innovation in China. Leveraging our deep insight into operational demands of Chinese enterprises, the robust functionality of our products, and compelling price advantages, we have become the go-to digital and intelligent service provider for both Chinese enterprises and multinational enterprises operating in China. In addition, the global expansion of Chinese enterprises, coupled with rising demand for digital and intelligent software and services in emerging overseas markets, has driven Chinese enterprise software and service providers to accelerate their globalization efforts.

Building on our strong brand presence in China and across the Asia-Pacific region since 2003, we have steadily expanded our global footprint and established ourselves as a trusted partner for enterprises undergoing digital and intelligent transformation, accumulating product delivery experience in more than 40 countries and regions.

Commitment to Product Leadership Anchored in Innovation

Our operating performance is closely tied to our ability to deliver industry-leading enterprise software and intelligent services. During the 1.0 stage and 2.0 stage, we successfully launched a series of financial management and ERP software products, fueling rapid business expansion. Entering the 3.0 stage, we were among the first to introduce our advanced business innovation platform, Yonyou BIP. We have also launched Yonyou BIP Enterprise AI to empower Yonyou BIP with AI capabilities, and deeply embeds AI technologies into enterprises’ operational processes and management. Going forward, we expect to continue to invest in product innovation and technology advancement by introducing new features and upgrading existing offerings to remain competitive, while strengthening the global adaptation of our products, industry-specific features, and ecosystem integration to further enrich our product portfolio and reinforcing our product leadership.

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We have made significant investments in R&D. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, we incurred research and development costs of RMB2,106.5 million, RMB2,121.8 million, RMB2,285.5 million, RMB559.8 million and RMB579.2 million, respectively, accounting for 22.3%, 24.1%, 25.8%, 42.8% and 41.9% of our total revenue in the same periods, respectively. We believe that our consistent R&D efforts can continue to create entry barriers and enhance our market leadership. However, such investments on our R&D capability will increase our research and development costs in absolute amounts, but we expect our research and development costs, as a percentage of our revenue, to decrease as our business further scales and R&D efficiency improves.

Broadening and Deepening Customer Engagement

We generate our revenue primarily from the provision of cloud-based services and software products for enterprise customers, and therefore, our growth depends, to a large extent, on our ability to attract new customers. Adhering to our tiered customer strategy, we have established an expansive customer base that spans micro and small enterprises (“MSE”) to large conglomerates, as well public sector organizations, covering a diverse array of industries. To meet the diverse needs of these customer segments, we offer differentiated offerings such as *YonBIP* for large enterprises and *YonSuite* for medium-sized companies. As of March 31, 2026, we had served 78% of Fortune China 500 companies in 2025. We have also expanded our customer coverage by implementing our global development strategy, and we had served over 1,800 customers outside of Chinese Mainland as of March 31, 2026.

We strive to maintain stable and long-term customer relationships by delivering high-quality products and services and focusing on customer success. Through continuous product iteration and deep engagement in customers’ digital and intelligent transformation, we have strengthened customer stickiness, with the dollar retention rate for Yonyou BIP consistently exceeding 90% during the Track Record Period. We will continue to identify customer needs and upgrade our product and technology offerings to drive up-selling and cross-selling.

Ability to Improve Our Product Standardization

We have been steadily improving product standardization, which streamlines development, reduces complexity, and enhances operational efficiency. By embedding more functionalities and features into our standardized products and services, we increase the value of our offerings and address broader market needs, which will contribute to revenue growth. A standardized yet feature-rich offering attracts more customers, reduces sales cycles, and enables up-selling opportunities through premium modules or tiered subscriptions. While standardization requires significant upfront investment, once launched, standardized products can be sold repeatedly with minimal additional cost and can lead to higher long-term margin. As we increase the proportion of standardized products incorporating advanced features, we will drive greater market penetration and further strengthen our competitive position.

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Cost Control and Operational Efficiency

Our ability in cost management is pivotal to improving our overall profitability. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our cost of sales was RMB4,791.1 million, RMB4,760.3 million, RMB4,589.3 million, RMB830.5 million and RMB798.8 million, respectively, accounting for 50.7%, 54.0%, 51.8%, 63.5% and 57.8% of our total revenue in the same periods, respectively. Our cost of sales as a percentage of our total revenue increased from 2023 to 2024, primarily due to increased delivery costs and efforts to ensure a high-quality delivery experience for our newly launched Yonyou BIP product series. Our cost of sales as a percentage of our total revenue decreased in 2025 and from the three months ended March 31, 2025 to the three months ended March 31, 2026, primarily attributable to enhanced delivery efficiency and product maturity. To optimize our cost structure and increase delivery efficiency, we intend to adopt more automated delivery tools, enhance our standardized product offering to reduce extensive customization, and deepen ecosystem collaboration with professional service partners to utilize their product delivery capacity.

Our ability to manage and control our operating expenses is also critical to the success of our business. See “— Commitment to Product Leadership Anchored in Innovation” for details on our research and development costs. Our sales and marketing expenses were RMB2,742.9 million, RMB2,621.7 million, RMB2,442.6 million, RMB454.9 million and RMB449.0 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, accounting for 29.0%, 29.7%, 27.6%, 34.8% and 32.5% of our total revenue in the same periods, respectively. Our administrative expenses were RMB1,113.4 million, RMB1,225.9 million, RMB1,083.3 million, RMB315.8 million and RMB343.5 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, accounting for 11.8%, 13.9%, 12.2%, 24.2% and 24.8% of our total revenue in the same periods, respectively. As we expand our business and improve our operating efficiency, we expect to benefit from enhanced economies of scale.

MATERIAL ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND ESTIMATES

The preparation of historical financial statements in conformity with IFRS Accounting Standards requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures, and the disclosure of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, from which our actual results may differ. See Notes 4 and 5 to the Accountants’ Report set out in Appendix I to this document for a detailed description of our material accounting policies, judgments and estimates.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Revenue	9,442,538	100.0	8,817,429	100.0	8,862,267	100.0	1,307,225	100.0	1,382,643	100.0
Cost of sales	(4,791,104)	(50.7)	(4,760,273)	(54.0)	(4,589,269)	(51.8)	(830,543)	(63.5)	(798,812)	(57.8)
Gross profit	4,651,434	49.3	4,057,156	46.0	4,272,998	48.2	476,682	36.5	583,831	42.2
Other income and gains/(losses), net . . .	847,652	9.0	607,029	6.9	760,156	8.6	217,197	16.6	170,791	12.4
Research and development costs . .	(2,106,470)	(22.3)	(2,121,782)	(24.1)	(2,285,525)	(25.8)	(559,823)	(42.8)	(579,179)	(41.9)
Sales and marketing expenses	(2,742,894)	(29.0)	(2,621,739)	(29.7)	(2,442,600)	(27.6)	(454,897)	(34.8)	(449,041)	(32.5)
Administrative expenses	(1,113,426)	(11.8)	(1,225,945)	(13.9)	(1,083,288)	(12.2)	(315,838)	(24.2)	(343,528)	(24.8)
Impairment losses on financial and contract assets	(218,524)	(2.3)	(296,791)	(3.4)	(269,862)	(3.0)	(65,457)	(5.0)	(60,110)	(4.3)
Other expenses	(113,715)	(1.2)	(333,554)	(3.8)	(202,699)	(2.3)	(22,302)	(1.7)	(22,432)	(1.6)
Finance expenses	(170,860)	(1.8)	(178,859)	(2.0)	(176,602)	(2.0)	(45,061)	(3.4)	(38,450)	(2.8)
Share of profits and losses of:										
– A joint venture	(122)	0.0	(872)	0.0	—	—	—	—	—	—
– Associates	56,923	0.6	39,109	0.4	58,400	0.7	5,831	0.4	(14,479)	(1.0)
Loss before tax	(910,002)	(9.6)	(2,076,248)	(23.5)	(1,369,022)	(15.4)	(763,668)	(58.4)	(752,597)	(54.4)
Income tax (expense)/credit	(23,236)	(0.2)	6,416	0.1	17,924	0.2	7,327	0.6	8,211	0.6
Loss for the year/period	(933,238)	(9.9)	(2,069,832)	(23.5)	(1,351,098)	(15.2)	(756,341)	(57.9)	(744,386)	(53.8)
Attributable to:										
– Owners of the parent	(967,165)	(10.2)	(2,061,309)	(23.4)	(1,389,223)	(15.7)	(735,789)	(56.3)	(722,585)	(52.3)
– Non-controlling interests	33,927	0.4	(8,523)	(0.1)	38,125	0.4	(20,552)	(1.6)	(21,801)	(1.6)
	(933,238)	(9.9)	(2,069,832)	(23.5)	(1,351,098)	(15.2)	(756,341)	(57.9)	(744,386)	(53.8)
Other comprehensive income for the year/period, net of tax	3,350	0.0	2,779	0.0	5,178	0.1	(4,763)	(0.4)	(3,695)	(0.3)
Total comprehensive income/(loss) for the year/period	(929,888)	(9.8)	(2,067,053)	(23.4)	(1,345,920)	(15.2)	(761,104)	(58.2)	(748,081)	(54.1)

NON-IFRS MEASURES

To supplement our consolidated financial statements, we use adjusted net profit/(loss) (non-IFRS measure), EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. However, our presentation of adjusted net profit/(loss) (non-IFRS measure), EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures as an analytical tool has limitations, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit/(loss) (non-IFRS measure) as profit/(loss) for the year/period adjusted by adding back share-based compensation expenses. The following table reconciles our adjusted net profit/(loss) (non-IFRS measure) for the periods presented in accordance with IFRS, which is profit/(loss) for the year/period:

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	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Reconciliation of loss for the year/period to adjusted net loss (non-IFRS measure)										
Loss for the year/period	(933,238)	(9.9)	(2,069,832)	(23.5)	(1,351,098)	(15.2)	(756,341)	(57.9)	(744,386)	(53.8)
Add:										
Share-based compensation expenses ⁽¹⁾	42,214	0.4	79,020	0.9	34,206	0.4	10,550	0.8	4,873	0.3
Adjusted net profit/(loss) (non-IFRS measure)	(891,024)	(9.4)	(1,990,812)	(22.6)	(1,316,892)	(14.9)	(745,791)	(57.1)	(739,513)	(53.5)

- (1) Share-based compensation expenses mainly represent the non-cash employee benefit expenses incurred in connection with our award to management and key employees. Such expenses in any specific year/period are not expected to result in future cash payments.

We define EBITDA (non-IFRS measure) as profit/(loss) for the year/period, adjusted by adding back income tax expense/(credit), finance expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of other intangible assets, and less bank interest income under other income and gains, net. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) adjusted by adding back share-based compensation expenses. The following table reconciles our EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods presented in accordance with IFRS, which is profit/(loss) for the year/period:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Reconciliation of loss for the year/period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)										
Loss for the year/period	(933,238)	(9.9)	(2,069,832)	(23.5)	(1,351,098)	(15.2)	(756,341)	(57.9)	(744,386)	(53.8)
Add:										
Income tax expense/(credit)	23,236	0.2	(6,416)	(0.1)	(17,924)	(0.2)	(7,327)	(0.6)	(8,211)	(0.6)
Finance expenses	170,860	1.8	178,859	2.0	176,602	2.0	45,061	3.4	38,450	2.8
Depreciation of property, plant and equipment	144,897	1.5	138,438	1.6	124,273	1.4	30,088	2.3	30,804	2.2
Depreciation of right-of-use assets	89,176	0.9	82,839	0.9	67,326	0.8	17,922	1.4	15,678	1.1
Amortization of other intangible assets	702,096	7.4	988,162	11.2	1,232,108	13.9	306,239	23.4	345,420	25.0
Less:										
Bank interest income	104,817	1.1	67,462	0.8	42,902	0.5	14,018	1.1	8,697	0.6
EBITDA (non-IFRS measure)	92,210	1.0	(755,412)	(8.6)	188,385	2.1	(378,376)	(28.9)	(330,942)	(23.9)
Add:										
Share-based compensation expenses	42,214	0.4	79,020	0.9	34,206	0.4	10,550	0.8	4,873	0.3
Adjusted EBITDA (non-IFRS measure)	134,424	1.4	(676,392)	(7.7)	222,591	2.5	(367,826)	(28.1)	(326,069)	(23.6)

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was RMB9,442.5 million, RMB8,817.4 million, RMB8,862.3 million, RMB1,307.2 million and RMB1,382.6 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. During the Track Record Period, we primarily generated revenue from the provision of cloud-based services, mainly including *YonBIP*, *YonSuite*, *U9 cloud*, products offered by Chanjet, and our industry-specific solutions, as well as software products. We provide our cloud-based services and software products on subscription and/or license fee model. To ensure a seamless customer experience and drive long-term value realization, we also provide a suite of implementation, product support, and maintenance services. The following table sets forth the breakdown of our revenue by product and service types for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Cloud-based services . . .	7,047,540	74.6	6,803,966	77.2	7,017,404	79.2	1,040,895	79.6	1,125,726	81.4
Software products	2,163,665	22.9	1,708,513	19.4	1,512,118	17.1	208,530	16.0	201,721	14.6
Others	231,333	2.5	304,950	3.4	332,745	3.7	57,800	4.4	55,196	4.0
Total	9,442,538	100.0	8,817,429	100.0	8,862,267	100.0	1,307,225	100.0	1,382,643	100.0

During the Track Record Period, our revenue from cloud-based services increased as a percentage of our total revenue, primarily driven by the transition toward promoting our new-generation cloud-based services, particularly our Yonyou BIP product series. In addition to sales of our cloud-based services and software products, we provided certain complementary services, including sales of third-party products to better support our customers in their adoption and use of our cloud-based services and software products, as well as insurance brokerage services. Revenue from such other services increased from 2023 to 2025, and remained relatively stable from the three months ended March 31, 2025 to the three months ended March 31, 2026, primarily due to changes in customer demand.

The following table sets forth the breakdown of our revenue by geographical location for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Chinese Mainland	9,238,147	97.8	8,599,265	97.5	8,558,341	96.6	1,272,354	97.3	1,306,689	94.5
Other countries/regions . .	204,391	2.2	218,164	2.5	303,926	3.4	34,871	2.7	75,954	5.5
Total	9,442,538	100.0	8,817,429	100.0	8,862,267	100.0	1,307,225	100.0	1,382,643	100.0

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The following table sets forth the breakdown of our revenue from cloud-based services and software products by customer types for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Large enterprises	6,137,728	66.6	5,504,714	64.7	5,602,074	65.7	737,034	59.0	782,259	58.9
Medium-sized companies	1,365,381	14.8	1,236,716	14.5	1,077,490	12.6	177,143	14.2	203,279	15.3
MSEs	798,930	8.7	956,149	11.2	1,087,983	12.8	235,079	18.8	265,428	20.0
Other customers ⁽¹⁾	909,166	9.9	814,900	9.6	761,975	8.9	100,169	8.0	76,481	5.8
Total	9,211,205	100.0	8,512,479	100.0	8,529,522	100.0	1,249,425	100.0	1,327,447	100.0

(1) Primarily including public sector organizations.

We have continuously expanded our customer coverage across large enterprises, medium-sized companies, and MSEs, as well as public sector organizations. A majority of our revenue was derived from large enterprise customers, demonstrating our strong capabilities to meet the complex product development and delivery requirements of large enterprise customers. We maintained a proven track record of providing end-to-end services for large enterprises, which enables us to develop a suite of proven, standardized, and replicable products and services and extend our market reach to medium-sized companies and MSEs. The following table sets forth the breakdown of our cloud-based services revenue by customer types for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Large enterprises	4,702,098	66.7	4,289,379	63.0	4,426,794	63.1	576,397	55.4	634,753	56.4
Medium-sized companies	859,229	12.2	926,339	13.6	929,914	13.3	151,849	14.6	175,218	15.6
MSEs	739,524	10.5	904,091	13.3	1,031,992	14.7	228,546	22.0	255,806	22.7
Other customers ⁽¹⁾	746,689	10.6	684,157	10.1	628,704	8.9	84,103	8.0	59,949	5.3
Total	7,047,540	100.0	6,803,966	100.0	7,017,404	100.0	1,040,895	100.0	1,125,726	100.0

(1) Primarily including public sector organizations.

Cost of Sales

Our cost of sales was RMB4,791.1 million, RMB4,760.3 million, RMB4,589.3 million, RMB830.5 million and RMB798.8 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. Our cost of sales primarily consisted of (i) staff costs, mainly representing salaries, allowances, benefits and share-based compensation for staff responsible for product and service delivery; (ii) professional service costs, representing service fees paid to our professional service partners for implementation services; (iii) costs related to procurement of public cloud resources, representing the purchase of third-party public cloud computing services; (iv) travel expenses, incurred by our delivery team; (v) depreciation and amortization, primarily comprising depreciation of our equipment used for

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product and service delivery; and (vi) others, primarily representing procurement of third-party products. The following table sets forth the breakdown of our cost of sales by nature, both in absolute amounts and as a percentage of our total cost of sales, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
							(unaudited)			
Staff costs	2,633,304	55.0	2,686,595	56.4	2,390,415	52.1	520,207	62.6	509,041	63.7
Professional service costs	1,464,639	30.6	1,355,091	28.5	1,607,857	35.0	208,578	25.1	221,296	27.7
Costs related to procurement of public cloud resources	56,012	1.2	85,359	1.8	85,487	1.9	22,589	2.7	24,911	3.1
Travel expenses	275,056	5.7	239,407	5.0	176,242	3.8	10,659	1.3	8,987	1.1
Depreciation and amortization	147,218	3.1	130,526	2.7	91,969	2.0	24,702	3.0	6,425	0.8
Others	214,875	4.4	263,295	5.6	237,299	5.2	43,808	5.3	28,152	3.6
Total	4,791,104	100.0	4,760,273	100.0	4,589,269	100.0	830,543	100.0	798,812	100.0

Gross Profit and Gross Profit Margin

In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our gross profit was RMB4,651.4 million, RMB4,057.2 million, RMB4,273.0 million, RMB476.7 million and RMB583.8 million, representing a gross profit margin of 49.3%, 46.0%, 48.2%, 36.5% and 42.2%, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product types for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
(RMB in thousands, except for percentages)										
							(unaudited)			
Cloud-based services	3,320,578	47.1	3,064,143	45.0	3,496,551	49.8	358,258	34.4	468,977	41.7
Large enterprises	1,730,315	36.8	1,365,403	31.8	1,683,923	38.0	50,068	8.7	152,414	24.0
Medium-sized companies	575,158	66.9	626,936	67.7	675,955	72.7	100,920	66.5	118,956	67.9
MSEs	481,429	65.1	640,161	70.8	715,178	69.3	157,191	68.8	163,955	64.1
Other customers	533,676	71.5	431,643	63.1	421,495	67.0	50,079	59.5	33,652	56.1
Software products	1,297,527	60.0	967,017	56.6	725,963	48.0	110,291	52.9	110,012	54.5
Others	33,329	14.4	25,996	8.5	50,484	15.2	8,133	14.1	4,842	8.8
Total	4,651,434	49.3	4,057,156	46.0	4,272,998	48.2	476,682	36.5	583,831	42.2

Adhering to our transition toward promoting our new-generation cloud-based services, we experienced a period of revenue and profitability volatility. Compared to our software products, the gross profit margin of our cloud-based services was relatively lower, primarily due to (i) the heightened delivery complexity and prolonged delivery cycle attributable to the sophisticated business and delivery requirement of our top-tier customers, and (ii) ongoing product delivery refinement as we began to promote our new-generation, cloud-based services to ensure smooth customer experience.

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Other Income and Gains/(Losses), Net

Our other income primarily consisted of (i) value-added tax (“VAT”) refunds, (ii) rental income in relation to certain vacant units of our self-owned properties that we leased out, (iii) bank interest income, (iv) government grants and other tax refunds, primarily representing non-recurring government grants provided to support technological R&D and industrial advancement, (v) additional deduction of input VAT, and (vi) dividend income from financial assets at fair value through profit or loss. Our other gains/(losses), net consisted of (i) fair value gains/(losses), net in relation to wealth management products and equity investments at FVTPL, third-party interests in consolidated structured entities and derivative financial instruments, and (ii) others, primarily representing the disposal of one of our held-for-sale assets. The following table sets forth the breakdown of our other income and gains/(losses), net for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB	RMB	RMB	RMB	RMB
	(RMB in thousands)			(unaudited)	
Other income					
VAT refunds	259,438	244,239	209,434	74,485	75,984
Rental income	212,867	196,597	185,174	44,068	48,634
Bank interest income	104,817	67,462	42,902	14,018	8,697
Government grants and other tax refunds	124,441	46,950	72,673	8,068	13,309
Additional deduction of input VAT	14,798	663	—	—	—
Dividend income from financial assets at fair value through profit or loss	691	9,147	1,595	—	—
Others	84,058	84,734	90,328	19,016	21,669
Subtotal	801,110	649,792	602,106	159,655	168,293
Other gains/(losses), net					
Fair value gains/(losses), net:					
– Wealth management products at fair value through profit or loss	25,908	23,832	15,210	2,567	3,728
– Equity investments at fair value through profit or loss	(30,425)	(98,868)	104,921	53,857	(263)
– Third-party interests in consolidated structured entities	(3,866)	23,397	22,392	1,223	(1,344)
– Derivative financial instruments	—	1,807	—	—	—
Others	54,925	7,069	15,527	(105)	377
Subtotal	46,542	(42,763)	158,050	57,542	2,498
Total	847,652	607,029	760,156	217,197	170,791

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Research and Development Costs

Our research and development costs primarily consisted of (i) depreciation and amortization, comprising depreciation of equipment used in our R&D activities and amortization of our software copyrights, (ii) staff costs, representing salaries, allowances, benefits and share-based compensation for our R&D personnel, (iii) professional service fees, primarily representing payments to third parties in relation to outsourcing of our non-core R&D work, and (iv) others, comprising travel expenses, rental expenses, office expenses and conference expenses, associated with our R&D activities. Our research and development costs were RMB2,106.5 million, RMB2,121.8 million, RMB2,285.5 million, RMB559.8 million and RMB579.2 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, representing 22.3%, 24.1%, 25.8%, 42.8% and 41.9% of our total revenue in the same periods, respectively. The following table sets forth the breakdown of our research and development costs by nature, both as absolute amounts and as a percentage of our total research and development costs, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Depreciation and amortization	518,061	24.6	816,909	38.5	1,067,625	46.7	262,678	46.9	320,621	55.4
Staff costs	1,447,182	68.7	1,191,938	56.2	1,136,623	49.7	284,957	50.9	247,217	42.7
Professional service fees	55,353	2.6	33,466	1.6	18,720	0.8	3,695	0.7	2,953	0.5
Others	85,874	4.1	79,469	3.7	62,557	2.8	8,493	1.5	8,388	1.4
Total	2,106,470	100.0	2,121,782	100.0	2,285,525	100.0	559,823	100.0	579,179	100.0

Sales and Marketing Expenses

Our sales and marketing expenses primarily consisted of (i) staff costs, representing salaries, allowances, benefits and share-based compensation for our sales and marketing personnel, (ii) promotion expenses, representing primarily commission fees for our sales partners and marketing expenses incurred by our sales and marketing personnel, (iii) professional service fees, mainly in relation to our marketing and promotion events, and (iv) others, comprising travel expenses, office expenses, rental expenses, and depreciation and amortization in relation to our sales and marketing activities. Our sales and marketing expenses were RMB2,742.9 million, RMB2,621.7 million, RMB2,442.6 million, RMB454.9 million and RMB449.0 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, representing 29.0%, 29.7%, 27.6%, 34.8% and 32.5% of our total revenue in the same periods, respectively. The following table sets forth the breakdown of our sales and marketing expenses by nature, both as absolute amounts and as a percentage of our total sales and marketing expenses, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Staff costs	2,016,444	73.5	1,850,279	70.6	1,702,065	69.7	360,191	79.2	355,951	79.3
Promotion expenses	451,365	16.5	546,463	20.8	541,412	22.2	84,173	18.5	78,041	17.4
Professional service fees	34,149	1.2	34,959	1.3	48,787	2.0	4,100	0.9	7,035	1.6
Others	240,936	8.8	190,038	7.3	150,336	6.1	6,433	1.4	8,014	1.7
Total	2,742,894	100.0	2,621,739	100.0	2,442,600	100.0	454,897	100.0	449,041	100.0

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Administrative Expenses

Our administrative expenses primarily consisted of (i) staff costs, representing salaries, allowances, benefits and share-based compensation for our administrative personnel, (ii) rental expenses, primarily related to office premises, property management fees and utilities incurred by administrative personnel, (iii) depreciation and amortization, comprising primarily depreciation of properties and office equipment used for our administrative activities (iv) professional service fees, comprising third-party service fees such as audit and legal fees, (v) travel and hospitality expenses, and (vi) others, including office expenses and miscellaneous expenses associated with daily business operations and management activities. Our administrative expenses were RMB1,113.4 million, RMB1,225.9 million, RMB1,083.3 million, RMB315.8 million and RMB343.5 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, representing 11.8%, 13.9%, 12.2%, 24.2% and 24.8% of our total revenue in the same periods, respectively. The following table sets forth the breakdown of our administrative expenses by nature, both as absolute amounts and as a percentage of our total administrative expenses, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Staff costs	604,123	54.3	740,724	60.4	624,075	57.6	208,368	66.0	242,391	70.6
Rental expenses	190,133	17.1	173,728	14.2	167,860	15.5	52,786	16.7	44,893	13.1
Depreciation and amortization	172,513	15.5	170,596	13.9	175,037	16.2	41,252	13.1	41,427	12.1
Professional service fees	48,694	4.4	55,176	4.5	41,305	3.8	3,892	1.2	4,930	1.4
Travel and hospitality expenses	45,479	4.1	38,479	3.1	28,886	2.7	2,614	0.8	3,500	1.0
Others	52,484	4.6	47,242	3.9	46,125	4.2	6,926	2.2	6,387	1.8
Total	1,113,426	100.0	1,225,945	100.0	1,083,288	100.0	315,838	100.0	343,528	100.0

Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets primarily related to our trade receivables, contract assets and other receivables. Our impairment losses on financial and contract assets were RMB218.5 million, RMB296.8 million, RMB269.9 million, RMB65.5 million and RMB60.1 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, accounting for 2.3%, 3.4%, 3.0%, 5.0% and 4.3% of our total revenue in the same periods, respectively.

Other Expenses

Our other expenses primarily consisted of non-operating expenses, impairment losses in relation to goodwill and long-term equity investments, and taxes and surcharges. Our other expenses were RMB113.7 million, RMB333.6 million, RMB202.7 million, RMB22.3 million and RMB22.4 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, accounting for 1.2%, 3.8%, 2.3%, 1.7% and 1.6% of our total revenue in the same periods, respectively.

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Finance Expenses

Our finance expenses primarily consisted of interest on bank loans and lease liabilities. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our finance expenses amounted to RMB170.9 million, RMB178.9 million, RMB176.6 million, RMB45.1 million and RMB38.5 million, respectively, representing 1.8%, 2.0%, 2.0%, 3.4% and 2.8% of our total revenue in the same periods, respectively. The following table sets forth the breakdown of our finance expenses, both in absolute amounts and as a percentage of our total finance expenses, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Interest on bank loans . . .	169,109	99.0	189,006	105.7	170,935	96.8	43,931	97.5	32,910	85.6
Interest on lease liabilities	7,753	4.5	4,487	2.5	4,077	2.3	1,081	2.4	1,106	2.9
Others	3,348	2.0	557	0.3	1,590	0.9	49	0.1	4,434	11.5
Less:										
Interest capitalized	9,350	5.5	15,191	8.5	—	—	—	—	—	—
Total	170,860	100.0	178,859	100.0	176,602	100.0	45,061	100.0	38,450	100.0

Share of Profits and Losses, Net

Our share of profits and losses, net of associates and a joint venture represented our proportionate share of the net results of these entities. Our share of profits, net of associates and a joint venture was RMB56.8 million, RMB38.2 million, RMB58.4 million and RMB5.8 million in 2023, 2024, 2025 and the three months ended March 31, 2025, respectively, accounting for 0.6%, 0.4%, 0.7% and 0.4% of our total revenue in the same periods, respectively. Our share of losses, net of associates and a joint venture was RMB14.5 million in the three months ended March 31, 2026, accounting for 1.0% of our total revenue in the same period.

Income Tax (Expense)/Credit

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to our Company and our subsidiaries which are registered in Chinese Mainland during the Track Record Period. Our Company and certain subsidiaries were subject to a preferential income tax rate of 15% as qualified high and new technology enterprises and entitled to deduct qualifying research and development costs from taxable profit during the Track Record Period. Taxation for other companies of our Group located outside of Chinese Mainland has been calculated based on the estimated assessable profits during the Track Record Period at the appropriate rates of taxation prevailing in the jurisdictions in which these companies operate.

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We incurred income tax expenses of RMB23.2 million in 2023, primarily attributable to the income tax obligations of certain of our subsidiaries and deductible temporary differences not recognized. We had income tax credit of RMB6.4 million, RMB17.9 million, RMB7.3 million and RMB8.2 million in 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively, primarily due to our operating losses and the preferential tax treatment enjoyed by us. As of the Latest Practicable Date, we did not have any material unresolved tax disputes with the relevant authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months ended March 31, 2025 Compared to Three Months ended March 31, 2026

Revenue

Our revenue increased by 5.8% from RMB1,307.2 million in the three months ended March 31, 2025 to RMB1,382.6 million in the three months ended March 31, 2026, primarily due to the following reasons:

- *Cloud-based services.* Our revenue from cloud-based services increased from RMB1,040.9 million in the three months ended March 31, 2025 to RMB1,125.7 million in the three months ended March 31, 2026.
- *Large enterprises.* Our revenue from cloud-based services from large enterprises increased from RMB576.4 million in the three months ended March 31, 2025 to RMB634.8 million in the three months ended March 31, 2026, primarily driven by the growing demand for our cloud-based services as large enterprise customers continued to advance their digital and intelligent transformation, together with the enhanced maturity of *YonBIP* which improved implementation efficiency and enabled us to complete more product deliveries. The number of large enterprise customers of our cloud-based services increased from 4,994 in the three months ended March 31, 2025 to 5,364 in the three months ended March 31, 2026.
- *Medium-sized companies.* Our revenue from cloud-based services from medium-sized companies increased from RMB151.8 million in the three months ended March 31, 2025 and RMB175.2 million in the three months ended March 31, 2026, primarily due to the increase in customer demand and the maturity of *YonSuite* which improved implementation efficiency and enabled us to complete more product deliveries. The number of medium-sized enterprise customers of our cloud-based services increased from 11,639 in the three months ended March 31, 2025 to 14,333 in the three months ended March 31, 2026.
- *MSEs.* Our revenue from cloud-based services from MSEs increased from RMB228.5 million in the three months ended March 31, 2025 to RMB255.8 million in the three months ended March 31, 2026, primarily due to the increase in customer demands for our products. The number of MSE customers of our cloud-based services increased from 414,513 in the three months ended March 31, 2025 to 545,839 in the three months ended March 31, 2026.

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- *Other customers.* Our revenue from cloud-based services from other customers decreased from RMB84.1 million in the three months ended March 31, 2025 to RMB59.9 million in the three months ended March 31, 2026, primarily due to the tighter IT budget among government and public institution customers influenced by broader economic factors.
- *Software products.* Our revenue from software products slightly decreased from RMB208.5 million in the three months ended March 31, 2025 to RMB201.7 million in the three months ended March 31, 2026, as we focused on promoting and offering cloud-based services and gradually phased out certain software products or ceased the iteration of some of their functions.
- *Others.* Our revenue from others remained relatively stable at RMB57.8 million in the three months ended March 31, 2025 and RMB55.2 million in the three months ended March 31, 2026.

Cost of Sales

Our cost of sales decreased by 3.8% from RMB830.5 million in the three months ended March 31, 2025 to RMB798.8 million in the three months ended March 31, 2026, primarily attributable to (i) a decrease of RMB18.3 million in depreciation and amortization primarily related to the decrease in project-related leased premises; and (ii) a decrease of RMB11.2 million in staff costs as a result of improved delivery efficiency driven by increased product standardization, which reduced the level of implementation resources required.

Gross Profit and Gross Profit Margin

Our gross profit increased by 22.5% from RMB476.7 million in the three months ended March 31, 2025 to RMB583.8 million in the three months ended March 31, 2026, and our gross profit margin increased from 36.5% in the three months ended March 31, 2025 to 42.2% in the three months ended March 31, 2026.

- *Cloud-based services.* Our gross profit margin in relation to cloud-based services increased from 34.4% in the three months ended March 31, 2025 to 41.7% in the three months ended March 31, 2026.
- *Large enterprises.* Our gross profit margin in relation to cloud-based services provided to large enterprises increased from 8.7% in the three months ended March 31, 2025 to 24.0% in the three months ended March 31, 2026, primarily because *YonBIP* became maturer and increasingly capable of addressing customer needs with more standardized modules and functionality, which enabled us to streamline our delivery process and reduce the level of implementation resources required.
- *Medium-sized companies.* Our gross profit margin in relation to cloud-based services provided to medium-sized companies remained relatively stable at 66.5% in the three months ended March 31, 2025 and 67.9% in the three months ended March 31, 2026.

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- *MSEs.* Our gross profit margin in relation to cloud-based services provided to MSEs slightly decreased from 68.8% in the three months ended March 31, 2025 to 64.1% in the three months ended March 31, 2026, primarily due to the increased revenue contribution from third-party service offerings with a relatively lower margin profile.
- *Other customers.* Our gross profit margin in relation to cloud-based services provided to other customers slightly decreased from 59.5% in the three months ended March 31, 2025 to 56.1% in the three months ended March 31, 2026, primarily because we maintained the scale of our implementation team to ensure service continuity and customer satisfaction with respect to our other customers, despite the decrease in revenue contribution from them.
- *Software products.* Our gross profit margin in relation to software products increased from 52.9% in the three months ended March 31, 2025 to 54.5% in the three months ended March 31, 2026, primarily due to the improved efficiency of our maintenance personnel as we continued to optimize our workforce structure in line with our strategic transition towards cloud-based services.
- *Others.* Our gross profit margin for others decreased from 14.1% in the three months ended March 31, 2025 to 8.8% in the three months ended March 31, 2026, primarily due to the increase in revenue contribution from third-party product sales with lower margin profile.

Other Income and Gains, Net

Our other income and gains, net decreased by 21.4% from RMB217.2 million in the three months ended March 31, 2025 to RMB170.8 million in the three months ended March 31, 2026, primarily attributable to a decrease of RMB54.1 million in equity investments at fair value through profit or loss recognized in the three months ended March 31, 2025.

Research and Development Costs

Our research and development costs increased by 3.5% from RMB559.8 million in the three months ended March 31, 2025 to RMB579.2 million in the three months ended March 31, 2026, primarily attributable to an increase of RMB57.9 million in depreciation and amortization in relation to the capitalized costs for developing and upgrading our Yonyou BIP, partially offset by a decrease of RMB37.7 million in staff costs, as a result of optimizing our R&D organizational structure, as the adoption of AI-powered development tools has improved our personnel productivity.

Sales and Marketing Expenses

Our selling and marketing expenses remained relatively stable at RMB454.9 million in the three months ended March 31, 2025 and RMB449.0 million in the three months ended March 31, 2026.

Administrative Expenses

Our administrative expenses increased by 8.8% from RMB315.8 million in the three months ended March 31, 2025 to RMB343.5 million in the three months ended March 31, 2026, primarily attributable to an increase of RMB34.0 million in staff costs in relation to the one-off personnel-related costs incurred in connection with organizational adjustments.

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Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets decreased by 8.2% from RMB65.5 million in the three months ended March 31, 2025 to RMB60.1 million in the three months ended March 31, 2026, mainly due to a decrease of RMB9.1 million in impairment of contract assets in connection with a more favorable aging structure.

Other Expenses

Our other expenses remained relatively stable at RMB22.3 million in the three months ended March 31, 2025 and RMB22.4 million in the three months ended March 31, 2026.

Finance Expenses

Our finance expenses decreased by 14.7% from RMB45.1 million in the three months ended March 31, 2025 to RMB38.5 million in the three months ended March 31, 2026, mainly due to a decrease of RMB11.0 million in interest on bank loans as a result of the decrease in our average bank loan balance.

Share of Profits and Losses, Net

We recorded share of net loss of associates of RMB14.5 million in the three months ended March 31, 2026, compared with share of net profit of associates of RMB5.8 million in the three months ended March 31, 2025, primarily due to the losses recorded by certain of our associates.

Income Tax Credit

Our income tax credit remained relatively stable at RMB7.3 million in the three months ended March 31, 2025 and RMB8.2 million in the three months ended March 31, 2026.

Loss for the Period

As a result of the foregoing, we recorded a loss of RMB756.3 million and RMB744.4 million in the three months ended March 31, 2025 and 2026, respectively.

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

Revenue

Our revenue slightly increased by 0.5% from RMB8,817.4 million in 2024 to RMB8,862.3 million in 2025, primarily due to the following reasons:

- *Cloud-based services.* Our revenue from cloud-based services increased from RMB6,804.0 million in 2024 to RMB7,017.4 million in 2025.
- *Large enterprises.* Our revenue from cloud-based services from large enterprises increased from RMB4,289.4 million in 2024 to RMB4,426.8 million in 2025, primarily driven by the growing demand for our cloud-based services as large enterprise customers continued to advance their digital and

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intelligent transformation, together with the enhanced maturity of YonBIP which improved implementation efficiency and enabled us to complete more product deliveries. The number of large enterprise customers of our cloud-based services increased from 6,793 in 2024 to 6,838 in 2025.

- *Medium-sized companies.* Our revenue from cloud-based services from medium-sized companies remained relatively stable at RMB926.3 million in 2024 and RMB929.9 million in 2025.
- *MSEs.* Our revenue from cloud-based services from MSEs increased from RMB904.1 million in 2024 to RMB1,032.0 million in 2025, primarily due to the increase in customer demands for our products. The number of MSE customers of our cloud-based services increased from 514,137 in 2024 to 545,449 in 2025.
- *Other customers.* Our revenue from cloud-based services from other customers decreased from RMB684.2 million in 2024 to RMB628.7 million in 2025, primarily due to the tighter IT budget among government and public institution customers influenced by broader economic factors.
- *Software products.* Our revenue from software products decreased from RMB1,708.5 million in 2024 to RMB1,512.1 million in 2025, primarily because we focused on promoting and offering cloud-based services and gradually phased out certain software products or ceased the iteration of some of their functions.
- *Others.* Our revenue from others increased from RMB305.0 million in 2024 to RMB332.7 million in 2025, primarily due to the increased adoption of our insurance brokerage services.

Cost of Sales

Our cost of sales decreased by 3.6% from RMB4,760.3 million in 2024 to RMB4,589.3 million in 2025, primarily attributable to (i) a decrease of RMB296.2 million in staff costs; (ii) a decrease of RMB63.2 million in travel expenses incurred in relation to our product implementation activities, both as a result of the streamlining of our implementation and delivery team; and (iii) a decrease of RMB38.6 million in depreciation and amortization primarily due to the decrease in project-related leased premises.

Gross Profit and Gross Profit Margin

Our gross profit increased by 5.3% from RMB4,057.2 million in 2024 to RMB4,273.0 million in 2025, and our gross profit margin increased from 46.0% in 2024 to 48.2% in 2025.

- *Cloud-based services.* Our gross profit margin in relation to cloud-based services increased from 45.0% in 2024 to 49.8% in 2025.
- *Large enterprises.* Our gross profit margin in relation to cloud-based services provided to large enterprises increased from 31.8% in 2024 to 38.0% in 2025, primarily because since the launch of YonBIP for two years, our product became maturer and increasingly capable of addressing customer needs with more standardized modules and functionality, which enabled us to streamline our delivery process and reduce the level of implementation resources required.

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- *Medium-sized companies.* Our gross profit margin in relation to cloud-based services provided to medium-sized companies increased from 67.7% in 2024 to 72.7% in 2025, primarily because we began to promote more standardized YonSuite with less implementation requirements, and were thus able to develop more customers. As a result, the sales of such standard products with higher profit margin increased as a percentage of our total sales to medium-sized enterprise customers, and our gross profit increased.
- *MSEs.* Our gross profit margin in relation to cloud-based services provided to MSEs remained relatively stable at 70.8% in 2024 and 69.3% in 2025.
- *Other customers.* Our gross profit margin in relation to cloud-based services provided to other customers increased from 63.1% in 2024 to 67.0% in 2025, primarily due to the increase in operating efficiency through more streamlined workforce structure.
- *Software products.* Our gross profit margin in relation to software products decreased from 56.6% in 2024 to 48.0% in 2025, primarily due to the ongoing need to maintain a certain level of maintenance personnel to support the sales of our software products, while the overall revenue contribution from software products decreased.
- *Others.* Our gross profit margin for others increased from 8.5% in 2024 to 15.2% in 2025, primarily due to the increase in revenue contribution from insurance products with higher commission rates.

Other Income and Gains, Net

Our other income and gains, net increased by 25.2% from RMB607.0 million in 2024 to RMB760.2 million in 2025, primarily due to gains from the disposal of certain equity investments by us during the year.

Research and Development Costs

Our research and development costs increased by 7.7% from RMB2,121.8 million in 2024 to RMB2,285.5 million in 2025, primarily due to an increase of RMB250.7 million in depreciation and amortization in relation to the capitalized costs for developing and upgrading our Yonyou BIP.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 6.8% from RMB2,621.7 million in 2024 to RMB2,442.6 million in 2025, primarily due to the decrease of RMB148.2 million in staff costs, as a result of streamlining our sales and marketing team.

Administrative Expenses

Our administrative expenses decreased from RMB1,225.9 million in 2024 to RMB1,083.3 million in 2025, primarily due to a decrease of RMB116.6 million in staff costs as a result of streamlining our administrative team.

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Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets decreased from RMB296.8 million in 2024 to RMB269.9 million in 2025, primarily due to a decrease of RMB80.2 million in impairment of financial assets, primarily in relation to the decrease in impairment provision for trade receivables as certain projects had been adequately provided for in previous year, partially offset by an increase of RMB53.2 million in impairment of contract assets in line with our business growth.

Other Expenses

Our other expenses decreased by 39.2% from RMB333.6 million in 2024 to RMB202.7 million in 2025, primarily in relation to the decrease in impairment losses on goodwill and the impairment of one of our long-term equity investments.

Finance Expenses

Our finance expenses remained relatively stable at RMB178.9 million in 2024 and RMB176.6 million in 2025.

Share of Profits, Net

Our share of profits, net of a joint venture and associates increased from RMB38.2 million in 2024 to RMB58.4 million in 2025, primarily attributable to the increase of RMB19.3 million in share of profits of associates, as a result of the increase in profit of our associates.

Income Tax Credit

Our income tax credit increased from RMB6.4 million in 2024 to RMB17.9 million in 2025. See “— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax (Expense)/Credit” for details.

Loss for the Year

For the foregoing reasons, we incurred loss for the year of RMB2,069.8 million in 2024 and RMB1,351.1 million in 2025, respectively.

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

Revenue

Our revenue decreased by 6.6% from RMB9,442.5 million in 2023 to RMB8,817.4 million in 2024, primarily due to the following reasons:

- *Cloud-based services.* Our revenue from cloud-based services decreased from RMB7,047.5 million in 2023 to RMB6,804.0 million in 2024, primarily due to the following reasons.

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- *Large enterprises.* Our revenue from cloud-based services from large enterprises decreased from RMB4,702.1 million in 2023 to RMB4,289.4 million in 2024, primarily because the complexity of the business operations of top-tier customers significantly increased the difficulty of product implementation and delivery, resulted in a slower product delivery pace and the corresponding revenue decline, and strained our internal resources to undertake product deliveries for new customers.
- *Medium-sized companies.* Our revenue from cloud-based services from medium-sized companies increased from RMB859.2 million in 2023 to RMB926.3 million in 2024, primarily due to the increase in customer demand and the launch and expanded sales of *YonSuite* as a part of our strategy to promote more standardized cloud-based services. The number of medium-sized enterprise customers of our cloud-based services increased from 9,358 in 2023 to 13,206 in 2024.
- *MSEs.* Our revenue from cloud-based services from MSEs increased from RMB739.5 million in 2023 to RMB904.1 million in 2024, primarily due to the increase in customer demands for our products. The number of MSE customers of our cloud-based services increased from 490,453 in 2023 to 514,137 in 2024.
- *Other customers.* Our revenue from cloud-based services from other customers decreased from RMB746.7 million in 2023 to RMB684.2 million in 2024, primarily due to the deteriorated macroeconomic conditions led to reduced budget for IT spending by government and public institution customers.
- *Software products.* Our revenue from software products decreased from RMB2,163.7 million in 2023 to RMB1,708.5 million in 2024, primarily due to our focus on promoting and offering cloud-based services.
- *Others.* Our revenue from others increased from RMB231.3 million in 2023 to RMB305.0 million in 2024, primarily due to the increased adoption of our insurance brokerage services.

Cost of Sales

Our cost of sales remained relatively stable at RMB4,791.1 million in 2023 and RMB4,760.3 million in 2024.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 12.8% from RMB4,651.4 million in 2023 to RMB4,057.2 million in 2024, and our gross profit margin decreased from 49.3% in 2023 to 46.0% in 2024.

- *Cloud-based services.* Our gross profit margin in relation to cloud-based services decreased from 47.1% in 2023 to 45.0% in 2024, primarily due to the increased delivery costs attributable to (i) the heightened delivery complexity and prolonged delivery cycle as a result of the sophisticated business and delivery requirements of our top-tier customers, and (ii) ongoing product delivery refinement as we began to

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promote our new-generation, cloud-based services to ensure smooth customer experience. In addition, the extended delivery cycle also led to delays in revenue recognition, further contributing to the decline in gross profit margin in 2024.

- *Large enterprises.* Our gross profit margin in relation to cloud-based services provided to large enterprises decreased from 36.8% in 2023 to 31.8% in 2024, primarily due to the increase in input of implementation personnel and other resources in connection with our product delivery as a result of the increase in product implementation complexity.
- *Medium-sized companies.* Our gross profit margin in relation to cloud-based services provided to medium-sized companies increased from 66.9% in 2023 to 67.7% in 2024, primarily because we began to promote more standardized *YonSuite* with less implementation requirements, and were thus able to develop more customers. As a result, the sales of such standard products with higher profit margin increased as a percentage of our total sales to medium-sized enterprise customers, and our gross profit increased.
- *MSEs.* Our gross profit margin in relation to cloud-based services provided to MSEs increased from 65.1% in 2023 to 70.8% in 2024, primarily due to the expansion of subscription of products offered by Chanjet.
- *Other customers.* Our gross profit margin in relation to cloud-based services provided to other customers decreased from 71.5% in 2023 to 63.1% in 2024, primarily because we maintained the scale of our implementation team to ensure service continuity and customer satisfaction with respect to our other customers, despite the decrease in revenue contribution from them.
- *Software products.* Our gross profit margin in relation to software products decreased from 60.0% in 2023 to 56.6% in 2024, primarily due to the ongoing need to maintain a certain level of maintenance personnel to support the sales of our software products, while the overall revenue contribution from software products decreased.
- *Others.* Our gross profit margin for others decreased from 14.4% in 2023 to 8.5% in 2024, primarily due to the increase in revenue contribution from third-party product sales with lower margin profile.

Other Income and Gains, Net

Our other income and gains, net decreased by 28.4% from RMB847.7 million in 2023 to RMB607.0 million in 2024, primarily due to (i) a decrease of RMB77.5 million in government grants, primarily because we received certain non-recurring government grants in 2023; (ii) an increase of RMB68.4 million in fair value losses of equity investments at FVTPL, primarily due to a decrease in valuations of our minority equity investments, including both listed and unlisted investments; and (iii) a decrease of RMB37.4 million in bank interest income, as a result of the decrease in our bank balances.

Research and Development Costs

Our research and development costs increased by 0.7% from RMB2,106.5 million in 2023 to RMB2,121.8 million in 2024, primarily due to an increase of RMB298.8 million in depreciation and amortization in relation to the capitalized costs for developing and upgrading our Yonyou BIP, partially offset by a decrease of RMB255.2 million in staff cost, as a result of streamlining our R&D team to improve R&D efficiency.

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Sales and Marketing Expenses

Our sales and marketing expenses decreased by 4.4% from RMB2,742.9 million in 2023 to RMB2,621.7 million in 2024, primarily due to the decrease of RMB166.2 million in staff costs, as a result of streamlining our sales and marketing team.

Administrative Expenses

Our administrative expenses increased by 10.1% from RMB1,113.4 million in 2023 to RMB1,225.9 million in 2024, primarily due to an increase of RMB136.6 million in staff costs primarily due to the increase in one-off personnel-related costs incurred in connection with organizational adjustments.

Impairment Losses on Financial and Contract Assets

Our impairment losses on financial and contract assets increased by 35.8% from RMB218.5 million in 2023 to RMB296.8 million in 2024, primarily attributable to the increase in impairment losses on our financial assets, primarily as a result of the increase in our trade receivables and contract assets.

Other Expenses

Our other expenses increased significantly from RMB113.7 million in 2023 to RMB333.6 million in 2024, primarily in relation to the goodwill impairment of one of our subsidiaries.

Finance Expenses

Our finance expenses increased by 4.7% from RMB170.9 million in 2023 to RMB178.9 million in 2024, as a result of the increase in our bank loans.

Share of Profits, Net

Our share of profits, net of a joint venture and associates decreased by 32.7% from RMB56.8 million in 2023 to RMB38.2 million in 2024, primarily due to the decrease of RMB17.8 million in share of profits of associates, as a result of the decrease in profit of our associates.

Income Tax (Expense)/Credit

We recorded income tax expenses of RMB23.2 million in 2023 and income tax credit of RMB6.4 million in 2024. See “— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax (Expense)/Credit” for details.

Loss for the Year

For the foregoing reasons, we incurred loss for the year of RMB933.2 million and RMB2,069.8 million in 2023 and 2024, respectively.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current Assets				
Property, plant and equipment	2,639,939	2,897,262	2,903,609	2,885,754
Right-of-use assets	371,286	350,764	343,520	338,176
Goodwill	1,674,662	1,518,843	1,495,926	1,495,926
Other intangible assets	3,617,921	4,064,334	4,039,652	3,958,638
Investment in a joint venture	9,878	8,310	—	—
Investments in associates	2,823,020	2,810,354	2,727,161	2,712,771
Financial assets at fair value through profit or loss	1,004,058	878,278	777,614	807,220
Equity investments at fair value through other comprehensive income	30,000	29,330	36,144	36,144
Trade and bills receivables	1,641	1,080	5,073	5,132
Deferred tax assets	68,264	86,885	88,111	93,759
Prepayments, other receivables and other assets	106,778	78,443	93,305	97,832
Time deposits	251,232	401,681	642,372	714,512
Total non-current assets	12,598,679	13,125,564	13,152,487	13,145,864
Current Assets				
Inventories	551,583	410,876	379,301	395,130
Contract assets	881,545	864,862	959,673	1,025,915
Trade and bills receivables	2,659,787	2,584,886	2,415,090	2,353,106
Prepayments, other receivables and other assets	532,707	619,788	739,635	696,891
Financial assets at fair value through profit or loss	251,294	126,948	28,202	1,017,147
Restricted bank deposits and time deposits with an initial term of over three months	1,292,507	767,055	835,266	799,320
Cash and cash equivalents	6,752,939	5,656,857	3,120,651	1,698,160
Assets classified as held for sale	—	—	974	974
Total current assets	12,922,362	11,031,272	8,478,792	7,986,643
Current Liabilities				
Trade payables	1,006,520	1,102,906	1,249,752	1,223,080
Contract liabilities	2,660,486	2,866,886	3,195,617	3,163,379
Other payables and accruals	3,157,711	2,738,401	2,598,151	2,696,670
Tax payable	96,239	88,301	87,156	87,139
Lease liabilities	64,096	51,887	48,688	52,328
Interest-bearing bank loans	4,137,000	5,434,325	3,902,971	4,695,771
Other long-term liabilities	—	82,337	130,545	129,239
Total current liabilities	11,122,052	12,365,043	11,212,880	12,047,606
Net current assets/(liabilities)	1,800,310	(1,333,771)	(2,734,088)	(4,060,963)
Total assets less current liabilities . .	14,398,989	11,791,793	10,418,399	9,084,901
Non-current Liabilities				
Other payables and accruals	41,546	5,274	2,598	2,598
Interest-bearing bank loans	1,910,400	1,432,500	668,500	68,500
Deferred income	10,687	24,619	36,897	37,276
Deferred tax liabilities	33,271	25,948	5,776	2,649
Lease liabilities	54,201	50,836	57,417	53,960
Contract liabilities	145,924	186,568	222,054	237,859
Other long-term liabilities	399,598	266,572	177,200	175,604
Total non-current liabilities	2,595,627	1,992,317	1,170,442	578,446
Net assets	11,803,362	9,799,476	9,247,957	8,506,455
Non-controlling interests	1,650,962	1,552,872	1,649,393	1,611,010

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Property, Plant and Equipment

Our property, plant and equipment consisted of buildings, construction in progress, machinery, vehicles, electronic and other equipments, and improvements and others. The following table sets forth the components of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Buildings	2,136,537	2,241,430	2,594,607	2,574,473
Construction in progress	332,616	522,803	181,741	190,844
Machinery	68,061	59,451	59,033	56,778
Vehicles	7,419	5,191	3,293	2,878
Electronic and other equipments	74,029	49,080	49,566	46,061
Improvements and others	21,277	19,307	15,369	14,720
Total	2,639,939	2,897,262	2,903,609	2,885,754

Our property, plant and equipment continuously increased from 2023 to 2025, primarily due to our construction of regional R&D and delivery centers. Our property, plant and equipment then decreased from RMB2,903.6 million as of December 31, 2025 to RMB2,885.8 million as of March 31, 2026, primarily due to a decrease of RMB20.1 million in buildings in relation to depreciation.

Goodwill

Our goodwill represented the premium over the fair value of identifiable net assets acquired through company acquisitions. We conducted certain company acquisitions during the Track Record Period. See Note 45 to the Accountants’ Report in Appendix I to this document for details. Our goodwill decreased from RMB1,674.7 million as of December 31, 2023 to RMB1,518.8 million as of December 31, 2024, and further decreased to RMB1,495.9 million as of December 31, 2025, primarily due to the impairment provision in relation to our acquired subsidiaries. Our goodwill further remained unchanged at RMB1,495.9 million as of March 31, 2026.

We test goodwill for impairment annually, or more frequently when events or changes in circumstances indicate potential impairment. For impairment testing, goodwill acquired in a business combination is allocated to the relevant cash-generating units, or CGUs, expected to benefit from the synergies of the combination. Impairment is determined by comparing the recoverable amount of the relevant CGU or group of CGUs with its carrying amount. If the recoverable amount is lower, an impairment loss is recognized and is not reversed in subsequent periods. In 2023, 2024 and 2025, key assumptions used in the value-in-use calculations included budgeted gross margins and pre-tax discount rates, which were determined with reference to historical gross margins, expected efficiency improvements, market development, unit-specific risks and external information sources. Except for the CGU of Yonyou Government Affairs and its subsidiaries in 2024, and the CGU of Beijing Dianju Information Technology Co., Ltd. in 2025, no reasonably possible change in key assumptions would cause the carrying amount of any other CGU to exceed its recoverable amount. As of March 31, 2026, our management has considered and assessed all available internal and external sources of information, and had not identified any indications that an impairment loss of goodwill may have occurred during the three months ended March 31, 2026. Therefore, our management did not make a formal estimate of the recoverable amounts of the relevant CGUs as of March 31, 2026.

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Other Intangible Assets

Our other intangible assets primarily represented (i) software copyrights, primarily in relation to Yonyou BIP, (ii) deferred development costs in relation to the capitalization of qualified development expenditures, and (iii) others, representing other intellectual property rights. The following table sets forth the breakdown of our other intangible assets as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Software copyrights	3,459,981	3,943,237	3,990,924	3,651,580
Deferred development costs	—	18,143	—	264,217
Others	157,940	102,954	48,728	42,841
Total	3,617,921	4,064,334	4,039,652	3,958,638

Our other intangible assets increased from RMB3,617.9 million as of December 31, 2023 to RMB4,064.3 million as of December 31, 2024, primarily due to the increase in self-developed software copyrights resulting from our R&D initiatives. Our other intangible assets remained relatively stable at RMB4,039.7 million as of December 31, 2025. Our other intangible assets then decreased to RMB3,958.6 million as of March 31, 2026, primarily due to a decrease of RMB339.3 million in software copyrights related to amortization, partially offset by an increase of RMB264.2 million in deferred development costs, primarily due to the capitalization of certain qualifying development expenditures incurred in connection with our R&D initiatives.

During the Track Record Period, impairment testing for capitalized research and development expenditures was based on value-in-use calculations. Key assumptions included budgeted gross margins and pre-tax discount rates, which were determined with reference to historical gross margins, expected efficiency improvements, market development and risks specific to the relevant units. Management also performed sensitivity analyses by reducing the expected gross margin by 1% or increasing the pre-tax discount rate by 2%, while holding other assumptions constant. Under both the base-case and sensitivity scenarios, the recoverable amount of each related capitalized R&D project exceeded its carrying amount. Management therefore concluded that any reasonably possible change in these key assumptions would not cause the carrying amount of any related capitalized R&D expenditure to exceed its recoverable amount.

Investments in a Joint Venture and Associates

Our investments in a joint venture and associates primarily represented our equity investments in entities under joint control or significant influence. Our investment in a joint venture decreased from RMB9.9 million as of December 31, 2023 to RMB8.3 million as of December 31, 2024, primarily due to partial disposal of equity in the joint venture as well as share of loss of the joint venture. Our investment in a joint venture further decreased to nil as of December 31, 2025, primarily due to the impairment provision on such joint venture. Our investment in a joint venture remained unchanged at nil as of March 31, 2026. Our investments

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in associates decreased from RMB2,823.0 million as of December 31, 2023 to RMB2,810.4 million as of December 31, 2024, primarily due to impairment provision of our equity investment. Our investments in associates further decreased to RMB2,727.2 million as of December 31, 2025, primarily due to the disposal of certain equity interests in the associates. Our investments in associates slightly decreased from RMB2,727.2 million as of December 31, 2025 to RMB2,712.8 million as of March 31, 2026, primarily due to our share of net loss of RMB14.4 million recorded by certain associates.

Financial Assets at Fair Value Through Profit and Loss (“FVTPL”)

Our financial assets at FVTPL represented (i) minority equity investments in listed and unlisted companies, (ii) wealth management products purchased from reputable PRC commercial banks, (iii) contingent consideration arising from performance commitments under our previous subsidiary acquisitions, and (iv) derivative financial instruments purchased primarily to hedge against foreign exchange loss risks. The following table sets forth details of our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Listed equity investments	190,431	169,587	1,937	2,015
Unlisted investments				
– Unlisted equity investments . . .	814,891	710,543	777,614	807,220
– Wealth management products . .	250,030	123,289	11,215	1,000,082
Contingent consideration	—	—	15,050	15,050
Derivative financial instruments . . .	—	1,807	—	—
Total	1,255,352	1,005,226	805,816	1,824,367

Our financial assets at FVTPL decreased from RMB1,255.4 million as of December 31, 2023 to RMB1,005.2 million as of December 31, 2024, primarily due to a decrease of RMB126.7 million in our wealth management products, and a decrease of RMB104.3 million in unlisted equity investments due to fair value changes. Our financial assets at FVTPL further decreased to RMB805.8 million as of December 31, 2025, primarily due to a decrease of RMB167.7 million in listed equity investments, and a decrease of RMB112.1 million in wealth management products. Our financial assets at FVTPL then increased to RMB1,824.4 million as of March 31, 2026, primarily due to an increase of RMB988.9 million in wealth management products, as we purchased more wealth management products to better utilize our cash on hand.

Our Investment Policies

We have established investment policies to standardize and safeguard our external investment activities, which are strategically aimed at expanding collaboration with ecosystem partners. These investments may include mergers and acquisitions, equity purchases or transfers, trading and available-for-sale financial assets, and financial investments such as wealth management products. For major investments, we apply a hierarchical approval process based on investment thresholds, with review and approval by the president, the Board of Directors or the Shareholders, as appropriate. Our strategic investment and legal departments prepare feasibility studies and project proposals and assess project profitability, while our finance department manages funding and investment income. Our strategic investment department also monitors the financial performance, operating results, risks and recovery progress of each investment project and provides recommendations to the relevant decision-making bodies. We conduct pre-investment efficiency audits and regular audits of external investments to ensure their security and effectiveness. We have also adopted policies governing

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the purchase of wealth management products and designated responsible personnel or departments for their implementation. Investment decisions are made on a case-by-case basis after considering our cash flow and operational needs. Each purchase of wealth management products is reviewed by our legal department and approved by our chief financial officer. For derivative financial instruments, a dedicated management group with relevant experience regularly monitors and oversees our hedging operations.

Fair Value Measurement

We made judgments and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To indicate the reliability of inputs in determining the fair values, we classified our financial instruments into three levels prescribed under the accounting standards:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Our listed equity investments are valued using Level 1 inputs based on quoted market prices. Wealth management products and derivative financial instruments are valued using Level 2 inputs, primarily based on discounted cash flow, forward pricing and swap models using observable market data and present value calculations. Unlisted equity investments are valued using Level 3 inputs, which require us to identify comparable public companies, select appropriate price multiples and estimate discounts for illiquidity and size differences. There were no transfers between level 1, level 2 and level 3 during the Track Record Period. Our Directors are of the view that, the fair value measurement of our financial assets is fair and reasonable. After the [REDACTED], we intend to continue our investments in the financial assets strictly in accordance with our investment policies and measures and the requirements under Chapter 14 of the Listing Rules.

Inventories

Our inventories primarily consisted of (i) work in progress, representing costs incurred for the provision of certain implementation and development services that have not yet been delivered to customers; (ii) purchased software; and (iii) raw materials in relation to software delivery. Our work-in-progress inventory primarily represented personnel costs incurred in connection with certain product deliveries for which revenue is recognized only upon completion and final acceptance by the customer (the “**final acceptance model**”). The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Work in progress	551,041	412,441	367,120	378,834
Purchased software	18,943	19,128	25,191	30,049
Raw materials	2,592	1,953	1,557	1,538
	572,576	433,522	393,868	410,421
Impairment allowance	(20,993)	(22,646)	(14,567)	(15,291)
Total	551,583	410,876	379,301	395,130

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Our inventories decreased from RMB551.6 million as of December 31, 2023 to RMB410.9 million as of December 31, 2024 and further to RMB379.3 million as of December 31, 2025, primarily because we completed and delivered certain implementation and development services to customers, and the relevant work in progress was reclassified into cost of sales. Our inventories then increased to RMB395.1 million as of March 31, 2026, primarily due to an increase of RMB11.7 million in work in progress, primarily due to costs incurred for certain implementation and development projects during the period that had not yet been reclassified into cost of sales, as product deliveries typically take place towards year end.

As of May 31, 2026, RMB22.9 million, or approximately 5.8% of our inventories as of March 31, 2026 had been subsequently consumed or used. We do not consider there to be any recoverability issue with respect to our inventories, which primarily comprised costs incurred for implementation services that were in progress, and were expected to be recognized as cost of sales upon the delivery of the relevant implementation milestones. We are continuing to carry out our implementation activities in the ordinary course of business, and there are no known material obstacles to the completion of the underlying projects.

Our inventory turnover days (calculated based on the average of opening and closing balance of inventories for the relevant period, divided by the cost of sales for the same period, and multiplied by 365/90 days) decreased from 41.2 days in 2023 to 36.9 days in 2024 and further to 31.4 days in 2025, primarily due to an accelerated delivery and acceptance cycle for projects under the final acceptance model, which allowed incurred personnel costs to be transferred to cost of sales more promptly upon product delivery completion. Our inventory turnover days then increased to 43.6 days in the three months ended March 31, 2026, primarily due to the higher inventory balance as a result of the seasonal nature of our business, as product deliveries typically take place towards year end.

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year	329,359	197,525	231,489	257,810
1 year to 2 years	55,088	48,602	47,896	39,800
2 years to 3 years	26,614	18,067	8,647	6,220
3 years and above	140,522	146,682	91,269	91,300
Total	551,583	410,876	379,301	395,130

Our inventory aging three years and above mainly represented contract fulfillment costs pending customer acceptance as a result of project suspension or changes in customer requirements. We have been maintaining ongoing communication with the relevant customers to confirm the acceptance arrangements for these projects. For such projects, we have received corresponding prepayments from customers, which were recorded as contract liabilities, and such fulfillment of payment obligations by the relevant customers demonstrated their intention to continue contract performance. Based on the foregoing, our Directors are of the view that the related contract fulfillment costs are recoverable, and that there is no significant impairment risk associated with these contract fulfillment costs.

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Contract Assets

Our contract assets represented amounts arising from the completion and delivery of implementation and development services to customers, which are pending customer acceptance and payment in accordance with the contractual terms. These amounts are subsequently reclassified to trade receivables when we obtain an unconditional right to receive consideration from the customers. Our contract assets decreased from RMB881.5 million as of December 31, 2023 to RMB864.9 million as of December 31, 2024 and then increased to RMB959.7 million as of December 31, 2025 and further to RMB1,025.9 million as of March 31, 2026. The fluctuation in contract assets was primarily due to the timing of product delivery, customer acceptance, and payment schedules. As of December 31, 2023, 2024 and 2025 and March 31, 2026, we recorded impairment allowance in relation to our contract assets of RMB148.7 million, RMB202.4 million, RMB309.3 million, and RMB322.1 million, respectively. See “— Trade and Bills Receivables” for details on our impairment allowance provision matrix.

As of May 31, 2026, RMB99.7 million, or approximately 9.7% of our contract assets as of March 31, 2026 had been subsequently billed and accounted as trade and bills receivables.

Our contract assets turnover days (calculated by dividing the average balance of contract assets by total revenues for the relevant period and multiplied by 365/90 days) increased from 30.4 days in 2023 to 36.1 days in 2024, to 37.6 days in 2025, primarily due to the complexity of the business operations and product requirements of our top-tier enterprise customers, which prolonged the product implementation and acceptance process, resulting in a longer recognition cycle for contract assets. It further increased to 64.6 days in the three months ended March 31, 2026, primarily due to the higher contract assets balance as a result of the seasonal nature of our business, as product acceptance and the corresponding reclassification of contract assets to trade receivables are typically concentrated in the second half of the year.

The following table sets forth an aging analysis of our contract assets as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year.	828,308	755,378	756,314	833,543
1 year to 2 years	182,677	232,928	348,798	335,750
2 years to 3 years	16,363	66,149	108,193	121,259
3 years and above	2,854	12,780	55,691	57,492
Total	1,030,202	1,067,235	1,268,996	1,348,044
Impairment allowance	(148,657)	(202,373)	(309,323)	(322,129)
Net carrying amount	<u>881,545</u>	<u>864,862</u>	<u>959,673</u>	<u>1,025,915</u>

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Trade and Bills Receivables

Our trade and bills receivables represented receivables from our customers. The following table sets forth details of our trade and bills receivables as of the date indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Trade and bills receivables	3,752,773	3,512,731	3,496,945	3,476,886
Long-term receivables	1,727	1,162	5,451	5,515
	3,754,500	3,513,893	3,502,396	3,482,401
Impairment allowance	(1,093,072)	(927,927)	(1,082,233)	(1,124,163)
Total	2,661,428	2,585,966	2,420,163	2,358,238

Our trade and bills receivables decreased from RMB2,661.4 million as of December 31, 2023 to RMB2,586.0 million as of December 31, 2024, primarily in line with our revenue fluctuations. Our trade and bills receivables further decreased to RMB2,420.2 million as of December 31, 2025 and to RMB2,358.2 million as of March 31, 2026. The decrease in our trade receivables was mainly attributable to timing differences in customer settlement and the classification of outstanding project amounts. Certain customers with stronger funding positions settled shortly after or upon revenue recognition, resulting in a lower trade receivables balance as at the period end. Meanwhile, certain amounts arising from revenue-generating projects were recorded as contract assets rather than trade receivables, as our right to consideration had not yet become unconditional pending the completion of contractual milestones or customer acceptance. Accordingly, the decrease in trade receivables should be viewed together with the movement in contract assets, and the aggregate balance of trade receivables and contract assets increased during the period, reflecting our continued business growth and the timing of project delivery, acceptance and billing.

We perform impairment analysis at each reporting date using a provision matrix and specific provisions for bad debts to measure expected credit losses. Provision rates are determined based on aging analysis of customer segments with similar loss patterns, taking into account probability-weighted outcomes, the time value of money, and reasonable and supportable information on past events, current conditions and future economic forecasts. Generally, trade and bills receivables are written off when they are more than five years past due and not subject to enforcement activity. As of December 31, 2023, 2024 and 2025 and March 31, 2026, impairment allowance for trade and bills receivables was RMB1,093.1 million, RMB927.9 million, RMB1,082.2 million, and RMB1,124.2 million, respectively. The increase in impairment loss in 2025 and the three months ended March 31, 2026 was primarily due to the aging of outstanding trade receivables. We have adopted management and collection measures for trade and bills receivables, including monitoring receivables, regularly reviewing overdue balances and assessing credit risk exposures. Our Directors consider that there is no material recoverability issue and that sufficient provision has been made, based on collectability and aging analysis, our credit risk management measures, the aging profile, any disputes, historical transactions with relevant customers, their financial position and the prevailing macroeconomic environment.

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The following is an aging analysis of our trade and bills receivables based on the invoice date and net of loss allowance as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year.	2,277,782	2,101,240	1,949,447	1,812,847
1 year to 2 years	251,280	329,951	288,525	346,780
2 years to 3 years	83,828	96,224	121,930	135,083
3 years to 4 years	35,462	44,135	44,723	47,065
4 years to 5 years	13,076	14,416	15,538	16,463
Total	2,661,428	2,585,966	2,420,163	2,358,238

Our trade and bills receivables turnover days (calculated by dividing the average of the beginning and ending balance of trade and bills receivables for that period by the revenue for the relevant period and multiplied by 365/90 days) increased from 95.0 days in 2023 to 108.6 days in 2024, primarily due to the prolonged settlement process with our large enterprise customers. Our product deliveries are typically structured into multiple milestones, and customers will inspect and confirm acceptance upon completion of each milestone. Given the complex nature of the business operations of the large enterprise customers and the lengthy payment approval process, the overall review and settlement cycles tend to be longer. Our trade and bills receivables turnover days remained relatively stable at 103.1 days in 2025. Our trade and bills receivables turnover days further increased to 155.5 days in the three months ended March 31, 2026, primarily due to the seasonal nature of our business, as acceptance and payment collection from large enterprise customers are typically concentrated in the second half of the year, resulting in a higher trade and bills receivables balance relative to revenue recognized in the first quarter. Going forward, we intend to accelerate our trade receivables collection cycle by increasing sales of standardized products under the subscription model, setting clearer acceptance criteria in service contracts and refining payment milestones to support phased acceptance and payment. We have also strengthened receivables management through a more systematic monitoring and follow-up mechanism. Our finance team conducts bi-weekly reviews of outstanding receivables to identify overdue balances, prioritize follow-up actions and coordinate collection with relevant business teams. In addition, we have incorporated collection amounts and overdue ratios into our KPI system and adjusted performance assessments for responsible departments to enhance accountability and encourage proactive collection. For significantly overdue receivables, we may pursue additional collection measures, including legal proceedings where appropriate. The effectiveness of our trade and bills receivables management measures was demonstrated by the continued decline in the increase in trade and bills receivables recorded in our operating cash flows from RMB560.9 million in 2023 to RMB156.7 million in 2024, the decrease in trade and bills receivables of RMB4.5 million in 2025 and RMB20.0 million in the three months ended March 31, 2026.

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As of May 31, 2026, RMB290.7 million, or approximately 12.3% of our trade and bills receivables as of March 31, 2026 had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consisted of (i) deposits, other receivables and other assets, primarily representing bid bonds and performance guarantees from our business activities; (ii) prepayments, primarily for implementation services; (iii) contract costs, representing the portion of commission expenses paid to sales partners that has yet to be recognized as sales and marketing expenses; and (iv) others. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
				2026
	<i>(RMB in thousands)</i>			
Deposits, other receivables and other assets	407,209	413,151	470,897	484,362
Prepayments	237,072	298,985	362,781	332,956
Contract costs	100,966	98,673	114,282	95,646
Others	12,742	13,332	9,959	11,495
	757,989	824,141	957,919	924,459
Impairment allowance	(118,504)	(125,910)	(124,979)	(129,736)
Total	639,485	698,231	832,940	794,723

Our prepayments, other receivables and other assets increased from RMB639.5 million as of December 31, 2023 to RMB698.2 million as of December 31, 2024, primarily due to the increases of RMB61.9 million in prepayments, primarily due to the increase in implementation services procured from our professional service providers, driven by our business growth. Our prepayments, other receivables and other assets further increased to RMB832.9 million as of December 31, 2025, primarily due to (i) an increase of RMB63.8 million in prepayments to suppliers in line with our business growth and (ii) an increase of RMB57.7 million in deposits, other receivables and other assets primarily attributable to the increase in deferred [REDACTED] expenses in connection with our proposed [REDACTED]. Our prepayments, other receivables and other assets then decreased to RMB794.7 million as of March 31, 2026, primarily due to a decrease of RMB29.8 million in prepayments and a decrease of RMB18.6 million in contract costs, both due to certain prepaid costs amortized and recognized in cost of sales.

As of May 31, 2026, RMB155.3 million, or approximately 19.5% of our prepayments, other receivables and other assets as of March 31, 2026 had been settled.

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Restricted Bank Deposits and Time Deposits

Our restricted bank deposits and time deposits represented restricted deposits for issuance of performance bonds, and non-pledged time deposits with original maturities exceeding three months. Our restricted bank deposits and time deposits decreased from RMB1,543.7 million as of December 31, 2023 to RMB1,168.7 million as of December 31, 2024, primarily due to our liquidity management to fund our operations. Our restricted bank deposits and time deposits increased to RMB1,477.6 million as of December 31, 2025 and further to RMB1,513.8 million as of March 31, 2026, primarily due to the increase in deposits with higher yielding as part of our liquidity management strategy.

Cash and Cash Equivalents

During the Track Record Period, our cash and cash equivalents primarily represented cash at bank and on hand, net of restricted bank deposits and non-pledged time deposits with original maturities exceeding three months. Our cash and cash equivalents decreased from RMB6,752.9 million as of December 31, 2023 to RMB5,656.9 million as of December 31, 2024, primarily due to our liquidity management to fund our operations. Our cash and cash equivalents further decreased to RMB3,120.7 million as of December 31, 2025, as we partially repaid our bank borrowings. Our cash and cash equivalents then decreased to RMB1,698.2 million as of March 31, 2026, primarily due to cash used for our business operations, as well as the purchase of wealth management products to better utilize our cash on hand.

Trade Payables

Our trade payables primarily represented the outstanding amounts due to our professional service partners. Our trade payables increased from RMB1,006.5 million as of December 31, 2023 to RMB1,102.9 million as of December 31, 2024, to RMB1,249.8 million as of December 31, 2025, primarily due to (i) the increase in implementation services procured from our professional service providers; and (ii) the longer payment settlement cycles with our professional service partners. Our trade payables then decreased to RMB1,223.1 million as of March 31, 2026, as we settled certain outstanding payables to our suppliers. The following is an aging analysis of our trade payables based on the invoice date as of dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year.	745,922	637,911	739,997	781,071
1 to 2 years.	92,904	214,696	144,155	134,792
2 to 3 years.	29,795	83,168	139,357	82,951
Over 3 years.	137,899	167,131	226,243	224,266
Total	1,006,520	1,102,906	1,249,752	1,223,080

Our trade payables turnover days (calculated by dividing the average of the beginning and ending balance of trade payables for that period by the cost of sales for the relevant period and multiplied by 365/90 days) increased from 70.0 days in 2023 to 80.9 days in 2024, and further to 93.6 days in 2025, primarily due to (i) the increase in implementation services procured from our professional service providers; and (ii) the longer payment settlement cycles with our professional service partners. Our trade payables turnover days further increased to 139.3 days in the three months ended March 31, 2026, primarily related to the seasonal impact of the extended public holidays in the first quarter, which resulted in a delayed payment schedule.

As of May 31, 2026, RMB175.6 million, or approximately 14.4% of our trade payables as of March 31, 2026 had been settled.

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Contract Liabilities

Our contract liabilities represented primarily advances received from customers to deliver our cloud-based services. Our contract liabilities increased from RMB2,806.4 million as of December 31, 2023 to RMB3,053.5 million as of December 31, 2024, and further to RMB3,417.7 million as of December 31, 2025, mainly due to the increase in customer demands for our cloud-based services driven by our continued transition to a subscription-based model. Our contract liabilities then remained relatively stable at RMB3,401.2 million as of March 31, 2026.

As of May 31, 2026, RMB715.0 million, or approximately 21.0% of our contract liabilities as of March 31, 2026 had been subsequently recognized as revenue.

Other Payables and Accruals

Our other payables and accruals consisted of (i) staff payroll and welfare payables; (ii) obligation related to share-based compensation; (iii) payable to vendors of construction; (iv) deposits from suppliers; (v) consideration payables for acquiring subsidiaries; (vi) advances from customers; (vii) other taxes payable; and (viii) other payables, primarily representing accrued staff reimbursements, payables for equity investments and deferred output VAT. The following table sets forth details of our other payables and accruals as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Staff payroll and welfare payables	1,353,161	1,075,682	1,037,554	537,573
Obligation related to share-based payments	796,445	585,534	204,226	198,801
Payable to vendors of construction	120,795	161,010	166,769	140,854
Deposits from suppliers	116,400	159,411	165,220	138,026
Consideration payables for acquiring subsidiaries	61,211	27,545	5,199	2,598
Advances from customers	14,094	11,828	38,826	35,255
Other borrowings	—	—	201,450	1,017,940
Other taxes payable	263,936	253,364	252,088	111,090
Other payables	473,215	469,301	529,417	517,131
Total	3,199,257	2,743,675	2,600,749	2,699,268

Our other payables and accruals decreased from RMB3,199.3 million as of December 31, 2023 to RMB2,743.7 million as of December 31, 2024, primarily due to the decrease in staff payroll and welfare payables following our organizational streamlining efforts. Our other payables and accruals further decreased to RMB2,600.7 million as of December 31, 2025, primarily due to a decrease of RMB381.3 million in obligations related to share-based payments, which vested during the year and therefore released us from the related repurchase obligations. Our other payables and accruals then increased to RMB2,699.3 million as of March 31, 2026, primarily due to an increase of RMB816.5 million in other borrowings, primarily as a result of the increases in financing arrangements to support our operations, partially offset by a decrease of RMB500.0 million in staff payroll and welfare payables primarily due to the payment of annual performance bonuses during the first quarter of 2026, which had been accrued as of December 31, 2025.

As of May 31, 2026, RMB727.5 million, or approximately 27.0% of our other payables and accruals as of March 31, 2026 had been settled.

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Other Long-term Liabilities

Our other long-term liabilities represented the reclassified minority interests in certain consolidated structured entities. Our other long-term liabilities decreased from RMB399.6 million as of December 31, 2023 to RMB348.9 million as of December 31, 2024, decreased to RMB307.7 million as of December 31, 2025, primarily due to the decrease of minority interests in the related consolidated structured entities. Our other long-term liabilities then remained relatively stable at RMB304.8 million as of March 31, 2026.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our working capital requirements and other recurring expenses. During the Track Record Period, we financed our operations and other capital requirements primarily through cash generated from our business operations, bank borrowings and equity financing. Our anticipated cash needs primarily relate to our business operations, sales and marketing, and research and development. We expect to fund our future working capital and other cash requirements with existing cash and cash equivalents, revenue generated from sales of our products and services, the [REDACTED] from the [REDACTED] and, when necessary, bank and other borrowings. As of May 31, 2026, the most recent practicable date for determining our indebtedness, we had cash and cash equivalents of RMB1,467.6 million. Considering our internal resources, our cash flow from operations and the estimated [REDACTED] from the [REDACTED], our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Current Assets and Current Liabilities

	As of December 31,			As of	As of
	2023	2024	2025	March 31, 2026	May 31, 2026
	(RMB in thousands)				
					(Unaudited)
Current Assets					
Inventories	551,583	410,876	379,301	395,130	409,825
Contract assets	881,545	864,862	959,673	1,025,915	1,050,152
Prepayments, other receivables and other assets	532,707	619,788	739,635	696,891	759,452
Trade and bills receivables	2,659,787	2,584,886	2,415,090	2,353,106	2,229,380
Financial assets at fair value through profit or loss	251,294	126,948	28,202	1,017,147	1,114,804
Restricted bank deposits and time deposits with an initial term of over three months	1,292,507	767,055	835,266	799,320	679,599
Cash and cash equivalents	6,752,939	5,656,857	3,120,651	1,698,160	1,467,640
Assets held for sale	—	—	974	974	3,714
Total current assets	12,922,362	11,031,272	8,478,792	7,986,643	7,714,566

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	As of December 31,			As of	As of
	2023	2024	2025	March 31, 2026	May 31, 2026
	(RMB in thousands)				(Unaudited)
Current Liabilities					
Trade payables	1,006,520	1,102,906	1,249,752	1,223,080	1,127,330
Contract liabilities	2,660,486	2,866,886	3,195,617	3,163,379	3,260,049
Other payables and accruals	3,157,711	2,738,401	2,598,151	2,696,670	2,893,903
Tax payable	96,239	88,301	87,156	87,139	89,498
Lease Liabilities	64,096	51,887	48,688	52,328	49,902
Interest-bearing bank loans	4,137,000	5,434,325	3,902,971	4,695,771	5,040,385
Other long-term liabilities.	—	82,337	130,545	129,239	129,210
Total current liabilities.	11,122,052	12,365,043	11,212,880	12,047,606	12,590,277
Net current assets/(liabilities)	1,800,310	(1,333,771)	(2,734,088)	(4,060,963)	(4,875,711)

We had net current liabilities of RMB1,333.8 million as of December 31, 2024, compared to net current assets of RMB1,800.3 million as of December 31, 2023, primarily due to an increase of RMB1,297.3 million in interest-bearing bank loans, a decrease of RMB1,096.1 million in cash and cash equivalents and a decrease of RMB525.5 million in restricted bank deposits and time deposits with an initial term of over three months.

Our net current liabilities increased from RMB1,333.8 million as of December 31, 2024 to RMB2,734.1 million as of December 31, 2025, primarily due to a decrease of RMB2,536.2 million in cash and cash equivalents as we partially repaid our bank borrowings.

Our net current liabilities increased from RMB2,734.1 million as of December 31, 2025 to RMB4,061.0 million as of March 31, 2026, primarily due to (i) a decrease of RMB1,422.5 million in cash and cash equivalents in relation to the purchase of wealth management products to better utilize our cash on hand and (ii) an increase of RMB792.8 million in interest-bearing bank loans as we obtained more bank loans to support our business operation.

Our net current liabilities increased from RMB4,061.0 million as of March 31, 2026 to RMB4,875.7 million as of May 31, 2026, primarily due to (i) an increase of RMB344.6 million in interest-bearing bank loans as we obtained more bank loans to support our business operation and (ii) a decrease of RMB230.5 million in cash and cash equivalents mainly used for our business operations.

We intend to improve our net current liabilities position through the following initiatives: (i) enhancing profitability and, specifically, exercising tighter cost control, including optimization of staffing, travel and other administrative expenses; (ii) accelerating the collection of trade receivables; and (iii) actively managing short-term bank borrowings by refinancing a portion of them into longer-term facilities or reducing overall leverage through internally generated cash flows.

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Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
	(unaudited)				
Net cash flows from/(used in) operating activities	(90,499)	(273,648)	812,386	(1,022,483)	(1,005,060)
Net cash flows used in investing activities	(542,469)	(1,108,128)	(1,346,723)	(1,309,531)	(1,364,764)
Net cash flows from/(used in) financing activities	2,088,769	287,579	(2,002,893)	(434,502)	951,117
Net increase/(decrease) in cash and cash equivalents.	1,455,801	(1,094,197)	(2,537,230)	(2,766,516)	(1,418,707)
Cash and cash equivalents at the beginning of the year/period . .	5,294,235	6,752,939	5,656,857	5,656,857	3,120,651
Effect of foreign exchange rate changes, net	2,903	(1,885)	1,024	(1,181)	(3,784)
Cash and cash equivalents at the end of the year/period	<u>6,752,939</u>	<u>5,656,857</u>	<u>3,120,651</u>	<u>2,889,160</u>	<u>1,698,160</u>

Operating Activities

In the three months ended March 31, 2026, our net cash used in operating activities was RMB1,005.1 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB752.6 million, as adjusted by (i) adding back non-cash and non-operating expenses, which primarily consist of amortization of other intangible assets of RMB345.4 million, provision for impairment of trade and bills receivables of RMB42.5 million, finance expenses of RMB38.5 million, and depreciation of property, plant and equipment of RMB30.8 million and depreciation of right-of-use assets of RMB15.7 million; and (ii) cash absorbed by working capital, which primarily result from a decrease in other payables and accruals of RMB686.2 million, an increase in contract assets of RMB79.0 million, partially offset by a decrease in prepayments, other receivables and other assets of RMB31.3 million.

In 2025, our net cash generated from operating activities was RMB812.4 million. Our net cash generated from operating activities is calculated by adjusting our loss before tax of RMB1,369.0 million, as adjusted by (i) adding back non-cash and non-operating items, which primarily consist of amortization of other intangible assets of RMB1,232.1 million, finance expenses of RMB176.6 million, provision for impairment of trade and bills receivables of RMB162.1 million, depreciation of property, plant and equipment of RMB124.3 million and provision for impairment of contract assets of RMB107.0 million; and (ii) cash generated from working capital changes, which primarily resulted from an increase in contract liabilities of

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RMB365.4 million, an increase in trade payables of RMB151.7 million and a decrease in restricted deposits of RMB121.1 million, partially offset by an increase in contract assets of RMB201.8 million and an increase in prepayments, other receivables and other assets of RMB107.1 million.

In 2024, our net cash used in operating activities was RMB273.6 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB2,076.2 million, as adjusted by (i) adding back non-cash and non-operating expenses, which primarily consist of amortization of other intangible assets of RMB988.2 million, provision for impairment of trade and bills receivables of RMB235.4 million, finance expenses of RMB178.9 million, and provision for impairment of goodwill of RMB155.8 million; and (ii) cash absorbed by working capital, which primarily result from a decrease in other payables and accruals of RMB246.5 million and an increase in trade and bills receivables of RMB156.7 million, partially offset by an increase in contract liabilities of RMB247.0 million and decrease in inventories of RMB145.6 million.

In 2023, our net cash used in operating activities was RMB90.5 million. Our net cash used in operating activities is calculated by adjusting our loss before tax of RMB910.0 million, as adjusted by (i) adding back non-cash and non-operating expenses, which primarily consist of amortization of other intangible assets of RMB702.1 million, finance expenses of RMB170.9 million, and provision for impairment of trade and bills receivables of RMB157.1 million; and (ii) cash absorbed by working capital, which primarily result from an increase in trade and bills receivables of RMB560.9 million and an increase in contract assets of RMB242.4 million, partially offset by an increase in contract liabilities of RMB338.2 million, and an increase in trade payables of RMB173.8 million.

We plan to improve our net operating cash outflow positions by (i) accelerating product delivery and payment collection by further improving delivery efficiency to shorten product acceptance cycles, conducting regular reviews of outstanding trade receivables balances and strengthening follow-up on overdue receivables to expedite payment collection; (ii) improving revenue and profitability by continuously optimizing our product and service offerings, broadening customer coverage and enhancing operational efficiency, so as to drive higher revenue and profit contributions; (iii) tightening cost and expenditure management by exercising stricter budget control, optimizing resource allocation and reducing non-essential spending, thereby lowering cash outflows and improving our overall cash flow position. For details of our plan to improve our revenue and profitability, see “Business — Path to Profitability.” See “— Trade and Bills Receivables” for details of our measures to enhance collection and shorten the trade receivables collection cycles. The effectiveness of our measures to shorten product delivery and acceptance cycle can be observed through the aging profile of our trade and bills receivable and contract assets. The balance of trade and bills receivables and contract assets with an aging of within two years provides a meaningful indicator of recent delivery and acceptance activities, as such balances are largely attributable to newly completed product deliveries rather than historical or long-outstanding items.

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Investing Activities

In the three months ended March 31, 2026, our net cash used in investing activities was RMB1,364.8 million, which was attributable to (i) purchases of financial investments of RMB1,377.0 million; (ii) purchases of time deposits with an initial term of over three months of RMB290.0 million and (iii) purchase of other intangible assets of RMB263.3 million, partially offset by proceeds from the disposal of financial investments of RMB380.8 million and proceeds from the disposal of financial investments of RMB213.7 million.

In 2025, our net cash used in investing activities was RMB1,346.7 million, which was attributable to (i) purchases of financial investments of RMB5,273.7 million; (ii) purchases of other intangible assets of RMB1,199.7 million; and (iii) purchases of time deposits with an initial term of over three months of RMB1,059.7 million, partially offset by proceeds from the disposal of financial investments of RMB5,627.2 million.

In 2024, our net cash used in investing activities was RMB1,108.1 million, which was attributable to (i) purchases of financial investments of RMB4,727.4 million; (ii) purchases of other intangible assets of RMB1,419.0 million; and (iii) purchases of time deposits with an initial term of over three months of RMB1,274.5 million, partially offset by (i) proceeds from the disposal of financial investments of RMB4,901.4 million; and (ii) proceeds from the disposal of time deposits with an initial term of over three months of RMB1,766.0 million.

In 2023, our net cash used in investing activities was RMB542.5 million, which was attributable to (i) purchases of financial investments of RMB4,411.8 million; (ii) purchases of time deposits with an initial term of over three months of RMB1,750.1 million; and (iii) purchases of other intangible assets of RMB1,618.9 million, partially offset by (i) proceeds from the disposal of financial investments of RMB4,268.9 million; and (ii) proceeds from the disposal of time deposits with an initial term of over three months of RMB3,209.3 million.

Financing Activities

In the three months ended March 31, 2026, our net cash from financing activities was RMB951.1 million, which was primarily attributable to (i) new other borrowing of RMB1,434.0 million; and (ii) new bank loans of RMB1,340.2 million, partially offset by repayments of bank loans of RMB1,147.4 million and repayment of other borrowing of RMB621.9 million.

In 2025, our net cash used in financing activities was RMB2,002.9 million, which was primarily attributable to (i) repayment of bank loans of RMB6,047.8 million; (ii) repayment of other borrowings of RMB762.0 million; and (iii) repurchase of our Group’s shares of RMB252.1 million, partially offset by (i) new bank loans of RMB3,752.5 million and (ii) new other borrowings of RMB962.0 million.

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In 2024, our net cash from financing activities was RMB287.6 million, which was attributable to new bank loans of RMB5,167.4 million, partially offset by repayment of bank loans of RMB4,348.0 million.

In 2023, our net cash from financing activities was RMB2,088.8 million, which was attributable to (i) new bank loans of RMB5,495.5 million; and (ii) capital contribution from non-controlling shareholders of RMB1,165.4 million, partially offset by repayment of bank loans of RMB3,666.1 million.

INDEBTEDNESS

As of December 31, 2023, 2024, 2025, March 31, 2026 and May 31, 2026, the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of	As of
	2023	2024	2025	March 31,	May 31,
				2026	2026
	(RMB in thousands)				(Unaudited)
Current					
Interest-bearing bank loans	4,137,000	5,434,325	3,902,971	4,695,771	5,040,385
Lease liabilities	64,096	51,887	48,688	52,328	49,902
Other borrowings	—	—	201,450	1,017,940	1,137,137
Subtotal	4,201,096	5,486,212	4,153,109	5,766,039	6,227,424
Non-current					
Interest-bearing bank loans	1,910,400	1,432,500	668,500	68,500	68,500
Lease liabilities	54,201	50,836	57,417	53,960	52,580
Subtotal	1,964,601	1,483,336	725,917	122,460	121,080
Total	6,165,697	6,969,548	4,879,026	5,888,499	6,348,504

Interest-bearing Bank Loans

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had interest-bearing bank loans of RMB6,047.4 million, RMB6,866.8 million, RMB4,571.5 million, and RMB4,764.3 million, respectively. During the Track Record Period, our bank loans came from commercial banks and financial institutions bearing effective interest rates in the range of 1.95% to 3.50% per annum. Our bank loans were primarily used to finance our increased working capital requirements driven by our business expansion during the Track Record Period.

As of May 31, 2026, we had bank loans of RMB5,108.9 million. As of the Latest Practicable Date, we had committed unutilized bank facilities of RMB8,353.0 million.

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Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of office buildings.

Save as discussed above, as of May 31, 2026, the most recent practicable date for determining our indebtedness, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which were either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors also confirm that there had not been any material change in our indebtedness since May 31, 2026 and up to the date of this document.

During the Track Record Period and up to the Latest Practicable Date, there were no material covenants on any of our outstanding debts which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenants. Our Directors further confirm that we did not experience difficulty in obtaining borrowings, default in repayment of borrowings or lessors during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures primarily related to our property, plant and equipment, other intangible assets and right-of-use assets. In 2023, 2024, 2025 and the three months ended March 31, 2026, our capital expenditures amounted to RMB1,925.8 million, RMB1,918.9 million, RMB1,425.3 million, and RMB290.6 million, respectively. These purchases were primarily for our R&D initiatives. We intend to fund our future capital expenditure requirements with [REDACTED] from the [REDACTED], revenue generated from our sales of products and services, and, bank borrowings.

CAPITAL COMMITMENTS

Our capital commitments at the end of each period during the Track Record Period primarily related to the construction of properties classified as construction in progress. As of December 31, 2023, 2024, 2025 and March 31, 2026, our capital commitments amounted to RMB405.3 million, RMB286.8 million, RMB27.4 million, and RMB17.6 million, respectively.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025 and March 31, 2026, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since March 31, 2026 to the date of this document.

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RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors confirm that all material related party transactions during the Track Record Period and up to the Latest Practicable Date were conducted on an arm’s-length basis, and would not distort our results of operations over the Track Record Period and up to the Latest Practicable Date or make our historical results over the Track Record Period and up to the Latest Practicable Date not reflective of our expectations for our future performance. See Note 47 of the Accountants’ Report included in Appendix I to this document. As of March 31, 2026, we did not have non-trade balances with our related parties.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, other than the capital commitments and investment commitments disclosed in Note 43 of the Accountants’ Report included in Appendix I to this document, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of/For the year ended December 31,			As of/For the three months ended March 31,
	2023	2024	2025	2026
Gross profit margin (%) ⁽¹⁾	49.3	46.0	48.2	42.2
Current ratio ⁽²⁾	1.2	0.9	0.8	0.7
Quick ratio ⁽³⁾	1.1	0.9	0.7	0.6

Notes:

- (1) Gross profit margin is calculated by dividing gross profit by our revenue for the year/period indicated.
- (2) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.
- (3) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market and other financial risks, including interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure that appropriate measures are implemented on a timely and effective manner. See Note 50 to the Accountants’ Report set out in Appendix I to this document for a detailed description of our market and other financial risks described above.

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DIVIDENDS

In 2023, 2024, 2025 and the three months ended March 31, 2026, we paid dividends of RMB251.5 million, RMB85.1 million, RMB52.1 million and nil, respectively. After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, business prospects, statutory and regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends. According to applicable laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous years; allocations to the statutory reserve equivalent to 10% of our profit after tax; allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by Shareholders’ meeting. If we record profits in a given year and the ending balance of our undistributed profits is positive and our cash flow can meet our normal operation and sustainable development, we should distribute dividends in cash, and the profits distributed in cash should be no less than 10% of the distributable profits realized in the year. At the same time, our cumulative profits distributed in cash over the past three years shall be no less than 30% of the average annual distributable profits achieved in the past three years.

DISTRIBUTABLE RESERVES

As of March 31, 2026, we did not have any reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

[REDACTED] expenses consist of professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. We estimate the [REDACTED] expenses to consist of (i) approximately HK\$[REDACTED] in [REDACTED] fees; and (ii) approximately HK\$[REDACTED] in non-[REDACTED] fees, including (a) fees and expenses of legal advisers and accountants of approximately HK\$[REDACTED], and (b) other fees and expenses of approximately HK\$[REDACTED]. Among the total [REDACTED] expenses, approximately HK\$[REDACTED] will be directly attributable to the [REDACTED] of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK\$[REDACTED] will be expensed in our consolidated statements of profit or loss and other comprehensive income.

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UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED 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, save as disclosed in this document, there has been no material adverse change in our financial or trading position or prospects since March 31, 2026, being the end date of the periods reported in Appendix I to this document and there is no event since March 31, 2026 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.