

FINANCIAL INFORMATION

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contains forward looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are a global leader in high-performance non-volatile memory chip design. We operate with a fabless model, focusing on the design process and outsourcing wafer fabrication, packaging and testing. We are committed to addressing the rapidly evolving and expanding memory requirements in the AI-era, developing and offering (i) key non-volatile memory chips, such as serial presence detect (SPD) chips — our primary product under this category, electrically erasable programmable read-only memory (EEPROM) chips and Not-OR flash (NOR Flash) chips, (ii) lens driver chips, and (iii) near field communication (NFC) chips together with supporting solutions. According to Frost & Sullivan, we are the third largest EEPROM supplier and the second largest supplier of DDR5 SPD chips in the world in 2023, 2024 and 2025 by revenue. Leveraging strong R&D expertise and global market experience, our product portfolio now covers a wide range of memory scenarios across AI infrastructure, automotive electronics, industrial control, and consumer electronics.

We have captured significant market opportunities. According to Frost & Sullivan, in 2025, we held over 40% of the global DDR5 SPD chip market by revenue and 14.8% of the EEPROM market by revenue, with globally leading R&D capability and market positions across several sub-segments. We have achieved sustained growth during the Track Record Period. Our revenue increased from RMB703.5 million in 2023 to RMB1,028.3 million in 2024, and further increased to RMB1,221.3 million in 2025. Our revenue increased from RMB261.1 million for the three months ended March 31, 2025 to RMB280.0 million for the same period in 2026. Our net profit recorded a substantial increase from 2023 to 2025, rising from RMB82.7 million in 2023 to RMB276.0 million in 2024, and further to RMB355.8 million in 2025, leading to a net profit margin of 11.8%, 26.8% and 29.1% in 2023, 2024 and 2025, respectively. Due to changes in our product mix, planned increased in R&D expenditure, absence of gains on investment in listed securities, and additional equity-settled share-based compensation, our net profit recorded a decrease from RMB97.4 million for the three months ended March 31, 2025 to RMB32.5 million for the same period in 2026, with a net profit margin of 37.3% and 11.6%, respectively.

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of our historical financial information have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.3 of the Accountants’ Report in Appendix I to this document. Our historical financial information also complies with the applicable disclosure provisions of the Hong Kong Listing Rules. The accounting policies set out in Note 2.3 of the Accountants’ Report in Appendix I to this document have been applied consistently to Track Record Period presented in our historical financial information.

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The preparation of historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. Estimates and judgements are continuously evaluated. They are based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 of the Accountants’ Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and financial performance are influenced by a variety of macroeconomic and industry-specific factors that affect the global economy and the semiconductor industry.

These include overall economic growth, developments in cloud computing and AI infrastructure, latest government policies and regulations, fluctuations in material costs, and the competitive landscape. Any adverse changes in these factors could dampen demand for our products and materially impact our business and results of operations. In addition to these general factors, the following specific factors have a more direct impact on our results of operations:

Industry Demands and Our Continued Ability to Capture Growth Opportunities

Our business operations and financial performance are affected by industry demands, which are highly correlated to downstream applications.

We have capitalized on the significant unmet need of the AI era for high-performance memory chips and captured the various market opportunities brought by this development trend. Our products now span core scenarios across AI infrastructure, automotive electronics, industrial control, and consumer electronics. As we continue to leverage our memory chip technologies into emerging high growth verticals such as new energy systems, industrial power and control and AIDC power supplies, we expect that the demand in these markets will also have a material effect on our results of operations.

In addition, our continued ability to drive technological innovation, to maintain, expand and upgrade our product portfolio, and to address evolving downstream requirements, are key to our business growth and results of operations. To meet industry demands and maintain our competitiveness, we focus on R&D to enrich our product portfolio and expand business footprints. Building on our leadership in memory chips, we continually track industry trends and long-term customer needs, and actively develop new memory and mixed signal chip solutions that will create value for our customers and us.

Our Ability to Maintain and Deepen Our Engagement with Existing Customers, and Expand Our Customer Base

Our performance is in part driven by our ability to expand and extend our relationship with existing customers and attract new customers. We are committed to maintaining and deepening relationships with existing customers while seek to continuously broadening our customer base. Meeting customer demands requires not only competitive products but also proven reliability. While memory chips may account for only a portion of our customers’ products, their performance and reliability are critical to the success of our customers’ downstream applications. We have emerged as the second largest DDR5 SPD chip provider in the world, with over 40.0% market share by revenue in 2025, according to Frost & Sullivan.

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Notably, our ability to meet customer demands is also reflected in our long-standing relationships with globally renowned leading memory manufacturers and automotive and consumer-electronics companies. Long-standing trust and collaboration open the door to deeper engagement and more cross-selling opportunities. For example, in memory modules, our long-standing SPD leadership opened the door to VPD for next-generation eSSD and CXL memory modules. In automotive electronics, we have expanded from displays and infotainment to body, chassis, and electrified powertrain. In smartphones, we have broadened from EEPROM into lens driver chips, increasing platform coverage with key customer accounts.

In addition, our long-term growth and operating results will depend in part on our ability to attract more customers across different verticals. Many of our customers apply our semiconductor products and solutions across their operations to ensure consistent, high-quality output and optimal experience of their own products for their end users. We expect to continue to increase our investment in customer outreach, sales and marketing efforts to enhance brand awareness and acquire new customers from various verticals. We believe that our efforts to retain existing customers and attract new ones will have a positive long-term impact on our business and results of operations.

Innovate and Enrich Our Product and Solution Offerings

Our continued growth depends, in part, on our ability to improve and broaden the variety and application of our semiconductor products and solutions, which will enable us to further secure design wins, increase market share, expand cross-selling opportunities, and reach customers in a broader range of verticals and use cases.

As we offer a diversified portfolio of high-quality semiconductor solutions for a wide range of consumer and industrial applications, our gross profit margin varies across business lines, and may also differ between the product types we offer within each business line, due to a variety of factors such as technological advancement, pricing power, demand in the verticals, product tiering strategy, stages in the product life cycle, and availability of competing products. Changes to our product mix, whether in response to our business strategies, the global and domestic market conditions, government policies or other factors, may affect our results of operations over time. We intend to continually monitor and adjust our product mix across business lines to maximize our revenue and profitability.

We strive to work closely with current and prospective customers to anticipate their requirements and product roadmaps. This better enables us to develop innovative semiconductor solutions designed for their needs and achieve design wins. Although design wins are not binding commitments by customers to purchase our products and solutions, we believe that achieving design wins is an important performance indicator. Once our products have been designed into a system, the customers are typically reluctant to alter their designs due to the significant costs and time associated with qualifying a new supplier or a replacement component, and we endeavor to maintain our incumbent position with our customers by continually improving our products and solutions to meet their evolving needs. Our long-term sales expectations are based on forecasts from customers and internal estimates of demand factoring in the expected time-to-market of the final products incorporating our solutions and their respective sales potential.

Our ability to continually enhance our technology capabilities

Our business growth depends in part on our ability to invest in technology to effectively meet the demands of our anticipated growth. We have made, and will continue to make, significant investments in developing our underlying technology capabilities to expand the capabilities and scale of our product and solution offerings. Building on our well-established non-volatile memory chips design and process platforms, we deliver category-defining SPD chips, EEPROM and NOR Flash that feature raised write-cycle capability, reduced leakage and charge loss, and stabilized program/erase behavior.

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In 2023, 2024, 2025 and the three months ended March 31, 2026, our research and development expenses amounted to RMB160.8 million, RMB175.6 million, RMB207.8 million and RMB66.7 million. We believe the further enhancement of our technologies is central to our future development. We will continue to invest in our research and development activities, including talent recruitment, and to deepen cooperation with global foundries and packaging and testing service providers to ensure we remain at the forefront of EEPROM and DDR5 SPD chip markets. As a result, we expect the investments and expenses associated with our technology capabilities to continue to grow to support our business growth. We believe the investments in technology will drive overall long-term growth.

Manage Supply Chain and Improve Operational Efficiency

Supply chain management capabilities have a direct and significant impact on our business operations and financial results. As a fabless IC design company, we rely on third-party foundries for wafer fabrication, packaging and testing. Building strong, long-term partnerships with key production partners is essential to securing stable capacity allocation and fostering close collaboration on the production end. This is particularly critical during periods of high industry demand, where capacity allocation, reservation, and production scheduling play a vital role. Accurate forecasting and communication of wafer demands are equally important in avoiding costly delays and supply bottlenecks. We have also established a structured supplier management system to ensure our product quality, which requires all core suppliers to hold an ISO 9001 Quality Management System certification. Our ability to manage the supply chain and ensure product quality can impact our financial performance.

Looking ahead, we aim to maintain the resilience of our supply chains by strengthening cooperation with top-tier suppliers worldwide and diversifying our suppliers. This approach will help us secure a stable supply of critical materials, improve operational efficiency, and better navigate an evolving market landscape.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions, and judgments have a significant impact on our financial position and results of operations. The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying our accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Our material accounting policy information, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Notes 2 and 3 to the Accountants’ Report included in Appendix I to this document.

SUMMARY OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years/periods indicated. This information should be read together with our consolidated financial statements and related notes included in the Accountants’ Report set out in Appendix I to this document. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
	(unaudited)									
Revenue	703,477	100.0	1,028,277	100.0	1,221,284	100.0	261,066	100.0	279,994	100.0
Cost of sales	(375,738)	(53.4)	(464,688)	(45.2)	(521,612)	(42.7)	(103,665)	(39.7)	(142,980)	(51.1)

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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	%
	(in thousands, except for percentages) (unaudited)									
Gross profit	327,739	46.6	563,589	54.8	699,672	57.3	157,401	60.3	137,014	48.9
Other income and										
gains	31,373	4.5	53,095	5.2	58,872	4.8	22,852	8.8	7,823	2.8
Selling and marketing										
expenses	(49,368)	(7.0)	(55,527)	(5.4)	(46,972)	(3.8)	(9,776)	(3.7)	(12,977)	(4.6)
Administrative										
expenses	(51,888)	(7.4)	(63,847)	(6.2)	(76,685)	(6.3)	(15,622)	(6.0)	(25,471)	(9.1)
Research and										
development										
expenses	(160,807)	(22.9)	(175,610)	(17.1)	(207,815)	(17.0)	(41,041)	(15.7)	(66,732)	(23.8)
Other expenses	(11,128)	(1.6)	(21,024)	(2.0)	(42,630)	(3.5)	(9,047)	(3.5)	(6,897)	(2.5)
Finance costs	(383)	(0.1)	(344)	–	(255)	–	(73)	–	(45)	–
Reversal of impairment										
losses/ (impairment										
losses) on financial										
assets, net	729	0.1	(40)	–	(759)	(0.1)	(171)	(0.1)	136	–
Share of losses of										
associates	(1,603)	(0.2)	(1,721)	(0.2)	(3,649)	(0.3)	(591)	(0.2)	(604)	(0.2)
Profit Before Tax . . .	84,664	12.0	298,571	29.0	379,779	31.1	103,932	39.8	32,247	11.5
Income tax										
(expense)/credit . . .	(1,969)	(0.3)	(22,531)	(2.2)	(23,941)	(2.0)	(6,493)	(2.5)	283	0.1
Profit for the										
Year/Period	82,695	11.8	276,040	26.8	355,838	29.1	97,439	37.3	32,530	11.6
Attributable to:										
Owners of the parent . .	100,358	14.3	290,270	28.2	363,576	29.8	99,481	38.1	30,844	11.0
Non-controlling										
interests	(17,663)	(2.5)	(14,230)	(1.4)	(7,738)	(0.6)	(2,042)	(0.8)	1,686	0.6

Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS Accounting Standards, we use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as non-IFRS measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted by adding back equity settled share-based payments. Share-based payments which is equity-settled, are related to our restricted A share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our Group’s operations. Equity-settled share-based payment expenses are non-cash in nature. Accordingly, we exclude the impact of these share-based payment expenses. We define adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) to divide corresponding revenue of the year/period. We believe that non-IFRS measures facilitate the comparisons of operating performance and provide useful information to [REDACTED] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of non-IFRS measures for the year/period may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measures has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

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The following table reconciles non-IFRS measures for the periods presented with the nearest measures prepared in accordance with IFRS Accounting Standards.

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except for percentages)			(unaudited)	
Profit for the year/period	82,695	276,040	355,838	97,439	32,530
Adjusted for:					
Equity-settled share-based payment arrangements	44,643	29,292	32,329	3,637	23,852
Adjusted net profit (non-IFRS measure)	<u>127,338</u>	<u>305,332</u>	<u>388,167</u>	<u>101,076</u>	<u>56,382</u>
Adjusted net profit margin (non-IFRS measure)	18.1%	29.7%	31.8%	38.72%	20.14%

Our adjusted net profit (non-IFRS measure) increased significantly from RMB127.3 million in 2023 to RMB305.3 million in 2024, and further increased to RMB388.2 million in 2025. The increase in adjusted net profit (non-IFRS measure) was primarily due to the continued increase in our profit for the year, driven by increased revenue contribution from SPD chips, automotive-grade chips and industrial-grade memory chips, partially offset by the fluctuations in equity-settled share-based payment arrangements added back each year. Our adjusted net profit (non-IFRS measure) decreased from RMB101.1 million in the three months ended March 31, 2025 to RMB56.4 million for the same period in 2026, primarily due to changes in our product mix, absence of gains on investment in listed securities and increased R&D expenses.

Revenue

During the Track Record Period, our revenue was primarily derived from design and sales of (i) non-volatile memory chips, (ii) lens driver chips and (iii) NFC chips and others.

The following table sets forth a breakdown of our revenue by business line during the Track Record Period, both in absolute amounts and as percentages of total revenue, for the years/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	%
	(in thousands, except for percentages)						(unaudited)			
Non-volatile memory chips	561,688	79.8	885,989	86.2	1,069,499	87.6	232,069	88.9	247,512	88.4
Lens driver chips	87,163	12.4	105,010	10.2	113,922	9.3	21,345	8.2	16,619	5.9
NFC chips and others . .	54,626	7.8	37,278	3.6	37,863	3.1	7,652	2.9	15,863	5.7
Total	<u>703,477</u>	<u>100.0</u>	<u>1,028,277</u>	<u>100.0</u>	<u>1,221,284</u>	<u>100.0</u>	<u>261,066</u>	<u>100.0</u>	<u>279,994</u>	<u>100.0</u>

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Our revenue saw a significant increase by 46.2% from RMB703.5 million in 2023 to RMB1,028.3 million in 2024, and by 18.8% from RMB1,028.3 million in 2024 to RMB1,221.3 million in 2025. The continued increase was primarily attributable to the robust growth of our non-volatile memory chips business, mainly attributable to increased revenue contribution from (i) SPD chips, mainly driven by accelerated adoption of AI applications, (ii) automotive-grade chips, mainly driven by the rising trend of intelligent transportation and domestic sourcing by automotive OEMs, and (iii) industrial-grade memory chips, mainly driven by the growth in demand from industrial control applications. Our revenue increased by 7.3% from RMB261.1 million for the three months ended March 31, 2025 to RMB280.0 million for the three months ended March 31, 2026, primarily driven by increased sales of (i) automotive-grade memory chips and industrial-grade memory chips, mainly attributable to our deeper market penetration due to continuous market expansion efforts and technological advancements, as well as orders we secured from leading international automotive brands; and (ii) NFC chips, as we expanded into new application scenarios.

The following table sets forth a breakdown of our revenue by sales channel for the years/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	%
	(in thousands, except for percentages)						(unaudited)			
Direct sales	220,064	31.3	473,394	46.0	593,772	48.6	140,753	53.9	111,303	39.8
Distribution	483,413	68.7	554,883	54.0	627,512	51.4	120,313	46.1	168,691	60.2
Total	703,477	100.0	1,028,277	100.0	1,221,284	100.0	261,066	100.0	279,994	100.0

In addition to the above, our results of operations are also reported by location. The following table sets forth a breakdown of our revenue by region for the years/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	%
	(in thousands, except for percentages)						(unaudited)			
Chinese Mainland ⁽¹⁾ . .	379,027	53.9	468,877	45.6	567,605	46.5	107,988	41.4	151,716	54.2
Macau, Hong Kong and Taiwan ⁽¹⁾	260,674	37.1	465,170	45.2	579,046	47.4	132,849	50.9	110,582	39.5
South Korea ⁽¹⁾	40,486	5.8	66,655	6.5	48,362	4.0	14,359	5.5	9,390	3.4
Other countries/regions ⁽¹⁾⁽²⁾ .	23,290	3.2	27,575	2.7	26,271	2.1	5,870	2.2	8,306	3.0
Total	703,477	100.0	1,028,277	100.0	1,221,284	100.0	261,066	100.0	279,994	100.0

Notes:

- (1) The revenues we report by geography are based on locations where the customers are incorporated.
- (2) Comprising Vietnam, United States, Singapore, Germany, Japan, Thailand, Israel, Philippines and Indonesia.

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Cost of Sales

Our cost of sales were primarily related to costs of (i) wafers, (ii) packaging and testing services we procured and (iii) other miscellaneous costs.

The table below sets forth a breakdown of our cost of sales for the years/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>(in thousands, except for percentages)</i>						<i>(unaudited)</i>			
Wafer costs	241,085	64.2	313,348	67.4	352,287	67.5	69,603	67.1	95,498	66.8
Packaging and testing costs	128,406	34.2	141,333	30.4	153,817	29.5	31,048	30.0	41,351	28.9
Others	6,247	1.6	10,007	2.2	15,508	3.0	3,014	2.9	6,131	4.3
Total	375,738	100.0	464,688	100.0	521,612	100.0	103,665	100.0	142,980	100.0

During the Track Record Period, our cost structure remained relatively stable. Our cost of sales increased by 23.7% from RMB375.7 million in 2023 to RMB464.7 million in 2024, generally in line with our increased sales revenue. Our cost of sales increased by 12.2% from RMB464.7 million in 2024 to RMB521.6 million in 2025, primarily as a result of our expanded sales. Our cost of sales increased by 37.9% from RMB103.7 million for the three months ended March 31, 2025 to RMB143.0 million for the three months ended March 31, 2026, mainly attributable to changes in our product sales mix.

The table below sets forth a breakdown of our cost of sales by business line for the years/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>(in thousands, except for percentages)</i>						<i>(unaudited)</i>			
Non-volatile memory chips	270,633	72.0	352,321	75.8	403,062	77.3	79,919	77.1	115,995	81.1
Lens driver chips	75,041	20.0	84,745	18.2	88,350	16.9	17,421	16.8	14,122	9.9
NFC chips and others	30,064	8.0	27,622	6.0	30,200	5.8	6,325	6.1	12,863	9.0
Total	375,738	100.0	464,688	100.0	521,612	100.0	103,665	100.0	142,980	100.0

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Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by business line for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Non-volatile memory										
chips	291,055	51.8	533,668	60.2	666,437	62.3	152,150	65.6	131,517	53.1
Lens driver chips	12,122	13.9	20,265	19.3	25,572	22.4	3,924	18.4	2,497	15.0
NFC chips and others	24,562	45.0	9,656	25.9	7,663	20.2	1,327	17.3	3,000	18.9
Total/Overall	327,739	46.6	563,589	54.8	699,672	57.3	157,401	60.3	137,014	48.9

As a result of the foregoing, in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, we recorded gross profit of RMB327.7 million, RMB563.6 million, RMB699.7 million, RMB157.4 million and RMB137.0 million, respectively. Our overall gross margin was 46.6%, 54.8%, 57.3%, 60.3% and 48.9% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively.

For non-volatile memory chips, we recorded gross profit of RMB291.1 million, RMB533.7 million, RMB666.4 million, RMB152.2 million and RMB131.5 million, and gross margin of 51.8%, 60.2%, 62.3%, 65.6% and 53.1% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively.

For lens driver chips, we recorded gross profit of RMB12.1 million, RMB20.3 million, RMB25.6 million, RMB3.9 million and RMB2.5 million and gross margin of 13.9%, 19.3%, 22.4%, 18.4% and 15.0% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively.

For NFC chips and others, we recorded gross profit of RMB24.6 million, RMB9.7 million, RMB7.7 million, RMB1.3 million and RMB3.0 million, and gross margin of 45.0%, 25.9%, 20.2%, 17.3% and 18.9% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively.

The following table sets forth a breakdown of our gross profit and gross margin by region for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Chinese Mainland ⁽¹⁾	100,387	26.5	129,247	27.6	185,232	32.6	38,575	35.7	42,193	27.8
Macau, Hong Kong and Taiwan ⁽¹⁾	193,606	74.3	378,796	81.4	470,483	81.3	106,879	80.5	84,225	76.2
South Korea ⁽¹⁾	20,976	51.8	38,729	58.1	27,614	57.1	8,170	56.9	4,935	52.6
Other countries/ regions ⁽¹⁾⁽²⁾	12,769	54.8	16,818	61.0	16,344	62.2	3,777	64.3	5,661	68.2
Total/Overall	327,739	46.6	563,589	54.8	699,672	57.3	157,401	60.3	137,014	48.9

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Notes:

- (1) Based on locations where the customers are incorporated.
- (2) Comprising Vietnam, United States, Singapore, Germany, Japan, Thailand, Israel, Philippines and Indonesia.

The following table sets forth a breakdown of our gross profit and gross margin by sales channel for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Direct sales	170,300	77.4	382,092	80.7	475,186	80.0	113,376	80.5	78,709	70.7
Distribution	157,438	32.6	181,498	32.7	224,486	35.8	44,025	36.6	58,305	34.6
Total/Overall	327,739	46.6	563,589	54.8	699,672	57.3	157,401	60.3	137,014	48.9

Other Income and Gains

The following table sets forth a breakdown of our other income and gains for the years/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>(in thousands)</i>					
<i>(unaudited)</i>					
Other income					
Government grants . . .	14,522	9,550	3,130	547	381
Bank interest income . .	11,170	10,383	16,291	1,749	857
Interest income from time deposits	—	—	4,133	348	817
Additional VAT deduction	—	2,472	1,079	411	—
Reversal of write- down of inventories to net realisable value	—	—	—	—	1,311
Others	162	299	233	208	441
Total other income . . .	25,854	22,704	24,866	3,263	3,807
Other gains					
Foreign exchange differences, net	—	6,816	—	—	—
Gain on financial assets at fair value through profit or loss	4,698	23,192	33,241	19,526	4,016
Others	821	383	765	63	—
Total other gains	5,519	30,391	34,006	19,589	4,016
Total other income and gains	31,373	53,095	58,872	22,852	7,823

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In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, other income and gains amounted to RMB31.4 million, RMB53.1 million, RMB58.9 million, RMB22.9 million and RMB7.8 million, representing 4.5%, 5.2%, 4.8%, 8.8% and 2.8% of our total revenue, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses consisted of (i) salaries and remuneration, (ii) equity-settled share-based payment, (iii) entertainment expenses, (iv) commissions and service fees, (v) travel expenses, and (vi) other expenses. The following table sets forth a breakdown of our selling and marketing expenses for the years/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	%		
	(in thousands, except for percentages)											
	(unaudited)											
Salaries and												
Remuneration	21,093	42.7	25,798	46.5	24,123	51.4	5,026	51.4	5,054	38.9		
Equity-settled Share-												
based Payment	13,326	27.0	11,826	21.3	8,754	18.6	1,495	15.3	4,317	33.3		
Entertainment												
Expenses	4,379	8.9	5,099	9.2	4,355	9.3	1,318	13.5	1,222	9.4		
Commissions and												
Service Fees	5,858	11.9	7,027	12.7	3,892	8.3	824	8.4	834	6.4		
Travel Expenses	1,988	4.0	2,388	4.3	2,422	5.2	411	4.2	497	3.8		
Others ⁽¹⁾	2,724	5.5	3,389	6.0	3,426	7.2	702	7.2	1,053	8.2		
Total	49,368	100.0	55,527	100.0	46,972	100.0	9,776	100.0	12,977	100.0		

Note:

- (1) Mainly comprising depreciation and amortization costs, rental expenses, exhibition expenses, insurance expenses, office expenses and other miscellaneous expenses.

In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, our selling and marketing expenses amounted to RMB49.4 million, RMB55.5 million, RMB47.0 million, RMB9.8 million and RMB13.0 million, representing 7.0%, 5.4%, 3.8%, 3.7% and 4.6% of our total revenue, respectively.

Administrative Expenses

Our administrative expenses consisted of (i) salaries and remuneration, (ii) office expenses, (iii) taxes and surcharges, (iv) depreciation and amortization, (v) lease expense and depreciation of right-of-use assets, (vi) service fees, (vii) equity-settled share-based payment, (viii) bank service charges, and (ix) other expenses. The following table sets forth a breakdown of our administrative expenses for the years/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	%
	(in thousands, except for percentages)									
	(unaudited)									
Salaries and										
Remuneration	16,106	31.0	26,396	41.3	31,630	41.2	6,070	38.9	8,226	32.3

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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	%
	(in thousands, except for percentages)						(unaudited)			
Office Expenses	6,525	12.6	7,133	11.2	8,318	10.8	1,165	7.5	1,086	4.3
Taxes and Surcharges . .	6,149	11.9	6,866	10.8	6,979	9.1	1,643	10.5	3,180	12.5
Depreciation and Amortization	5,462	10.5	6,558	10.3	7,116	9.3	2,555	16.4	2,619	10.3
Lease Expense and Depreciation of Right-of-Use Assets . .	3,245	6.3	3,582	5.6	4,413	5.8	540	3.5	511	2.0
Service Fees	4,493	8.7	4,649	7.3	3,703	4.8	1,583	10.1	816	3.2
Equity-settled Share-based Payment	6,429	12.4	4,349	6.8	7,557	9.9	573	3.7	7,575	29.7
Bank Service Charges . .	264	0.5	220	0.3	328	0.4	55	0.4	181	0.7
Other Expenses ⁽¹⁾	3,215	6.1	4,094	6.4	6,641	8.7	1,438	9.0	1,277	5.0
Total	51,888	100.0	63,847	100.0	76,685	100.0	15,622	100.0	25,471	100.0

Note:

(1) Mainly comprising hospitality expenses, disability employment security funds, and other miscellaneous expenses.

In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, our administrative expenses amounted to RMB51.9 million, RMB63.8 million, RMB76.7 million, RMB15.6 million and RMB25.5 million, representing 7.4%, 6.2%, 6.3%, 6.0% and 9.1% of our total revenue, respectively.

Research and Development Expenses

Our research and development expenses consisted of (i) salaries and remuneration, (ii) material consumption cost, (iii) mask set cost, (iv) equity-settled share-based payment, (v) software license fee, and (vi) others. The following table sets forth a breakdown of our research and development expenses for the years/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	%
	(in thousands, except for percentages)						(unaudited)			
Salaries and Remuneration	75,656	47.0	101,713	57.9	117,076	56.3	27,143	66.1	30,332	45.5
Mask Set Cost	33,504	20.8	26,682	15.2	21,163	10.2	5,798	14.1	4,052	6.1
Material Consumption Cost	10,478	6.5	12,288	7.0	15,576	7.5	2,940	7.2	1,083	1.6
Equity-settled Share-based Payment	24,888	15.5	13,117	7.5	15,252	7.3	1,569	3.8	10,894	16.3
Software License Fee . .	6,587	4.1	8,635	4.9	8,285	4.0	1,677	4.1	1,767	2.6
Others ⁽¹⁾	9,694	6.1	13,175	7.5	30,463	14.7	1,914	4.7	18,604	27.9
Total	160,807	100.0	175,610	100.0	207,815	100.0	41,041	100.0	66,732	100.0

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Note:

- (1) Mainly comprising outsourced research expenses, testing expenses, travelling expenses and other miscellaneous expenses.

In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, our research and development expenses amounted to RMB160.8 million, RMB175.6 million, RMB207.8 million, RMB41.0 million and RMB66.7 million, representing 22.9%, 17.1%, 17.0%, 15.7% and 23.8% of our total revenue, respectively.

Other Expenses

Our other expenses consisted of (i) foreign exchange differences, net, (ii) donations, (iii) write-down of inventories to net realizable value and (iv) others. The following table sets forth a breakdown of our other expenses for the years/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
			(in thousands)	(unaudited)	
Foreign exchange differences, net	925	–	10,910	222	6,860
Donations	2,000	3,800	100	–	–
Write-down of inventories to net realisable value	7,640	17,017	30,972	8,804	–
Others	563	207	648	21	37
Total	11,128	21,024	42,630	9,047	6,897

In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, our other expenses amounted to RMB11.1 million, RMB21.0 million, RMB42.6 million, RMB9.0 million and RMB6.9 million, representing 1.6%, 2.0%, 3.5%, 3.5% and 2.5% of our total revenue, respectively.

Finance Costs

Our finance costs represented interest we incurred on lease liabilities. In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, our finance costs were RMB0.4 million, RMB0.3 million, RMB0.3 million, RMB73 thousand and RMB45 thousand, respectively.

Reversal of Impairment Losses/(Impairment Losses) on Financial Assets, Net

Our reversal of impairment losses/(impairment losses) on financial assets, net primarily are in relation to provisions we made for bad debt on trade and bills receivables, based on assessment of our customers’ ability to make payments to us when they became due. In 2023, we recorded a net reversal of impairment losses on financial assets of RMB0.7 million. In 2024 and 2025, we recognized net impairment losses on financial assets of RMB40.0 thousand and RMB0.8 million, respectively. We recorded a net impairment losses on financial assets of RMB0.2 million for the three months ended March 31, 2025, and a net reversal of impairment losses on financial assets of RMB0.1 million for the three months ended March 31, 2026.

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Share of Losses of Associates

In 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026, due to the net loss of associates, we recorded our share of losses of associates of RMB1.6 million, RMB1.7 million, RMB3.6 million, RMB0.6 million and RMB0.6 million, respectively.

Income Tax (Expenses)/Credit

In 2023, 2024 and 2025, we recorded income tax expense of RMB2.0 million, RMB22.5 million and RMB23.9 million, respectively. We recorded income tax expense of RMB6.5 million for the three months ended March 31, 2025, and income tax credit of RMB0.3 million for the three months ended March 31, 2026.

Chinese Mainland

Effective on January 1, 2008, our Company and our subsidiaries registered in Chinese Mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law, except for our Company and following subsidiaries which are entitled to tax preferential treatment set out below:

According to the announcement on preferential corporate income tax policies for integrated circuit and software industries, the Company was entitled to a preferential tax rate of 10% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026. Such qualification is subject to review by the relevant PRC governmental authorities every year. Shanghai Judong Semiconductor Co., Ltd. was accredited as a “High and New Technology Enterprise” and therefore entitled to a preferential corporate income tax rate of 15% in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026. Such qualification is subject to review by the relevant PRC governmental authorities every three years.

During the Track Record Period, our Company was entitled to claim 220% of our qualified research and development expenses as tax deductible expenses. One of our subsidiaries was entitled to claim 200% of its qualified research and development expenses as tax deductible expenses.

Hong Kong

Our subsidiary located in Hong Kong which is a qualifying entity is subject to the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5% in 2023, 2024, 2025 and for the three months ended March 31, 2025 and 2026.

The United States

Our subsidiary incorporated in the United States was subject to federal and state corporate income taxes at the rates of 21% and 8.84% of taxable income, respectively, for 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026.

Singapore

Our subsidiary located in Singapore was subject to corporate income tax at a tax rate of 17% during 2024, 2025 and the three months ended March 31, 2025 and 2026.

Net Profit

As a result, we recorded profit for the year/period of RMB82.7 million, RMB276.0 million and RMB355.8 million, RMB97.4 million and RMB32.5 million in 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, respectively. For details, see “— Period to Period Comparison of Results of Operations.”

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 7.3% from RMB261.1 million for the three months ended March 31, 2025 to RMB280.0 million for the three months ended March 31, 2026, primarily driven by increased sales of (i) automotive-grade memory chips and industrial-grade memory chips, mainly attributable to our deeper market penetration due to continuous market expansion efforts and technological advancements, as well as orders we secured from leading international automotive brands; and (ii) NFC chips, as we expanded into new application scenarios.

Cost of sales

Our cost of sales increased by 37.9% from RMB103.7 million for the three months ended March 31, 2025 to RMB143.0 million for the three months ended March 31, 2026, mainly attributable to changes in our product sales mix.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit decreased by 13.0% from RMB157.4 million for the three months ended March 31, 2025 to RMB137.0 million for the three months ended March 31, 2026. Our gross margin decreased from 60.3% for the three months ended March 31, 2025 to 48.9% for the three months ended March 31, 2026.

Other income and gains

Our other income and gains decreased by 65.8% from RMB22.9 million for the three months ended March 31, 2025 to RMB7.8 million for the three months ended March 31, 2026, primarily due to a decrease in gains we recorded from financial assets at fair value through profit or loss.

Selling and marketing expenses

Our selling and marketing expenses increased by 32.7% from RMB9.8 million for the three months ended March 31, 2025 to RMB13.0 million for the three months ended March 31, 2026, primarily due to an increase in equity-settled share-based compensation provided to our sales personnel.

Administrative expenses

Our administrative expenses increased by 63.0% from RMB15.6 million for the three months ended March 31, 2025 to RMB25.5 million for the three months ended March 31, 2026, mainly driven by an increase in equity-settled share-based compensation provided to our administrative staff.

Research and development expenses

Our research and development expenses increased by 62.6% from RMB41.0 million for the three months ended March 31, 2025 to RMB66.7 million for the three months ended March 31, 2026, primarily due to an increase in equity-settled share-based compensation provided to our R&D personnel and increased expenses from our collaborative R&D projects.

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Other expenses

Our other expenses decreased by 23.8% from RMB9.0 million for the three months ended March 31, 2025 to RMB6.9 million for the three months ended March 31, 2026, primarily due to reduced provisions we made for inventory write-down as a result of our continuously improving inventory management, partially offset by increased net foreign exchange differences.

Finance costs

Our finance costs remained relatively stable at RMB73 thousand and RMB45 thousand for the three months ended March 31, 2025 and 2026, respectively.

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded net impairment losses on financial assets of RMB0.2 million for the three months ended March 31, 2025 and a net reversal of RMB0.1 million for the three months ended March 31, 2026, mainly as a result of successful collection of outstanding amounts from customers.

Share of losses of associates

Our share of losses of associates remained relatively stable at RMB0.6 million for each of the three months ended March 31, 2025 and 2026, reflecting the net results of our associates.

Income tax (expense)/credit

We record income tax expenses of RMB6.5 million for the three months ended March 31, 2025, in line with our profit before taxation. We recognized income tax credit of RMB0.3 million for the three months ended March 31, 2026, primarily attributable to R&D tax credits we earned from our expanded R&D activities.

Profit for the period

As a result of the foregoing, our profit for the period decreased by 66.6% from RMB97.4 million for the three months ended March 31, 2025 to RMB32.5 million for the three months ended March 31, 2026.

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

Revenue

Our revenue increased by 18.8% from RMB1,028.3 million in 2024 to RMB1,221.3 million in 2025, primarily attributable to increased revenue contribution from (i) SPD chips, driven by the accelerated adoption of servers, PCs and AI infrastructure, (ii) automotive-grade chips driven by intelligent transportation and domestic sourcing by automotive OEMs, and (iii) industrial-grade memory chips, mainly driven by the growth in demand from industrial control applications. The number of our customers grew steadily, accompanied by increases in average order volume.

Cost of sales

Our cost of sales increased by 12.2% from RMB464.7 million in 2024 to RMB521.6 million in 2025, mainly attributable to a combined effect of our overall increase in product sales and change in product mix, resulting in a relatively moderate increase of cost of sales.

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Gross profit and gross margin

As a result of the foregoing, our overall gross profit increased by 24.1% from RMB563.6 million in 2024 to RMB699.7 million in 2025. Our gross margin increased from 54.8% in 2024 to 57.3% in 2025, mainly due to increased revenue contribution from non-volatile memory chips which carry a higher gross margin, particularly, memory module supporting chips, automotive-grade and industrial-grade memory chips.

Other income and gains

Our other income and gains increased by 10.9% from RMB53.1 million in 2024 to RMB58.9 million in 2025, primarily due to gains we recorded from disposal of equity securities.

Selling and marketing expenses

Our selling and marketing expenses decreased by 15.4% from RMB55.5 million in 2024 to RMB47.0 million in 2025, primarily due to a decrease of equity-settled share-based compensation provided to our sales personnel and a decrease in commission fees we paid in relation to our sales activities.

Administrative expenses

Our administrative expenses increased by 20.1% from RMB63.8 million in 2024 to RMB76.7 million in 2025, generally in line with our business expansion.

Research and development expenses

Our research and development expenses increased by 18.3% from RMB175.6 million in 2024 to RMB207.8 million in 2025, primarily due to an increase in salaries and remuneration provided to our R&D personnel and increased investment in R&D projects, resulting from our increased R&D activities to support our business expansion.

Other expenses

Our other expenses increased by 102.8% from RMB21.0 million in 2024 to RMB42.6 million in 2025, primarily due to (i) the provision we made for write-down of inventories to net realizable value as our inventory scale expanded, and (ii) a net foreign exchange loss due to exchange rate fluctuations.

Finance costs

Our finance costs remained relatively stable at RMB0.3 million and RMB0.3 million in 2024 and 2025, respectively.

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded net impairment losses on financial assets of RMB40.0 thousand and RMB0.8 million in 2024 and 2025, respectively, mainly as a result of a higher provision we made for bad debt due to the growth in trade receivables along with our expanded product sales.

Share of Loss of an Associate

Our share of loss of an associate increased from RMB1.7 million in 2024 to RMB3.6 million in 2025, mainly due to the net result of the associate.

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Income tax expenses

Our income tax expenses increased by 6.3% from RMB22.5 million in 2024 to RMB23.9 million in 2025, in line with changes in our profit before taxation.

Profit for the year

As a result of the foregoing, our profit for the year increased by 28.9% from RMB276.0 million in 2024 to RMB355.8 million in 2025, primarily driven by increased revenue contribution from SPD chips, automotive-grade chips and industrial-grade memory chips.

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

Revenue

Our revenue significantly increased by 46.2% from RMB703.5 million in 2023 to RMB1,028.3 million in 2024, primarily attributable to increased revenue contribution from (i) SPD chips, driven by the accelerated adoption of servers and AI infrastructure, (ii) expanded sales of our automotive-grade chips driven by intelligent transportation and domestic sourcing by automotive OEMs, and (iii) industrial-grade memory chips, mainly driven by the growth in demand from industrial control applications. The number of our customers grew steadily, accompanied by increases in average order volume.

Cost of sales

Our cost of sales increased by 23.7% from RMB375.7 million in 2023 to RMB464.7 million in 2024, generally in line with our increased product sales.

Gross profit and gross margin

As a result of the foregoing, our gross profit remarkably increased by 72.0% from RMB327.7 million in 2023 to RMB563.6 million in 2024, reflecting the rapid growth of our sales during the period. Our gross margin increased from 46.6% in 2023 to 54.8% in 2024, mainly due to increased revenue contribution from non-volatile memory chips which carry a higher gross margin, particularly, memory module supporting chips, automotive-grade and industrial-grade memory chips.

Other income and gains

Our other income and gains increased by 69.2% from RMB31.4 million in 2023 to RMB53.1 million in 2024, primarily due to (i) a gain from fair value change of financial assets we held, and (ii) a net gain from foreign exchange differences, partially offset by a decrease in government grant, reflecting the timing of payment.

Selling and marketing expenses

Our selling and marketing expenses increased by 12.5% from RMB49.4 million in 2023 to RMB55.5 million in 2024, mainly due to an increase in salaries and remuneration provided to our sales personnel as a result of our expanded product sales.

Administrative expenses

Our administrative expenses increased by 23.0% from RMB51.9 million in 2023 to RMB63.8 million in 2024, mainly driven by the increase in salaries and remuneration provided to our administrative staff, along with our business expansion.

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Research and development expenses

Our research and development expenses increased by 9.2% from RMB160.8 million in 2023 to RMB175.6 million in 2024, primarily due to an increase in R&D headcount to support our increased R&D activities.

Other expenses

Our other expenses increased by 88.9% from RMB11.1 million in 2023 to RMB21.0 million in 2024, primarily due to the provision we made for write-down of inventories to net realisable value as our inventory scale expanded.

Finance costs

Our finance costs remained relatively stable with a slight decrease at RMB0.4 million and RMB0.3 million in 2023 and 2024, respectively.

Reversal of impairment losses/(impairment losses) on financial assets, net

We recorded a net reversal of previously recognized impairment losses on financial assets in 2023, due to successful collection of outstanding amounts from customers. We recognized net impairment losses on financial assets of RMB40.0 thousand in 2024, mainly as a result of a higher provision we made for bad debt due to the growth in trade receivables along with our expanded product sales.

Share of Losses of Associates

Our share of losses of associates remained relatively stable at RMB1.6 million and RMB1.7 million in 2023 and 2024, reflecting the net results of our associates.

Income tax expenses

We recognized income tax expenses of RMB2.0 million in 2023 and RMB22.5 million in 2024, in line with changes in our profit before taxation.

Profit for the year

As a result of the foregoing, our profit for the year saw a marked increase by 233.8% from RMB82.7 million in 2023 to RMB276.0 million in 2024, primarily driven by increased revenue contribution from SPD chips, automotive-grade chips and industrial-grade memory chips.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

	As of December 31,			As of March 31,	As of June 30,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
					(unaudited)
	(in thousands)				
<i>Current assets</i>					
Inventories	225,180	243,376	282,410	303,384	342,613

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	As of December 31,			As of March 31,	As of June 30,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
					(unaudited)
	(in thousands)				
Trade and bills receivables	143,977	140,910	161,055	160,352	171,886
Prepayments, other receivables and other assets	48,428	77,123	46,912	57,560	61,456
Prepaid income tax .	1,575	–	2,235	2,076	5,905
Financial assets at fair value through profit or loss	716,280	878,369	782,179	691,466	1,364,406
Time deposits	–	–	239,077	337,162	357,310
Cash and bank balances	592,822	577,701	711,171	694,752	422,199
Total current assets . .	1,728,262	1,917,479	2,225,039	2,246,752	2,725,775
<i>Current liabilities</i>					
Trade payables	64,797	63,742	94,062	94,325	105,424
Contract liabilities . .	736	2,152	491	1,539	2,348
Other payables and accruals	28,054	52,066	59,286	28,938	40,204
Lease liabilities	3,167	4,798	3,788	3,089	2,716
Tax payable	–	10,208	7,631	2,762	–
Total current liabilities	96,754	132,966	165,258	130,653	150,692
Net current assets . . .	1,631,508	1,784,513	2,059,781	2,116,099	2,575,083

We had net current assets positions as of December 31, 2023, 2024, 2025 and as of March 31, 2026 and June 30, 2026.

Our net current assets increased from RMB1,631.5 million as of December 31, 2023 to RMB1,784.5 million as of December 31, 2024, mainly due to (i) an increase in financial assets at fair value through profit or loss of RMB162.1 million, (ii) an increase in prepayments, other receivables and other assets of RMB28.7 million and (iii) an increase in inventories of RMB18.2 million, partially offset by (i) an increase in other payables and accruals of RMB24.0 million, (ii) a decrease of cash and bank balances of RMB15.1 million and (iii) an increase in tax payable of RMB10.2 million.

Our net current assets increased from RMB1,784.5 million as of December 31, 2024 to RMB2,059.8 million as of December 31, 2025, mainly due to (i) an increase in cash and bank balances of RMB133.5 million, (ii) an increase in time deposits of RMB239.1 million, (iii) an increase in trade and bills receivables of RMB20.1 million, (iv) an increase in inventories of RMB39.0 million, partially offset by (i) a decrease of financial assets at fair value through profit or loss of RMB96.2 million, (ii) a decrease of prepayments, other receivables and other assets of RMB30.2 million, (iii) an increase in trade payables of RMB30.3 million, and (iv) an increase in other payables and accruals of RMB7.2 million.

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Our net current assets increased from RMB2,059.8 million as of December 31, 2025 to RMB2,116.1 million as of March 31, 2026, mainly due to (i) an increase in time deposits of RMB98.1 million, (ii) a decrease in other payables and accruals of RMB30.3 million, (iii) an increase in inventories of RMB21.0 million, and (iv) an increase in prepayments, other receivables and other assets of RMB10.6 million, partially offset by (i) a decrease of financial assets at fair value through profit or loss of RMB90.7 million and (ii) a decrease of cash and bank balances of RMB16.4 million.

Our net current assets further increased from RMB2,116.1 million as of March 31, 2026 to RMB2,575.1 million as of June 30, 2026, mainly due to (i) an increase in financial assets at fair value through profit or loss of RMB672.9 million, (ii) an increase in inventories of RMB39.2 million, (iii) an increase in time deposits of RMB20.1 million, partially offset by a decrease of cash and bank balances of RMB272.6 million.

Non-Current Assets and Non-Current Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
<i>Non-current assets</i>				
Property, plant and equipment	213,229	230,974	252,075	254,448
Right-of-use assets	8,313	9,943	7,309	5,598
Intangible assets	9,823	7,517	12,580	10,102
Financial assets at fair value through profit or loss	34,240	44,590	69,444	70,077
Other non-current assets . . .	1,226	5,692	9,492	7,604
Deferred tax assets	13,470	13,806	13,402	15,499
Investment in associates . . .	6,156	4,435	25,428	23,426
Equity investments designated at fair value through other comprehensive income . . .	35,493	70,881	132,895	134,284
Total non-current assets	321,950	387,838	522,625	521,038
<i>Non-current liabilities</i>				
Deferred income	4,477	4,891	3,875	3,500
Lease liabilities	5,093	4,939	3,330	2,333
Deferred tax liabilities	45	20	28	38
Other payables	1,232	455	3,043	2,996
Total non-current liabilities . .	10,847	10,305	10,276	8,867

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Inventories

Our inventories mainly include (i) raw materials, (ii) finished goods, (iii) materials consigned for processing (iv) semi-finished goods, and (v) goods in transit. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Raw materials	62,328	65,761	50,275	75,803
Finished goods	54,407	69,709	102,894	100,407
Materials consigned for processing	45,792	57,000	80,385	80,861
Semi-finished goods	62,653	50,582	47,114	44,528
Goods in transit	—	324	1,742	1,785
Total	225,180	243,376	282,410	303,384

Our inventories increased from RMB225.2 million as of December 31, 2023 to RMB243.4 million as of December 31, 2024. Our inventories further increased to RMB282.4 million as of December 31, 2025 and to RMB303.4 million as of March 31, 2026. The increases in our inventories were in line with our plan to adjust our inventory level to dynamically adapt to the increased market demand.

While we proactively raised our inventory level to meet the rising market demand during the Track Record Period, we provided for impairment when inventory reached predetermined age thresholds and when net realizable value, determined by reference to order prices or prevailing market prices, fell below cost, resulting in increased write-down of inventories.

The table below sets forth a breakdown of our inventories by business line as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Non-volatile memory chips ⁽¹⁾ .	189,468	207,488	240,140	257,197
Lens driver chips	18,128	21,564	33,548	32,656
NFC chips and others ⁽²⁾	17,584	14,324	8,722	13,530
Total	225,180	243,376	282,410	303,384

Notes:

- (1) Comprising memory module supporting chips highlighted by SPD chips in DDR memory modules, high-reliability memory chips for automotive electronics and industrial control, and memory chips for consumer electronics.
- (2) Other products mainly comprises of TS chips.

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The following is an aging analysis of our inventories:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Inventories				
Up to 1 year	214,083	234,708	282,198	299,158
Over 1 year	55,763	70,451	92,784	92,759
Write-down of inventories to net realisable value	(44,666)	(61,783)	(92,572)	(88,533)
Total	<u>225,180</u>	<u>243,376</u>	<u>282,410</u>	<u>303,384</u>

The following table sets forth our inventory turnover days for the year/period indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Inventory turnover days ⁽¹⁾	<u>252</u>	<u>226</u>	<u>238</u>	<u>241</u>

Note:

- (1) Calculated as the average of beginning and ending balance of inventories for the year/period divided by cost of sales for that period and multiplied by 365 days or 90 days, as applicable.

Our inventory turnover days decreased from 252 days in 2023 to 226 days in 2024, reflecting the increased market demand. Our inventory turnover days increased to 238 days in 2025, mainly due to our active raising inventory level to safeguard against potential market fluctuations. Our inventory turnover days increased slightly to 241 days in the three months ended March 31, 2026 due to our proactive stocking up raw materials in light of growing demand for NOR Flash. According to Frost & Sullivan, our industry turnover days is in line with industry norm for comparable fabless companies.

As of June 30, 2026, we had used or sold approximately RMB188.3 million, or 48.0% of our balance of inventories as of March 31, 2026. The level of utilization and sales of inventories subsequent to the Track Record Period and up to June 30, 2026 was consistent with our normal operating cycle and inventory turnover days, and reflects the timing of customer orders and our product delivery schedules. Given (1) the recovering market condition, recent contract prices of our products, and the aging and status of inventories, (2) the subsequent utilization rate of inventories, which is consistent with our normal business practices, and (3) our continuous efforts in product and supply chain management, we do not consider there to be a material risk of inventory impairment, and consider our existing provisions for inventories are sufficient to cover any potential losses.

We have a relatively long cash conversion cycle. Our cash conversion cycle, calculated as inventory turnover days in each period plus the trade receivables turnover days in the respective period minus the trade payables turnover days in the respective period, was 268 days, 222 days 225 days and 229 days in 2023, 2024, 2025 and the three months ended March 31, 2026, respectively, which was largely driven by our inventory turnover days for the same periods. We have implemented, and will continue to implement, a range of measures to manage our cash conversion cycle. We adopt proactive inventory management measures to maintain our inventory at an optimal level, including adjusting our stocking volume in line with anticipated demand, engaging in

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collaborative planning with our suppliers, adopting a forecasting and replenishment model, and enhancing the visualization of our orders, so as to improve our inventory turnover efficiency. For further details, see “Business — Inventory Management.” We also proactively negotiate with our customers and suppliers to optimize our credit terms and thereby improve our overall cash flow position.

Trade and Bills Receivables

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Trade receivables	132,100	133,645	146,560	145,672
Bills receivables	15,840	11,274	19,075	19,114
Less: Allowance for credit losses	(3,963)	(4,009)	(4,580)	(4,434)
Total	<u>143,977</u>	<u>140,910</u>	<u>161,055</u>	<u>160,352</u>

Our trade and bills receivables slightly decreased from RMB144.0 million as of December 31, 2023 to RMB140.9 million as of December 31, 2024 mainly due to fluctuations in settlement of our bill receivables. Our trade and bills receivables increased from RMB140.9 million as of December 31, 2024 to RMB161.1 million as of December 31, 2025, mainly in line with our expanded product sales during the Track Record Period. Our trade and other receivables remained relatively stable at RMB160.4 million as of March 31, 2026.

During the Track Record Period, our trade and bills receivables were generally due within one year. The following table sets forth our trade receivables turnover days for the years/period indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Trade receivables turnover days ⁽¹⁾	<u>74</u>	<u>47</u>	<u>42</u>	<u>47</u>

Note:

- (1) Calculated as the average of beginning and ending balance of trade receivables for the year/period divided by revenue for that year/period and multiplied by 365 days or 90 days, as applicable.

Our trade receivables turnover days were 74 days, 47 days and 42 days in 2023, 2024 and 2025 respectively, mainly attributable to a higher contribution from our customers with a shorter credit term. Our trade receivables turnover days slightly increased to 47 days in the three months ended March 31, 2026, which was generally within the normal fluctuation of our collection cycle.

As of June 30, 2026, approximately RMB145.5 million, or 99.9% of our trade receivables as of March 31, 2026 had been subsequently settled.

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Prepayments, Other Receivables and Other Assets

The following table sets forth 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,
	RMB	RMB	RMB	2026
	(in thousands)			RMB
Prepayments	32,331	57,552	17,851	21,144
Value-added tax recoverable . .	14,734	17,644	17,076	13,143
Listing expenditures	—	—	9,893	21,308
Deposits	1,435	1,718	1,895	1,629
Other receivables	1,113	1,411	444	571
Less: Impairment losses	(1,185)	(1,202)	(247)	(235)
Total	48,428	77,123	46,912	57,560

Our prepayments, other receivables and other assets increased from RMB48.4 million as of December 31, 2023 to RMB77.1 million as of December 31, 2024, which was primarily as a result of the increase in advances to suppliers from RMB32.3 million as of December 31, 2023 to RMB57.6 million as of December 31, 2024, in line with our increased procurement in response to rising customer demand. Our prepayments, other receivables and other assets decreased from RMB77.1 million as of December 31, 2024 to RMB46.9 million as of December 31, 2025, primarily attributable to the shorter payment cycles of our prepayments. Our prepayments, other receivables and other assets increased from RMB46.9 million as of December 31, 2025 to RMB57.6 million as of March 31, 2026, primarily attributable to our increased [REDACTED] expenditures in relation to this [REDACTED].

Time Deposits

We had time deposits of nil, nil, RMB239.1 million and RMB337.2 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. The time deposits were held to earn interest income.

As of June 30, 2026, our time deposits amounted to RMB357.3 million.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of buildings, machinery, electronic equipment, vehicles, other equipment and construction in progress. The following table sets forth details of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	RMB	RMB	RMB	2026
	(in thousands)			RMB
Buildings	158,651	153,521	148,077	146,716
Motor Vehicles	337	580	852	795
Machinery	38,908	62,085	94,322	97,345
Electronic equipment	5,170	6,016	6,704	7,817
Other equipment	1,668	1,325	947	850
Leasehold improvements	856	958	1,173	925
Construction in progress	7,639	6,489	—	—
Total	213,229	230,974	252,075	254,448

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Our property, plant and equipment increased from RMB213.2 million as of December 31, 2023 to RMB231.0 million as of December 31, 2024, and further increased to RMB252.1 million as of December 31, 2025, primarily as a result of our acquisition and completion of the installation of testing machinery for our business expansion which was generally in line with the growth of our revenue. Our property, plant and equipment slightly increased from RMB252.1 million as of December 31, 2025 to RMB254.4 million as of March 31, 2026, mainly as a result of further addition of testing machinery.

Right-of-use Assets

Our right-of-use assets mainly consist of buildings we leased for our operations. Our right-of-use assets increased from RMB8.3 million as of December 31, 2023 to RMB9.9 million as of December 31, 2024, primarily attributable to buildings we newly leased, partially offset by termination and revision of leases and depreciation provided during the year. Our right-of-use assets decreased from RMB9.9 million as of December 31, 2024 to RMB7.3 million as of December 31, 2025, and further decreased to RMB5.6 million as of March 31, 2026, mainly as a result of ongoing depreciation over the lease terms.

Intangible Assets

Our intangible assets primarily consist of software. Our intangible assets decreased from RMB9.8 million as of December 31, 2023 to RMB7.5 million as of December 31, 2024, and increased from RMB7.5 million as of December 31, 2024 to RMB12.6 million as of December 31, 2025, largely due to the acquisition of software in support of our operations. Our intangible assets decreased from RMB12.6 million as of December 31, 2025 to RMB10.1 million as of March 31, 2026, mainly as a result of amortization of software charged during the period.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss mainly represent our investments in the structured deposits, listed securities and private equity fund. The following table sets forth details of our financial assets at fair value through profit or loss as of the dates indicated:

	As at December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Current:				
Structured deposits	634,030	789,004	782,179	691,466
Listed equity investment	82,250	89,365	—	—
Subtotal	716,280	878,369	782,179	691,466
Non-current:				
Private equity fund	34,240	44,590	69,444	70,077
Total	750,520	922,959	851,623	761,543

Our financial assets at fair value through profit or loss increased from RMB750.5 million as of December 31, 2023 to RMB923.0 million as of December 31, 2024, primarily attributable to an increase in acquisition of structured deposits in 2024. Our financial assets at fair value through profit or loss decreased from RMB923.0 million as of December 31, 2024 to RMB851.6 million as of December 31, 2025, primarily due to disposal of equity investments in listed securities. Our financial assets at fair value through profit or loss decreased from RMB851.6 million as of December 31, 2025 to RMB761.5 million as of March 31, 2026, mainly due to maturity of certain structured deposits.

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To monitor and control the investment risks in our financial assets at fair value through profit or loss, we have adopted a structured internal review mechanism to manage our investment and the Board or personnel designated by the Board closely supervise our decision process. Routine investments in our ordinary course of business are reviewed by Mr. ZHANG Jianchen, our general manager, Ms. YANG Yi, our chief financial officer and certain other members of our management team. See “Directors and Senior Management” for a detailed description of Mr. Zhang’s and Ms. Yang’s qualifications and credentials. Investments involving higher levels of risk are subject to the approval of our chairman of the Board, Mr. CHEN Zuotao. More important strategic investments are considered and reviewed by the Strategy Committee of our Board. If the Strategy Committee views a potential investment is of particular significance to us, the investment proposal will be submitted to the Board for detailed review, and the Board will further submit it to the shareholders’ meeting for approval in the event that the potential opportunity falls beyond the authority of the Board. Our investment strategy related to financial assets at fair value through profit or loss focuses on managing the financial risks by reasonably and conservatively matching the estimated return on assets to anticipated our operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We make investment decisions related to our financial assets at fair value through profit or loss on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of the investment managers, our own working capital conditions, and the expected profit or potential loss of the investment. The Group will comply with Chapter 14 of the Rules when making such investments after the [REDACTED].

Other Non-current Assets

Our other non-current assets primarily consist of prepayment for property, plant and equipment. Our other non-current assets increased from RMB1.2 million as of December 31, 2023 to RMB5.7 million as of December 31, 2024, and further increased to RMB9.5 million as of December 31, 2025, primarily due to the increase in our spending on property, plant and equipment for our business expansion. Our other non-current assets decreased from RMB9.5 million as of December 31, 2025 to RMB7.6 million as of March 31, 2026, mainly due to capitalization of advances into relevant machinery assets upon completion of installation during the period.

Equity Investments Designated at Fair Value Through Other Comprehensive Income

Our equity investments designated at fair value through other comprehensive income mainly consist of our non-listed equity investments at fair value. Our equity investments designated at fair value through other comprehensive income increased from RMB35.5 million as of December 31, 2023 to RMB70.9 million as of December 31, 2024 and further increased to RMB132.9 million as of December 31, 2025, primarily due to the increase in the fair value of our investee companies. Our equity investments designated at fair value through other comprehensive income increased from RMB132.9 million as of December 31, 2025 to RMB134.3 million as of March 31, 2026, mainly due to the reclassification of an investment previously accounted for as associate investment.

Investment in Associates

Our investment in associates represents our equity interest in an unlisted company. Our investment in associates decreased from RMB6.2 million as of December 31, 2023 to RMB4.4 million as of December 31, 2024, mainly due to the loss incurred by our associate. Our investment in associates increased from RMB4.4 million as of December 31, 2024 to RMB25.4 million as of December 31, 2025, mainly due to the investment in equity interest in Shenzhen Gencun in 2025. Our investment in associates decreased from RMB25.4 million as of December 31, 2025 to RMB23.4 million as of March 31, 2026, mainly as a result of the reclassification of our associate investment in Jiangsu Xiqian to equity investment designated at fair value through other comprehensive income following the dilution of our shareholding.

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Trade Payables

Our trade payables represent outstanding amounts due to suppliers. Our trade payables remained relatively stable at RMB64.8 million as of December 31, 2023 and RMB63.7 million as of December 31, 2024. Our trade payables increased from RMB63.7 million as of December 31, 2024 to RMB94.1 million as of December 31, 2025, mainly driven by higher procurement in response to increased customer demand. Our trade payables remained relatively stable at RMB94.3 million as of March 31, 2026.

As of June 30, 2026, approximately RMB91.2 million, or 96.7% of our trade payables as of March 31, 2026 had been settled.

The following is an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	RMB	RMB	RMB	2026
	(in thousands)			RMB
Trade payables				
Up to 1 year	64,797	63,459	94,004	94,276
Over 1 year	–	283	58	49
Total	64,797	63,742	94,062	94,325

During the Track Record Period, over 99% of our trade payables were outstanding for less than one year, which was largely in line with the credit periods granted to us by our suppliers.

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

	For the year ended December 31,			For the three
	2023	2024	2025	months ended
				March 31,
				2026
Trade payables turnover				
days ⁽¹⁾	58	51	55	59

Note:

- (1) Calculated as the average of beginning and ending balance of trade payables for the period divided by cost of sales for that period and multiplied by 365 days or 90 days, as applicable.

Our trade payables turnover days were 58 days, 51 days, 55 days and 59 days in 2023, 2024, 2025 and the three months ended March 31, 2026, respectively, which was generally aligned with payment terms our suppliers and us agreed upon.

Contract Liabilities

Our contract liabilities represent the liabilities recognised when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services, primarily consisting of advances on sales of products.

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Our contract liabilities increased from RMB0.7 million as of December 31, 2023 to RMB2.2 million as of December 31, 2024, primarily due to our increased revenue. Our contract liabilities decreased from RMB2.2 million as of December 31, 2024 to RMB0.5 million as of December 31, 2025, mainly due to the fulfillment of our performance obligations owed to our customers during the period. Our contract liabilities increased from RMB0.5 million as of December 31, 2025 to RMB1.5 million as of March 31, 2026, mainly due to advance payments we received from our customers in line with our revenue growth.

As of June 30, 2026, approximately RMB1.5 million, or 96.7% of our contract liabilities as of March 31, 2026 were subsequently recognized as revenue.

Other Payables and Accruals

Other payables and accruals primarily consist of payroll and welfare payables, other tax payables and payables for purchase of property, plant and equipment and intangible assets.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Current portion				
Payroll and welfare payables . .	20,450	45,350	46,790	19,296
Other tax payables	1,812	2,702	1,829	2,813
Payables for purchase of property, plant and equipment	799	1,247	498	835
Payables for purchase of intangible assets	3,944	1,706	3,489	3,434
Others	1,049	1,061	6,680	2,560
Total current portion	28,054	52,066	59,286	28,938
Non-current portion				
Payables for purchase of intangible assets	1,232	455	3,043	2,996
Total non-current portion	1,232	455	3,043	2,996
Total	29,286	52,521	62,329	31,934

Other payables and accruals increased from RMB29.3 million as of December 31, 2023 to RMB52.5 million as of December 31, 2024, primarily due to the year-end bonus for 2024 we accrued for our employees as we experienced significant growth during the year. Other payables and accruals increased from RMB52.5 million as of December 31, 2024 to RMB62.3 million as of December 31, 2025, primarily due to the expenses we incurred in relation to the [REDACTED] and our purchase of intangible assets in support of our business expansion. Other payables and accruals decreased from RMB62.3 million as of December 31, 2025 to RMB31.9 million as of March 31, 2026, mainly due to settlement of 2025 year-end employee bonuses.

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Lease Liabilities

Our lease liabilities are mainly related to buildings we leased for our operations.

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

	As of December 31,			As of
	2023	2024	2025	March 31,
	RMB	RMB	RMB	RMB
	(in thousands)			
Current	3,167	4,798	3,788	3,089
Non-current	5,093	4,939	3,330	2,333
Total	8,260	9,737	7,118	5,422

Our lease liabilities, current increased from RMB3.2 million as of December 31, 2023 to RMB4.8 million as of December 31, 2024, and decreased to RMB3.8 million as of December 31, 2025, primarily because of the combined effects of new leases, lease payments, re-classification from the non-current portion to the current portion in accordance with the contract term, and termination and revision of leases. Lease liabilities, current further decreased from RMB3.8 million as of December 31, 2025 to RMB3.1 million as of March 31, 2026, mainly due to payments for our leased assets.

Our lease liabilities, non-current decreased from RMB5.1 million as of December 31, 2023 to RMB4.9 million as of December 31, 2024 and further decreased to RMB3.3 million as of December 31, 2025, primarily due to our payments for the leased assets and re-classification from the non-current portion to the current portion in accordance with the contract term accordingly. Lease liabilities, non-current further decreased from RMB3.3 million as of December 31, 2025 to RMB2.3 million as of March 31, 2026, mainly due to reclassification of certain lease liabilities from the non-current portion to the current portion.

Deferred Income

Deferred income consists of government grants. Government grants consist of incentive and other subsidies to support a high-tech enterprise. There are no unfulfilled conditions related to these government grants.

Our deferred income was RMB4.5 million as of December 31, 2023, RMB4.9 million as of December 31, 2024, RMB3.9 million as of December 31, 2025 and RMB3.5 million as of March 31, 2026, respectively, representing the offsetting result of newly received government grants and recognition of government grants previously received into other income during the respective year/period.

KEY FINANCIAL RATIOS

	As of December 31,			As of
	2023	2024	2025	March 31,
				2026
Net profit margin ⁽¹⁾	11.8%	26.8%	29.1%	11.6%
Gross profit margin ⁽²⁾	46.6%	54.8%	57.3%	48.9%
Current ratio ⁽³⁾	17.9	14.4	13.5	17.2
Quick ratio ⁽⁴⁾	15.5	12.6	11.8	14.9

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	As of December 31,			As of March 31,
	2023	2024	2025	2026
Debt to asset ratio ⁽⁵⁾	5.2%	6.2%	6.4%	5.0%
Trade receivables turnover days ⁽⁶⁾	74	47	42	47

Notes:

- (1) Net profit margin is calculated using net profit for the year/period divided by revenue for the year/period.
- (2) Gross profit margin is calculated using gross profit for the year/period divided by revenue for the year/period.
- (3) Current ratio is calculated by dividing current assets by current liabilities as of the indicated reporting date.
- (4) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the dates indicated.
- (5) Debt to asset ratio is calculated by dividing total liabilities by total assets.
- (6) Calculated as the average of beginning and ending balance of trade receivables for the year/period divided by revenue for that year/period and multiplied by 365 days or 90 days, as applicable.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital primarily from cash generated from our business operation. We did not experience any difficulty in obtaining bank loans or other borrowings. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Our cash and cash equivalents primarily consist of cash at bank. We had cash and cash equivalents of RMB592.8 million, RMB577.7 million, RMB711.2 million and RMB694.7 million, as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively.

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

	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i> (in thousands)	<i>RMB</i> (unaudited)	<i>RMB</i>
Net cash flows generated from operating activities . .	102,709	302,093	399,097	71,257	16,200
Net cash flows (used in)/generated from investing activities	(132,822)	(225,369)	(208,765)	240,165	(10,704)
Net cash flows (used in)/generated from financing activities	(93,397)	(96,609)	(48,500)	5,131	(15,861)
Net (decrease)/increase in cash and cash equivalents .	(123,510)	(19,885)	141,832	316,553	(10,365)
Cash and cash equivalents at the beginning of the year/period	717,324	592,822	577,701	577,701	711,171

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	For the year ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i> <i>(unaudited)</i>	<i>RMB</i>
Exchange (losses)/gains on cash and cash equivalents	(992)	4,764	(8,362)	(163)	(6,054)
Cash and cash equivalents at the end of the year/period	<u>592,822</u>	<u>577,701</u>	<u>711,171</u>	<u>894,091</u>	<u>694,752</u>

Net cash generated from operating activities

Net cash generated from operating activities for the three months ended March 31, 2026 was RMB16.2 million, which primarily was the result of profit before tax of RMB32.2 million, adjusted by (i) non-cash items, such as equity-settled share-based payment arrangements of RMB23.9 million, foreign exchange differences, net of RMB5.8 million, depreciation of items of property, plant and equipment of RMB5.2 million and gain on financial assets at fair value through profit or loss of RMB4.0 million; (ii) effects of movement in working capital, such as an increase in inventory of RMB19.7 million, and a decrease in other payables and accruals of RMB25.5 million; (iii) income tax paid of RMB6.5 million.

Net cash generated from operating activities for the year ended December 31, 2025 was RMB399.1 million, which primarily was the result of profit before tax of RMB379.8 million, adjusted by (i) non-cash items, such as write-down of inventories to net realizable value of RMB31.0 million, gain on financial assets at fair value through profit or loss of RMB33.2 million, depreciation of items of property, plant and equipment of RMB17.1 million, equity-settled share-based payment arrangements of RMB32.3 million, and amortization of intangible assets of RMB8.6 million; (ii) effects of movement in working capital, such as an increase in inventory of RMB70.0 million, an increase in trade and bills receivables of RMB20.7 million, a decrease in prepayments, other receivables and other assets of RMB39.9 million, an increase in trade payables of RMB30.3 million and an increase in other payables and accruals of RMB6.7 million; (iii) income tax paid of RMB33.8 million.

Net cash generated from operating activities for the year ended December 31, 2024 was RMB302.1 million, which primarily was the result of profit before tax of RMB298.6 million, adjusted by (i) non-cash items, such as depreciation of items of property, plant and equipment of RMB12.9 million, amortization of intangible assets of RMB8.8 million, gain on financial assets at fair value through profit or loss of RMB23.2 million, write-down of inventories to net realizable value of RMB17.0 million, foreign exchange differences, net of RMB5.3 million and equity-settled share-based payment arrangements of RMB29.3 million; (ii) effects of movement in working capital, such as an increase in inventory of RMB35.2 million, an increase in prepayments, other receivables and other assets of RMB28.7 million and an increase in other payables and accruals of RMB29.8 million; and (iii) income tax paid of RMB11.9 million.

Net cash generated from operating activities for the year ended December 31, 2023 was RMB102.7 million, which primarily was the result of profit before tax of RMB84.7 million, adjusted by (i) non-cash items, such as depreciation of items of property, plant and equipment of RMB9.2 million, amortization of intangible assets of RMB6.8 million, gain on financial assets at fair value through profit or loss of RMB4.7 million, write-down of inventories to net realizable value of RMB7.6 million and equity-settled share-based payment arrangements of RMB44.6 million; (ii) effects of movement in working capital, such as an increase in inventory of RMB20.9 million, a decrease in trade and bills receivables of RMB14.9 million, an increase in trade payables of RMB11.2 million, and decrease in other payables and accruals of RMB13.6 million and (iii) income tax paid of RMB37.5 million.

FINANCIAL INFORMATION

Net cash used in investing activities

Net cash used in investing activities for the three months ended March 31, 2026 was RMB10.7 million, primarily due to (i) purchase of financial assets at fair value through profit or loss of RMB1,140.0 million, and (ii) purchase of time deposits of RMB505.0 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB1,234.1 million and (ii) proceeds from maturity of time deposits of RMB407.7 million.

Net cash used in investing activities for the year ended December 31, 2025 was RMB208.8 million, primarily due to (i) purchase of financial assets at fair value through profit or loss of RMB2,558.1 million, (ii) purchase of time deposits of RMB743.0 million, and (iii) purchase of items of property, plant and equipment of RMB47.3 million, partially offset by (i) proceeds from maturity and disposal of financial assets at fair value through profit or loss of RMB2,662.7 million and (ii) proceeds from maturity of time deposits of RMB508.1 million.

Net cash used in investing activities for the year ended December 31, 2024 was RMB225.4 million, primarily due to (i) purchase of financial assets at fair value through profit or loss of RMB2,162.0 million, (ii) purchase of items of property, plant and equipment of RMB38.6 million, and (iii) purchase of equity investments designated at fair value through other comprehensive income of RMB28.0 million, partially offset by (iv) proceeds from maturity and disposal of financial assets at fair value through profit or loss of RMB2,012.8 million.

Net cash used in investing activities for the year ended December 31, 2023 was RMB132.8 million, primarily due to (i) purchase of financial assets at fair value through profit or loss of RMB1,935.0 million, (ii) purchase of equity investments designated at fair value through other comprehensive income of RMB35.5 million, and (iii) purchase of items of property, plant and equipment of RMB25.0 million, partially offset by (iv) proceeds from maturity and disposal of financial assets at fair value through profit or loss of RMB1,879.7 million.

We have adopted a structured internal review mechanism to manage our investment. See “Financial Information—Discussion of Certain Key Items of Consolidated Statements of Financial Position—Financial Assets at Fair Value Through Profit or Loss.” In selecting investment products, we evaluate investments on a case-by case basis, taking into account factors including the macro-economic environment, general market conditions, risk control and creditworthiness of investment managers, our working capital requirements, and the expected returns or potential losses. We also consider the duration and severity of any decline in fair value, the financial and business performance of the underlying investment, cash position, and liquidity characteristics.

Net cash used in financing activities

Net cash used in financing activities for the three months ended March 31, 2026 was RMB15.9 million, primarily due to our share issue expenses of RMB14.5 million in relation to this [REDACTED] and lease payment of RMB1.2 million.

Net cash used in financing activities for the year ended December 31, 2025 was RMB48.5 million, primarily due to dividends paid of RMB47.4 million and partially offset by proceeds from exercise of restricted shares scheme of RMB9.1 million.

Net cash used in financing activities for the year ended December 31, 2024 was RMB96.6 million, primarily due to (i) the repurchase and cancellation of A Shares of RMB81.8 million and (ii) dividends paid of RMB31.5 million, partially offset by proceeds from exercise of restricted shares scheme of RMB21.4 million.

Net cash used in financing activities for the year ended December 31, 2023 was RMB93.4 million, primarily due to dividends paid of RMB106.8 million, partially offset by proceeds from exercise of restricted shares scheme of RMB16.7 million.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, cash flows from operating activities and [REDACTED] from the [REDACTED], we have sufficient working capital for at least 12 months from the date of this document. After making reasonable inquiries of our management about our working capital, the Sole Sponsor concurs with the views of our Directors.

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

INDEBTEDNESS

As of December 31, 2023, 2024, 2025, March 31, 2026 and June 30, 2026, except as lease liabilities disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of March 31,	As of June 30,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
			(in thousands)		(unaudited)
Current	3,167	4,798	3,788	3,089	2,716
Non-current . . .	5,093	4,939	3,330	2,333	1,702
Total	8,260	9,737	7,118	5,422	4,418

Please refer to “— DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — Lease Liabilities” for details.

We did not have any bank loans or other borrowings during the Track Record Period. As of December 31, 2023, 2024, 2025 and March 31, 2026, except as discussed above, 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 are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of June 30, 2026, we had bank facilities of approximately RMB400.0 million committed but not utilized. Our Directors have confirmed that there has been no material change in our indebtedness from June 30, 2026 up to the Latest Practicable Date.

Contingent Liabilities

As of December 31, 2023, 2024, 2025 and March 31, 2026, we did not have any material contingent liabilities, litigations, guarantees or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since March 31, 2026.

CAPITAL COMMITMENTS

During the Track Record Period, we did not have any material capital commitment.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures are primarily related to acquisition of property, plant and equipment and intangible assets. In 2023, 2024, 2025 and the three months ended March 31, 2026, our capital expenditures amounted to RMB33.1 million, RMB48.1 million, RMB56.6 million and RMB7.5 million, respectively. Our anticipated capital expenditures are subject to changes from time to time, based on a variety of factors including our business strategy, prevailing market conditions, regulatory environment and the outlook of our results of operations.

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and [REDACTED] from the [REDACTED].

RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 38 of the Accountants’ Report set out in Appendix I to this document. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm’s length basis.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders’ equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management. For details, see Note 41 of the Accountants’ Report set out in Appendix I to this document.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. See Note 41 of the Accountants’ Report set out in Appendix I to this document for an illustration of the sensitivity as of December 31, 2023, 2024, 2025 and March 31, 2026 to a reasonably possible change in the USD exchange rate, with all other variables held constant, of our profit before tax (due to changes in the retranslated value of monetary assets and liabilities).

Credit Risk

We trade only with recognized and creditworthy parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

FINANCIAL INFORMATION

As of December 31, 2023, 2024, 2025 and March 31, 2026, our Group had certain concentrations of credit risk as our trade receivables of RMB31.9 million, RMB29.1 million, RMB22.3 million and RMB24.9 million were due from our largest customer in each year/period, respectively, and our trade receivables of RMB94.1 million, RMB68.6 million, RMB52.2 million and RMB61.0 million were due from our five largest customers in each year/period, respectively. We seek to maintain strict control over our outstanding receivables and have minimize credit risk.

See Note 41 of the Accountants’ Report set out in Appendix I to this document for an illustration showing the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the reporting period.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance for continuity of funding to finance our working capital needs as well as capital expenditure.

See Note 41 of the Accountants’ Report set out in Appendix I to this document for the maturity profile of our financial liabilities during the Track Record Period, based on the contractual undiscounted payments.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND POLICY

Our dividend policy is stipulated in our Articles of Association. We may distribute dividends in the form of cash, stocks or a combination of cash and stocks, and the accumulated profits distributed in cash (including by means of share repurchase) for the most recent three years shall in principle not be less than 30% of our Company’s annual average audited net profit attributable to owners of our Company for the last three years. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of our shareholders. The Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, business prospects, operating requirements, capital requirements, payments by our subsidiaries of cash dividends to us, statutory, regulatory and contractual considerations and any other factors that the Board may deem relevant. A decision to declare or to pay any dividends in the future, and the amount of such dividends, will hence depend on these factors. According to the applicable PRC laws and our Articles of Association, we may pay dividends out of our profit after tax only after we have made the (i) recovery of accumulated losses, if any; (ii) allocations to the statutory reserve equivalent to 10% of our Company’s profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our Company’s total issued share capital, no further allocations to this statutory reserve will be required; and (iii) allocations, if any, to a discretionary common reserve as approved by our shareholders in a shareholders’ meeting.

FINANCIAL INFORMATION

We do not have a predetermined dividend payout ratio. There can be no assurance that a dividend will be proposed or declared in any given year. The information on policies relating to dividends constitutes forward-looking statements, which are not guarantees of future financial performance. Our actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under “Forward-Looking Statements” and “Risk Factors.”

The total dividends we paid were RMB106.8 million for the year ended December 31, 2023, RMB31.5 million for the year ended December 31, 2024 and RMB47.4 million for the year ended December 31, 2025, respectively, representing the cash portion of 2022 year-end dividend we paid on July 11, 2023, the 2023 year-end dividend we paid on June 14, 2024 and the 2024 year-end dividend we paid on April 30, 2025. We did not pay any dividends during the three months ended March 31, 2026. Our 2025 year-end profit distribution plan was approved at the 2025 annual general meeting held on April 10, 2026. A cash dividend of RMB7.0 (tax inclusive) per 10 Shares was subsequently paid on April 27, 2026 to Shareholders of record as of April 24, 2026 out of our distributable profits, amounting to approximately RMB110.8 million in aggregate. As of the Latest Practicable Date, there were no dividend payables outstanding.

Withholding taxes at a rate of 10% were levied on the aforementioned dividends paid to (i) QFIIs, (ii) investors holding our A Shares through the Shanghai-Hong Kong Stock Connect regime, and (iii) investors holding our A Shares subject to selling restrictions pursuant to the Notice on Issues Relating to the Implementation of Differential Individual Income Tax Policies for Dividends from Listed Companies (《關於實施上市公司股利紅利差別化個人所得稅政策有關問題的通知》).

DISTRIBUTABLE RESERVES

As of March 31, 2026, we had approximately RMB1,123.0 million of retained earnings available for distribution to our shareholders.

[REDACTED]

Assuming the [REDACTED] is not exercised, an [REDACTED] of HK\$[REDACTED] per [REDACTED] (which is the mid-point of the [REDACTED]) and the full payment of the discretionary [REDACTED], if any, we expect to incur approximately HK\$[REDACTED] million of [REDACTED] (including (i) [REDACTED]-related expenses, including but not limited to commissions, fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, amounting to approximately HK\$[REDACTED] million, (ii) fees and expenses of legal advisors and accountants amounting to approximately HK\$[REDACTED] million and (iii) other fees and expenses relating to the [REDACTED], including but not limited to the [REDACTED], amounting to approximately HK\$[REDACTED] million), accounting for approximately [REDACTED] of the gross [REDACTED] from the [REDACTED]. Approximately HK\$[REDACTED] million of our [REDACTED] is expected to be charged to our consolidated statements of comprehensive income and approximately HK\$[REDACTED] million is expected to be deducted from equity upon [REDACTED]. We did not incur [REDACTED] during the Track Record Period. The estimate of [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

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RECENT DEVELOPMENTS

Our 2025 year-end profit distribution plan was approved at the 2025 annual general meeting held on April 10, 2026. A cash dividend of RMB7.0 (tax inclusive) per 10 Shares was subsequently paid on April 27, 2026 to Shareholders of record as of April 24, 2026 out of our distributable profits, amounting to approximately RMB110.8 million in aggregate.

In April 2026, we invested in certain listed securities and recorded a significant fair value gain as of the Latest Practicable Date. Had the fair value change of the listed securities not been taken into account, our net profit might decline in 2026, primarily due to: (i) potential changes in our product mix, as the downstream markets for our higher-margin memory chip products are expected to face headwinds; (ii) a planned increase in R&D expenditure to support our expanded R&D activities; and (iii) additional share-based compensation expenses. As a result, even if our revenue continues to grow in 2026, our net profit and net profit margin might decline in 2026.

Our Directors confirm that, up to the date of this document, except for the foregoing, there has been no material adverse change in our business, financial condition and results of operations since March 31, 2026, which is the end date of the period reported on in the Accountants’ Report in Appendix I to this document, and there is no event since March 31, 2026 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

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