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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in Appendix I to this document. The financial information as set out in the Accountants' Report incorporates the financial statements of the Company during the Track Record Period. You should read the whole Accountants' Report and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years.*

*The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Forward-Looking Statements," "Risk Factors" and "Business" in this document.*

### OVERVIEW

We are a leading system-level semiconductor design company. We offer advanced smart terminal control and connectivity solutions for a wide range of application scenarios, including smart home, smart office, smart mobility, entertainment and education, and industrial production. Our product portfolio primarily consists of smart multimedia and display SoCs, AIoT SoCs, communication and connectivity ICs, and smart automotive SoCs. We are committed to empowering smart devices worldwide to progress from basic connectivity to intelligent and seamless interconnection. According to Frost & Sullivan, in term of related revenue in 2024, we ranked fourth globally among smart device SoC providers who focused on providing SoCs in global smart device SoC market with a global market share of 1.2%, and first in mainland China and second globally in global smart home device SoC market with a global market share of 17.7%.

Since inception, we have been focusing on high system-level complexity and multi-layered and highly integrated SoC solutions. With 30 years of experience in SoC design, we have built a comprehensive, full-stack in-house technology matrix, covering a wide array of critical modules, including NPU, video codecs, audio decoders, display controllers, memory systems, security systems, WAN/LAN network interfaces and input/output subsystems. Such strong proprietary product matrix enables us to serve a broad range of smart terminal scenarios with exceptional adaptability. We are also dedicated to developing communication and connectivity ICs. After over a decade of refining our own IP, we had made major advances across key areas such as baseband, RF, and protocol stacks. Our proprietary Wi-Fi and LTE ICs are highly compatible with our SoC offerings, empowering more diverse AIoT applications.

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During the Track Record Period, our financial performance demonstrated resilience against cyclical downturns in the global IC industry and related downstream markets. In 2023, 2024 and 2025, we recorded revenue of RMB5,370.9 million, RMB5,926.3 million and RMB6,790.6 million, respectively. Our gross profit margin remained relatively stable at 33.2%, 37.1% and 37.8% during the same periods.

### **BASIS OF PRESENTATION**

Our historical financial information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards, issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 5 to the Accountants' Report included in Appendix I to this document.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

The success and growth of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address to optimize our results of operations and sustain our growth.

#### **Market Trends and Developments**

As a globally leading IC design company, our business and financial performance are closely tied to the global demand for smart devices across the smart home, smart office, smart mobility, entertainment and education, and industrial production, as well as the ongoing trend toward adoption of smart and AI-enabled technologies. These markets have experienced significant growth in the past decade. According to Frost & Sullivan, the global smart device SoC market increased from US\$41.9 billion in 2020 to US\$65.7 billion in 2024, representing a CAGR of 11.9% over the period from 2020 to 2024. The market is expected to further expand to US\$131.4 billion by 2029, representing a CAGR of 14.9% from 2024 to 2029. The market size of the global communication and connectivity IC market increased from US\$143.8 billion in 2020 to US\$171.5 billion in 2024, representing a CAGR of 4.5%, and is expected to further expand to US\$183.3 billion by 2029, representing a CAGR of 6.9%. Our ability to capture growth opportunities in these fast-growing markets and maintain our market position are critical to our success. For instance, leveraging advanced technologies and forward-looking strategies, we have capitalized on the rapid advancement and adaptation of AI technologies in smart device sectors. As of the Latest Practicable Date, we have mass productions of more than 20 chip models that incorporate our proprietary edge AI computing units. In 2025, shipments of these chips exceeded 20.0 million units, realizing a 160% growth as compared to 2024.

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Our operations are also affected by cyclical market dynamics. The cycle is driven by a variety of factors, including macroeconomic conditions, geopolitics, capital expenditure trends, technology transitions, inventory adjustments, and adjustment in end-market demand and supply structure. In particular, according to Frost & Sullivan, the global smart device SoC and communication and connectivity IC markets experienced a downturn in 2023, featured by inventory buildup and weakened consumer demand across different products. We recorded write-off on inventories of RMB171.5 million in 2023. In 2024, certain end markets gradually recovered from the cyclical downturns.

In addition, the development of geopolitics may affect the global IC industry. Specifically, export control measures, economic sanctions, tariffs, investment restrictions and other restrictive measures may have a direct impact on the operations of semiconductor companies globally.

### **Demands and Our Ability to Drive Technological Innovations**

Our core products are used in a number of application scenarios, including smart set-top boxes, smart TVs, smart home devices and smart cars. The development and market acceptance of end products within these markets can have a significant and direct impact on our business and financial results. These markets are characterized by intense competition and are largely driven by the evolving needs and preferences of the end users. For example, increasing consumer demand for intelligent home solutions is elevating expectations from basic connectivity to advanced automation. Home devices are now expected not only to offer remote control functionality but also to operate in an integrated and automated manner with higher level of intelligence, delivering enhanced convenience and personalization. Addressing these requirements necessitates devices with greater computational capabilities, improved efficiency, and superior connectivity, driving the demand for SoC technology.

As an IC design company, our ability to drive technological innovation, and maintain, expand and upgrade our product portfolio, to address evolving downstream requirements are key to our operations. The IC industry faces constant technological changes, rapid product obsolescence and evolving standards. In particular, the popularization of edge AI applications necessitates advanced chip designs with high-performance and low energy consumption. To meet industry demands and maintain our market position, we endeavor to enrich our product portfolio and expand business footprints.

Moreover, our success remains subject to the commercial success of end products incorporating our products, which in turn depends on broader factors such as end-user preferences, pricing, brand reputation, and overall economic conditions affecting end users. Development of new products and end uses can generate significant growth opportunities for us. See “Industry Overview” for further details. Conversely, a decline in demand for certain end products could lead to reduced orders for our products.

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### **Supply Chain Management**

Supply chain management capabilities have a direct and significant impact on our results of operations. As a fabless IC design company, we partner with third-party providers for fabrication and testing and packaging of our products. Building strong and long-term partnerships with key suppliers is essential to our results of operations. These relationships may provide stability in securing capacity allocation from the third-party partners. In particular, capacity allocation, reservation and production scheduling are inherent constrained by available resources from our suppliers. Additionally, effective coordination with production partners allows us to optimize the production process, streamline backend operations, reduce cycle times and improve time-to-market, which is crucial for capturing market opportunities and staying ahead of competitors. Optimizing procurement lead times for critical materials and services, such as wafers, and packaging and testing services, minimizes inventory holding costs while ensuring continuous production flow.

Moreover, geopolitics and international trade protection measures have a direct impact on the supply chain of the global IC industry. Trade tensions, export controls, and sanctions may restrict access to essential technologies, components, and manufacturing equipment. Regulatory uncertainties and shifts in international policy can disrupt established supplier and customer relationships. As a result, supply bottlenecks due to geopolitics could materially and adversely impact our results of operations. We maintain long-term partnerships with major suppliers, diversify our overseas supply chain, and implement a strategic procurement plan to enhance the resilience and robustness of our supply chain, enabling our continual cost management and expansion.

### **Our Ability to Maintain and Improve R&D and Operational Efficiency**

Our ability to control our costs and expenses is critical to the success of our business. We believe the continued growth of our business and expansion of our market share will continue to drive economies of scale, resulting from higher utilization of our platform-based technologies, higher efficiency of our operations, and expanded customer base.

We utilize a fabless business model, which we believe enables us to concentrate on our core competencies of product design and engineering, and reduce capital investment. Changes in the price of wafers and other raw materials may result in fluctuations in production costs and our gross profit margin. As we continue to develop new products and technologies, we may require our suppliers to manufacture wafers with advanced manufacturing processing and higher design complexity, which may result in an increase in wafer prices. However, through such close collaboration with our wafer suppliers with advanced technology, we are able to lower costs while maintaining higher average selling prices of products which are hence associated with a higher gross profit margin.

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In addition, our ability to control our expenses, especially research and development expenses, is crucial for our business. We are an integral part of the Amlogic global R&D network, collaborating closely with our partners on R&D. See “Business — Research and Development.” As the semiconductor industry is subject to constant and rapid changes in technology, constant product and technology upgrade, frequent new product introductions and evolving technical standards, we have been and expect to continue investing in R&D activities to maintain and enhance our competitive strength. In pursuance for independent and controllable development of key core technologies, we continue to invest in research and development. As of the Latest Practicable Date, over 70.0% of the functional modules in our SoC products are developed in-house. During the Track Record Period, our research and development expenses accounted for 23.9%, 22.8% and 22.9% of our total revenue in 2023, 2024 and 2025. However, there is no guarantee that our investment in R&D will eventually result in a desirable outcome, or we will be able to successfully commercialize our R&D results. If that happens, our results of operations would be adversely affected. See “Risk Factors — Risks Relating to Our Research and Development and Intellectual Property Rights of Our Products — Our research and development efforts are not guaranteed to yield the results we anticipate.”

### **Product Mix**

We maintain a diversified product portfolio to meet evolving customer demands and deliver long-term growth and profitability. We offer smart multimedia and display SoCs, AIoT SoCs and communication and connectivity ICs across a range of application scenarios and a wide spectrum of end markets, including smart home, smart office, smart mobility, entertainment and education and industrial production. Within each product category, we offer multiple series with different specifications to meet the specific performance and functional requirements of different application scenarios diversified customer demands. Our diversified product portfolio can help us mitigate reliance on one single product category and enhance our resilience against industry-wide volatility.

The selling prices and gross profit margin for different products and series are different due to, among others, the differences in product complexity, R&D investment and costs. Our product mix may change in response to the market condition and technological changes in the end markets to which our products are adopted. Significant changes in product mix can directly affect our profitability due to the varying gross profit margin attributable to different products and series, which in turn affects our results of operations.

### **Foreign Exchange Fluctuations**

We derive a significant portion of our revenue from markets outside of mainland China. A significant portion of our sales, purchases, trade receivables and payables and bank balances are recorded or denominated in foreign currencies. Consequently, foreign currency exchange rates have a significant impact on our consolidated financial information.

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Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. In 2023, 2024 and 2025, we recorded net foreign exchange gains of RMB47.1 million, RMB55.6 million and net foreign exchange losses of RMB60.0 million, respectively.

For further details regarding the carrying amounts of our monetary and non-monetary assets denominated in foreign currencies and the effect of foreign currency fluctuations on our results of operations, see Note 42 to the Accountants' Report set out in Appendix I.

### MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of the historical financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Our 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 us and that are believed to be reasonable under the circumstances. For details on such estimates and judgments, see Note 5 to the Accountants' Report included in Appendix I to this document.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements:

#### Revenue Recognition

##### *Sales of goods*

The Group designs, develops, sells and distributes a range of ICs. Revenue from the sales and distribution of products when control of the products has been transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

Some of the contracts between us and our customers include arrangements for sales rebates, and some contracts provide customers with a right to return within a specified period, resulting in variable consideration. Accumulated experience is used to estimate and provide for variable consideration, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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The credit period granted to our customers is determined based on their credit risk characteristics.

As receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### *Provision of services*

We provide IC design or development services to external parties. For those contracts that we have an enforceable right to payment for performance completed to date, the contract is recognized over time when the services are provided and accepted by the customers.

### *Financing components*

In determining the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant.

### *Interest income*

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

### *Dividend income*

We recognize dividend income when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

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### *Foreign currencies*

#### *Functional and presentation currency*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Our historical financial information is presented in RMB, which is our functional currency. Each entity in our Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

On disposal of a foreign operation, the cumulative exchange differences recognized in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

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### RESULTS OF OPERATIONS

The following table summarizes our results of operations for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Revenue . . . . .	5,370,942	100.0	5,926,315	100.0	6,790,582	100.0
Cost of sales . . . . .	(3,586,897)	(66.8)	(3,728,253)	(62.9)	(4,224,222)	(62.2)
<b>Gross profit</b> . . . . .	<b>1,784,045</b>	<b>33.2</b>	<b>2,198,062</b>	<b>37.1</b>	<b>2,566,360</b>	<b>37.8</b>
Other income . . . . .	43,273	0.8	21,024	0.4	22,406	0.3
Other gains and losses, net . . .	91,187	1.7	100,956	1.7	19,438	0.3
Selling and marketing expenses . . . . .	(88,825)	(1.7)	(71,712)	(1.2)	(86,244)	(1.3)
General and administrative expenses . . . . .	(169,244)	(3.2)	(163,972)	(2.8)	(155,906)	(2.3)
Research and development expenses . . . . .	(1,282,691)	(23.9)	(1,352,730)	(22.8)	(1,551,795)	(22.9)
Impairment losses, net of reversal on financial assets . .	(60)	(0.0)	43	0.0	(336)	(0.0)
Finance income, net . . . . .	86,390	1.6	111,949	1.9	89,711	1.3
Share of results of associates . .	38,953	0.7	8,195	0.1	5,001	0.1
<b>Profit before tax</b> . . . . .	<b>503,028</b>	<b>9.4</b>	<b>851,815</b>	<b>14.4</b>	<b>908,635</b>	<b>13.4</b>
Income tax expenses . . . . .	(4,335)	(0.1)	(32,604)	(0.6)	(38,168)	(0.6)
<b>Profit for the year</b> . . . . .	<b>498,693</b>	<b>9.3</b>	<b>819,211</b>	<b>13.8</b>	<b>870,467</b>	<b>12.8</b>
Exchange differences on translation of foreign operations . . . . .	9,571	0.2	11,136	0.2	(21,409)	(0.3)
<b>Total comprehensive income   for the year</b> . . . . .	<b>508,264</b>	<b>9.5</b>	<b>830,347</b>	<b>14.0</b>	<b>849,058</b>	<b>12.5</b>
<b>Profit attributable to:</b>						
Owners of the Company . . . . .	498,036	9.3	821,921	13.9	872,985	12.9
Non-controlling interests . . . . .	657	0.0	(2,710)	(0.0)	(2,518)	(0.0)
	<u>498,693</u>	<u>9.3</u>	<u>819,211</u>	<u>13.8</u>	<u>870,467</u>	<u>12.8</u>

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### DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we generated revenue primarily from SoC sales.

#### *Revenue by Business Line*

The following table sets forth a breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
<b>Sales of ICs</b>						
Smart multimedia and display SoCs . . . . .	4,060,358	75.6	4,290,644	72.4	4,948,755	72.9
AIoT SoCs . . . . .	1,200,376	22.3	1,511,255	25.5	1,639,661	24.2
Communication and connectivity ICs . . . . .	77,111	1.4	119,579	2.0	199,797	2.9
Smart automotive SoCs and other ICs . . . . .	32,039	0.7	4,837	0.1	1,419	–
<b>Provision of technical services<sup>(1)</sup> . . . . .</b>	<u>1,058</u>	<u>0.0</u>	<u>–</u>	<u>–</u>	<u>950</u>	<u>–</u>
<b>Total . . . . .</b>	<b><u>5,370,942</u></b>	<b><u>100.0</u></b>	<b><u>5,926,315</u></b>	<b><u>100.0</u></b>	<b><u>6,790,582</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) Revenue from provision of technical services was primarily related to install payments from a customization project for one of our customers we undertook in 2021.

According to Frost & Sullivan, the IC industry experienced a downturn in the second half of 2022 and 2023, characterized by inventory accumulation, reduced consumer demand, and declining prices across various products. In 2024, the industry began to show signs of an uneven recovery across certain end markets, while the competition in those markets was still intense. Affected by such cyclical downturns and gradual recovery across different end markets during the Track Record Period, the sales volume of our different products experienced fluctuation during the same period, followed by recovery in 2024. Leveraging our diversified product portfolio and supply chain management capabilities, we were able to maintain relatively stable total revenue and overall gross profit margins in 2023, despite cyclical downturns in the industry. In 2025, we were able to capitalize on the gradual recovery of global IC industry and the surge in demand for smart devices driven by the development of AI and advanced intelligent technologies, building on our ongoing investment in product development and iteration.

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The following table sets forth a breakdown of sales volume and average selling price by business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling prices <sup>(1)</sup>	Sales volume	Average selling prices <sup>(1)</sup>	Sales volume	Average selling prices <sup>(1)</sup>
	<i>(Unit ‘000)</i>	<i>(RMB)</i>	<i>(Unit ‘000)</i>	<i>(RMB)</i>	<i>(Unit ‘000)</i>	<i>(RMB)</i>
Smart multimedia and display SoCs . . . . .	94,953	42.8	95,099	45.1	113,143	43.7
AIoT SoCs . . . . .	30,032	40.0	34,149	44.3	41,152	39.8
Communication and connectivity ICs . . . . .	8,791	8.8	13,749	8.7	19,840	10.1
Smart automotive SoCs and other ICs . . . . .	233	137.2	38	125.9	10	138.2
<b>Total . . . . .</b>	<b><u>134,010</u></b>	<b><u>40.1</u></b>	<b><u>143,036</u></b>	<b><u>41.4</u></b>	<b><u>174,147</u></b>	<b><u>39.0</u></b>

*Note:*

- (1) Average selling price is calculated by dividing revenue by the relevant sales volume during the same period, which represented the average price at which our products were sold to our customers.

### *Revenue by Geographic Location*

During the Track Record Period, we generated majority of our revenue from markets outside of mainland China, based on places of delivery, which accounted for around 90.2%, 91.4% and 90.9% in 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our revenue by geographic location for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Mainland China . . . . .	524,880	9.8	511,958	8.6	615,402	9.1
Outside of mainland China <sup>(1)</sup> . . . . .	4,846,062	90.2	5,414,357	91.4	6,175,180	90.9
<b>Total . . . . .</b>	<b><u>5,370,942</u></b>	<b><u>100.0</u></b>	<b><u>5,926,315</u></b>	<b><u>100.0</u></b>	<b><u>6,790,582</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) We categorize our revenue by geographic location based on the place of delivery. Some customers have a registered address that differs from their principal places of business, and may operate from several locations. Thus, the place of delivery can provide a clearer picture of our operational flow. Based on considerations, such as logistics, business customs and foreign exchange settlements, our customers typically select Hong Kong, the key global hub for consumer electronics, as the delivery location. In addition, some of our customers distribute their end products to markets worldwide. To optimize costs, these customers commonly receive raw materials in Hong Kong under a bonded import arrangement. After completing further production or processing, these products are then cleared through customs and exported. According to Frost & Sullivan, such arrangements are common in the global IC market.

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### *Revenue by Sales Channel*

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Distributorship . . . . .	4,216,262	78.5	4,642,045	78.3	5,300,615	78.1
Direct sales . . . . .	<u>1,154,680</u>	<u>21.5</u>	<u>1,284,270</u>	<u>21.7</u>	<u>1,489,967</u>	<u>21.9</u>
<b>Total</b> . . . . .	<b><u>5,370,942</u></b>	<b><u>100.0</u></b>	<b><u>5,926,315</u></b>	<b><u>100.0</u></b>	<b><u>6,790,582</u></b>	<b><u>100.0</u></b>

The following table sets forth a breakdown of sales volume and average selling price by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	Average selling prices <sup>(1)</sup>	Sales volume	Average selling prices <sup>(1)</sup>	Sales volume	Average selling prices <sup>(1)</sup>
	<i>(Unit '000)</i>	<i>(RMB)</i>	<i>(Unit '000)</i>	<i>(RMB)</i>	<i>(Unit '000)</i>	<i>(RMB)</i>
Distributorship . . . . .	104,115	40.5	112,017	41.4	133,052	39.8
Direct sales . . . . .	<u>29,895</u>	<u>38.6</u>	<u>31,019</u>	<u>41.4</u>	<u>41,095</u>	<u>36.2</u>
<b>Total</b> . . . . .	<b><u>134,010</u></b>	<b><u>40.1</u></b>	<b><u>143,036</u></b>	<b><u>41.4</u></b>	<b><u>174,147</u></b>	<b><u>39.0</u></b>

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### Cost of Sales

Our cost of sales during the Track Record Period consisted of (i) raw material costs, primarily including wafers; (ii) packaging and testing costs, (iii) write-down of inventories, and (iv) others, mainly include royalties for technology licensing and the depreciation of fixed assets, such as photomasks. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Raw material costs . . . . .	2,279,644	63.6	2,621,069	70.3	3,035,436	71.9
Packaging and testing costs . . .	769,753	21.5	801,689	21.5	806,081	19.1
Others . . . . .	365,955	10.1	337,557	9.1	371,510	8.8
<b>Subtotal . . . . .</b>	<b>3,415,352</b>	<b>95.2</b>	<b>3,760,315</b>	<b>100.9</b>	<b>4,213,027</b>	<b>99.7</b>
(Write-down)/reversal of						
write-down of inventories . . .	171,545	4.8	(32,062)	(0.9)	11,195	0.3
<b>Total . . . . .</b>	<b>3,586,897</b>	<b>100.0</b>	<b>3,728,253</b>	<b>100.0</b>	<b>4,224,222</b>	<b>100.0</b>

The following table sets forth our cost of sales by business segment for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Smart multimedia and display						
SoCs . . . . .	2,662,827	74.2	2,901,393	77.8	3,180,003	75.3
AIoT SoCs . . . . .	677,425	18.9	767,757	20.6	871,604	20.6
Communication and						
connectivity ICs . . . . .	57,104	1.6	87,963	2.4	160,748	3.8
Other ICs . . . . .	17,995	0.5	3,202	0.1	672	–
<b>Subtotal . . . . .</b>	<b>3,415,351</b>	<b>95.2</b>	<b>3,760,315</b>	<b>100.9</b>	<b>4,213,027</b>	<b>99.7</b>
Write-down/(reversal) of						
inventories . . . . .	171,545	4.8	(32,062)	(0.9)	11,195	0.3
<b>Total . . . . .</b>	<b>3,586,896</b>	<b>100.0</b>	<b>3,728,253</b>	<b>100.0</b>	<b>4,224,222</b>	<b>100.0</b>

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### Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margins by the business line for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Sales of ICs</b>						
Smart multimedia and display SoCs . . . . .	1,397,531	34.4	1,389,251	32.4	1,768,752	35.7
AIoT SoCs . . . . .	522,951	43.6	743,498	49.2	768,057	46.8
Communication and connectivity ICs . . . . .	20,006	25.9	31,616	26.4	39,049	19.5
Smart automotive SoCs and other ICs . . . . .	14,044	43.8	1,635	33.8	747	52.6
<b>Provision of technical services . . . . .</b>						
	<u>1,058</u>	100.0	<u>–</u>	<u>–</u>	<u>950</u>	100.0
<b>Subtotal/Overall . . . . .</b>	<b><u>1,955,590</u></b>	<b>36.3</b>	<b><u>2,166,000</u></b>	<b>36.5</b>	<b><u>2,577,555</u></b>	<b>38.0</b>
(Write-down)/reversal of write-down of inventories.	<u>(171,545)</u>		<u>32,062</u>		<u>(11,195)</u>	
<b>Total/Overall . . . . .</b>	<b><u><u>1,784,045</u></u></b>	<b>33.2</b>	<b><u><u>2,198,062</u></u></b>	<b>37.1</b>	<b><u><u>2,566,360</u></u></b>	<b>37.8</b>

The fluctuation in our gross profit margin during the Track Record Period primarily resulted from the write-down of inventories due to industry-wide inventory adjustments. Excluding the effect of inventory write-down, our overall gross profit margin remained relatively stable despite cyclical downturns in the global IC industry.

The following table sets forth our gross profit and gross margins by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(RMB in thousands, except for percentages)</i>					
Distributorship . . . . .	1,545,754	36.7%	1,601,412	34.5%	2,048,766	38.7%
Direct sales . . . . .	409,836	35.5%	564,588	44.0%	528,789	35.5%
<b>Subtotal/Overall . . . . .</b>	<b><u>1,955,590</u></b>	<b>36.3%</b>	<b><u>2,166,000</u></b>	<b>36.5%</b>	<b><u>2,577,555</u></b>	<b>38.0%</b>
(Write-down)/reversal of write-down of inventories.	<u>(171,545)</u>		<u>32,062</u>		<u>(11,195)</u>	
<b>Total/Overall . . . . .</b>	<b><u><u>1,784,045</u></u></b>	<b>33.2%</b>	<b><u><u>2,198,062</u></u></b>	<b>37.1%</b>	<b><u><u>2,566,360</u></u></b>	<b>37.8%</b>

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During the Track Record Period, fluctuations in the gross profit margins across sales channels were mainly attributed to changes in the product mix.

### Other Income

Our other income primarily consist of government grants. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Government grants . . . . .	43,273	21,024	20,662
Others . . . . .	—	—	1,744
<b>Total</b> . . . . .	<b><u>43,273</u></b>	<b><u>21,024</u></b>	<b><u>22,406</u></b>

### Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee benefit expenses, which primarily include the salaries and wages for our sales and marketing personnel, (ii) business development expenses, (iii) business entertainment and traveling expenses, (iv) share-based payment expenses, and (v) others, primarily including office expenses and depreciation and amortization. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee benefit expenses . . .	48,456	54.6	40,287	56.2	31,978	37.1
Business development expenses . . . . .	8,271	9.3	11,797	16.5	39,217	45.5
Business entertainment and traveling expenses . . . . .	14,486	16.3	13,738	19.2	9,459	11.0
Share-based payment expenses .	14,097	15.9	92	0.1	458	0.5
Others . . . . .	3,515	3.9	5,798	8.0	5,132	5.9
<b>Total</b> . . . . .	<b><u>88,825</u></b>	<b><u>100.0</u></b>	<b><u>71,712</u></b>	<b><u>100.0</u></b>	<b><u>86,244</u></b>	<b><u>100.0</u></b>

In 2023, 2024 and 2025, our selling and marketing expenses accounted for 1.7%, 1.2% and 1.3% of our total revenue in the same periods, respectively.

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### General and Administrative Expenses

Our general and administrative expenses consist of (i) employee benefit expenses, which primarily include the salaries and wages for our administrative personnel, (ii) depreciation and amortization, (iii) office related expenses, including rental expenses, utility fees, phone and internet charges and office expenses, (iv) professional service fees, including legal fees, audit fees and consulting service fees, (v) travel expenses, (vi) share-based payment expenses, and (vii) others, which primarily include software and hardware maintenance expenses, tax and surcharges. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee benefit expenses . . .	65,978	39.0	70,313	42.9	63,238	40.6
Depreciation and amortization .	25,663	15.2	24,153	14.7	20,318	13.0
Office related expenses . . . . .	20,984	12.4	23,114	14.1	19,571	12.6
Professional service fees . . . . .	9,638	5.7	11,745	7.2	13,664	8.7
Travel expenses . . . . .	4,718	2.8	4,114	2.5	3,278	2.1
Share-based payment expenses .	5,885	3.5	3,589	2.2	2,180	1.4
Others . . . . .	36,378	21.4	26,944	16.4	33,657	21.5
<b>Total . . . . .</b>	<b><u>169,244</u></b>	<b><u>100.0</u></b>	<b><u>163,972</u></b>	<b><u>100.0</u></b>	<b><u>155,906</u></b>	<b><u>100.0</u></b>

In 2023, 2024 and 2025, our general and administrative expenses accounted for 3.2%, 2.8% and 2.3% of our total revenue in the same periods, respectively.

### Research and Development Expenses

Our research and development expenses consist of (i) employee benefit expenses, which primarily include the salaries and wages for our research and development personnel, (ii) professional service fees to support research and development activities, (iii) depreciation and amortization, (iv) expense for use of patents to support the designing of our chips during our research and development activities, (v) share-based payment expenses, (vi) material costs in relation to our research and development activities, (vii) testing expenses, and (viii) others. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Employee benefit expenses . . .	940,645	73.3	1,040,542	76.9	1,060,616	68.3
Professional service fee . . . . .	6,346	0.5	28,559	2.1	210,453	13.6

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	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Depreciation and amortization . . . . .	135,818	10.6	117,203	8.7	98,966	6.4
Expense for use of patents . . . . .	–	–	44,615	3.3	86,737	5.6
Share-based payment expenses . . . . .	136,180	10.6	68,156	5.0	43,693	2.8
Material costs . . . . .	17,736	1.4	21,571	1.6	25,551	1.6
Testing expenses . . . . .	9,152	0.7	8,844	0.7	7,872	0.5
Others . . . . .	36,814	2.9	23,240	1.7	17,907	1.2
<b>Total . . . . .</b>	<b>1,282,691</b>	<b>100.0</b>	<b>1,352,730</b>	<b>100.0</b>	<b>1,551,795</b>	<b>100.0</b>

In 2023, 2024 and 2025, our research and development expenses accounted for 23.9%, 22.8% and 22.9% of our total revenue in the same periods, respectively.

### Impairment Losses, net of reversal on Financial Assets

Our impairment losses on financial assets primarily represent provision for trade and other receivable and other non-current and current assets. We recorded reversal of impairment losses on financial assets of RMB43,000 in 2024 and net impairment losses on financial assets of RMB60,000 and RMB0.3 million in 2023 and 2025, respectively.

### Other Gains and Losses, net

Our other net gains and losses primarily consists of (i) dividend income from financial assets at FVTPL in relation to our wealth management products and equity investments, (ii) change in fair value on financial assets and liabilities at FVTPL in relation to our equity investments and investments in private equity funds, wealth management products, foreign exchange options and structural deposits, (iii) net gains on disposal of financial assets and liabilities at FVTPL, (iv) interest income from financial assets at amortized cost, (v) net foreign exchange gains/(losses) in relation to our foreign exchange options, and (vi) others. The following table sets forth a breakdown of our other net gains for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
		<i>(RMB in thousands)</i>	
Dividend income from financial assets			
at fair value through profit or loss . . . . .	12,142	15,060	15,086
Change in fair value on financial assets			
and financial liabilities at FVTPL . . . . .	20,602	13,687	27,632
Net gains on disposal of financial assets			
and financial liabilities at FVTPL . . . . .	1,501	5,395	14,264

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	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Interest income from financial assets at amortized cost . . . . .	6,392	11,612	22,313
Net foreign exchange gains/(losses) . . . .	47,072	55,601	(59,990)
Others . . . . .	<u>3,478</u>	<u>(399)</u>	<u>133</u>
<b>Total</b> . . . . .	<b><u>91,187</u></b>	<b><u>100,956</u></b>	<b><u>19,438</u></b>

### Finance Income, Net

Our net finance income represents the net finance income and finance costs. Finance income represents interest income from bank deposits. Finance cost include interest expense on lease liabilities. The following table sets forth a breakdown of our net finance income for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Interest income . . . . .	88,138	113,333	90,689
Interest expense on lease liabilities . . . .	<u>(1,748)</u>	<u>(1,384)</u>	<u>(978)</u>
<b>Total</b> . . . . .	<b><u>86,390</u></b>	<b><u>111,949</u></b>	<b><u>89,711</u></b>

### Share of Results of Associates

Our share of results of associates primarily represented our share of profits and losses from long-term investments in associates. We recorded share of profit of associates of RMB39.0 million, RMB8.2 million and RMB5.0 million in 2023, 2024 and 2025, respectively.

### Income Tax Expenses

Our income tax expense primarily consisted of current income tax and deferred income tax. In 2023, 2024 and 2025, we had tax expense of RMB4.3 million, RMB32.6 million and RMB38.2 million, respectively.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. Pursuant to the existing legislation, interpretations and practices, our PRC subsidiaries qualified as High and New Technology Enterprises enjoyed a preferential income tax rate of 15% during the Track Record Period. For our PRC subsidiaries approved as “Micro and Small Enterprise” by the relevant government authorities, which the annual taxable income is not

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more than RMB1,000,000 shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20% for years ended December 31, 2023 to 2027. Our subsidiaries incorporated in Hong Kong are qualified for the two-tiered profits tax rates. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions. For details, see Note 12 to the Accountants’ Report in Appendix I to this document.

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

##### *Revenue*

Our revenue increased by 14.6% from RMB5,926.3 million in 2024 to RMB6,790.6 million in 2025. Such increase was primarily attributable to the increases in the sales volume of our products.

##### *Revenue by product type*

Our revenue from sales of smart multimedia and display SoCs increased by 15.3% from RMB4,290.6 million to RMB4,948.8 million, primarily due to a 19.0% increase in sales volume of our smart multimedia and display SoCs, driven by the increased demands in the downstream market.

Our revenue from sales of AIoT SoCs increased by 8.5% from RMB1,511.3 million in 2024 to RMB1,639.7 million in 2025, primarily due to a 20.5% increase in sales volume of our AIoT SoCs, driven by the continued expansion of our customer base and application scenarios of our products as we capitalized on the continued development of edge intelligence technologies and growing market demands for smart devices. The increase was partially offset by a decrease in the average selling price of our AIoT SoCs primarily due to changes in product mix.

Our revenue from sales of communication and connectivity ICs increased by 67.1% from RMB119.6 million in 2024 to RMB199.8 million in 2025, primarily due to a 44.3% increase in the sales volume of our Wi-Fi ICs, primarily driven by (i) the successful deployment of our Wi-Fi 6 ICs, (ii) the rapid iteration of our products and the continued expansion of our product portfolio and (iii) the continued expansion of our customer base.

Our revenue from sales of smart automotive SoCs and other ICs decreased by 73.7% from RMB4.8 million in 2024 to RMB1.4 million in 2025, primarily as new generation of certain products was under development.

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### *Cost of Sales*

Our cost of sales increased by 13.3% from RMB3,728.3 million in 2024 to RMB4,224.2 million in 2025. Such increase was primarily in line with our increased sales volume.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 16.8% from RMB2,198.1 million in 2024 to RMB2,566.4 million in 2025, primarily due to the increases in the sales volume of our smart multimedia and display SoCs. Our gross profit margin remained relatively stable at 37.1% in 2024 and 7.8% in 2025.

The gross profit of our smart multimedia and display SoCs increased by 27.3% from RMB1,389.3 million in 2024 to RMB1,768.8 million in 2025, primarily due to (i) an decrease in the unit production costs of our smart multimedia and display SoCs driven by our continuous efforts in cost control with our foundry partners and (ii) a 19.0% increase in the sales volume of our smart multimedia and display SoCs driven by the gradual recovery of downstream market demands and the introduction of our 6nm AI SoCs. The gross profit margin of our smart multimedia and display SoCs increased from 32.4% in 2024 to 35.7% in 2025, primarily due to (i) a decrease in revenue contribution from our smart TV ICs, which had a relatively lower gross profit margin and (ii) our efforts in enhancing our cost structure.

The gross profit of our AIoT SoCs increased by 3.3% from RMB743.5 million in 2024 to RMB768.1 million in 2025, primarily due to a 20.5% increase in the sales volume of our AIoT SoCs, partially offset by a decrease in the average selling price of our AIoT SoCs due to changes in product mix. The gross profit margin of our AIoT SoCs decreased from 49.2% in 2024 to 46.8% in 2025, primarily due to change in our product mix.

The gross profit of our communication and connectivity ICs increased by 23.5% from RMB31.6 million in 2024 to RMB39.0 million in 2025, primarily due to a 44.3% increase in sales volume of our communication and connectivity ICs driven by the increased popularity of our Wi-Fi 6 ICs. The gross profit margin of our communication and connectivity ICs decreased from 26.4% in 2024 to 19.5% in 2025, primarily driven by an increase in revenue contribution from our Wi-Fi ICs, which had a relative lower gross profit margin.

The gross profit of our smart automotive SoCs and other ICs decreased by 54.3% from RMB1.6 million in 2024 to RMB0.7 million in 2025, primarily due to a decrease in sales volume. The gross profit margin of our smart automotive SoCs and other ICs increased from 33.8% in 2024 to 52.6% in 2025, primarily due to changes in customers mix.

### *Other Income*

Our other income increased by 6.6% from RMB21.0 million in 2024 to RMB22.4 million in 2025, primarily due to an increase in lease income from our owned property.

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### *Selling and Marketing Expenses*

Our selling and marketing expenses increased by 20.2% from RMB71.7 million in 2024 to RMB86.2 million in 2025, primarily due to an increase in business development expenses in relation to (i) the marketing services provided by our Amlogic Holdings Group and (ii) the promotion of our new products. The increase was partially offset by a decrease in employee benefits expenses as certain personnel joined Amlogic Holdings and its subsidiaries.

### *General and Administrative Expenses*

Our general and administrative expenses decreased by 4.9% from RMB164.0 million in 2024 and to RMB155.9 million in 2025, primarily due to a decrease in employee benefit expenses mainly as a result of certain staff joined Amlogic global network as part of our globalization strategy.

### *Research and Development Expenses*

Our research and development expenses increased by 14.7% from RMB1,352.7 million in 2024 to RMB1,551.8 million in 2025, primarily due to an increase in professional service fees in relation to the R&D services provided by Amlogic Holdings Group. See “Connected Transactions — Non-Exempt Continuing Connected Transactions — Procurement of R&D and Ancillary Services” and (ii) the R&D activities of our new products.

### *Impairment Losses, net of reversal on Financial Assets*

Our net impairment losses on financial assets reverted from a net reversal of RMB43,000 in 2024 to a net impairment loss of RMB0.3 million in 2025, primarily due to an increase in impairment losses on trade and other receivables mainly as a result of our business growth.

### *Other Gains and Losses, net*

Our other net gains and losses decreased by 80.7% from RMB101.0 million in 2024 to RMB19.4 million in 2025, primarily as we recorded a net foreign exchange loss of RMB60.0 million in 2025 as compared to a net foreign exchange gain of RMB55.6 million in 2024, mainly as a result of fluctuations in exchange rate from US\$ to RMB.

### *Finance Income, Net*

Our finance income decreased by 19.9% from RMB111.9 million in 2024 to RMB89.7 million in 2025, primarily due to a decrease in interest income from bank deposits mainly due to optimization of our investment structure to better utilize our cash on hand for investment.

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### *Share of Results of Associates*

Our share of profit of associates decreased by 39.0% from RMB8.3 million in 2024 to RMB5.0 million in 2025, primarily due to the financial performance of one of our associates.

### *Income Tax Expenses*

Our income tax expenses increased by 17.1% from RMB32.6 million in 2024 to RMB38.2 million in 2025, primarily in relation to our business growth.

### *Profit for the Year*

As a result of the foregoing, our profit for the year increased by 6.3% from RMB819.2 million in 2024 to RMB870.5 million in 2025.

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

### *Revenue*

Our revenue increased by 10.3% from RMB5,370.9 million in 2023 to RMB5,926.3 million in 2024. Such increase was primarily attributable to the increases in the sales volume of our AIoT SoCs and communication and connectivity ICs driven by the commercialization of various new products.

### *Revenue by product type*

Our revenue from sales of smart multimedia and display SoCs increased by 5.7% from RMB4,060.4 million in 2023 to RMB4,290.6 million in 2024, primarily due to an increase in the average selling price of our smart multimedia and display SoCs primarily driven by (i) our continuous efforts to expand our customer base in markets outside of mainland China, (ii) the gradual recovery of demands due to development in downstream consumer electronics market and (iii) the commercialization of our 6-nm chips in the second half of 2024, which quickly gained market recognition and attracted orders from various leading international customers.

Our revenue from sales of AIoT SoCs increased by 25.9% from RMB1,200.4 million in 2023 to RMB1,511.3 million in 2024, primarily due to an increase in sales volume and the average selling price of our AIoT SoCs driven by (i) the gradual recovery of demands due to development in downstream consumer electronics market, (ii) the expansion of the application scenarios of our AIoT SoCs through collaboration with various international smart terminal manufacturers and (iii) the mass production of our 6-nm chips.

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Our revenue from sales of communication and connectivity ICs increased by 55.1% from RMB77.1 million in 2023 to RMB119.6 million in 2024, primarily due to a 56.4% increase in sales volume of our Wi-Fi ICs driven by (i) the rapid iteration and expansion in our product portfolio and (ii) the deepened collaboration with various telecom operators driven by the introduction of Wi-Fi 6.

Our revenue from sales of smart automotive SoCs and other ICs decreased by 84.9% from RMB32.0 million in 2023 to RMB4.8 million in 2024, primarily due to a 83.5% decrease in sales volume as new generation of certain products was still under development.

Our revenue derived from provision of technical services decreased from RMB1.1 million in 2023 to nil in 2024, primarily due to the completion of relevant customized technical project in 2023.

### *Cost of Sales*

In 2023, we recorded a write-down of inventories of RMB171.5 million primarily due to the cyclical industry downturns that led to weakened market demand. In 2024, driven by the recovery of demands in downstream markets, we recorded a net reversal of write-down of inventories of RMB32.1 million. As a result, despite the increase in our revenue from 2023 to 2024, our cost of sales remained relatively stable at RMB3,586.9 million and RMB3,728.3 million in 2023 and 2024, respectively.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 23.2% from RMB1,784.0 million in 2023 to RMB2,198.1 million in 2024, primarily driven by (i) the net reversal of write-downs of inventories in 2024 due to the recovery of demands in downstream markets and (ii) increases in sales volume of our AIoT SoCs and communication and connectivity ICs. Our gross profit margin increased from 33.2% in 2023 to 37.1% in 2024, primarily due to an increase in revenue contribution from AIoT SoCs, which had a relatively higher gross profit margin.

The gross profit of our smart multimedia and display SoCs remained relatively stable at RMB1,397.5 million and RMB1,389.3 million in 2023 and 2024, respectively. The gross profit margin of our smart multimedia and display SoCs remained stable at 34.4% and 32.4% in 2023 and 2024, respectively.

The gross profit of our AIoT SoCs increased by 42.2% from RMB523.0 million in 2023 to RMB743.5 million in 2024, primarily due to a 13.7% increase in sales volume of our AIoT SoCs. The gross profit margin of our AIoT SoCs increased from 43.6% in 2023 to 49.2% in 2024, primarily due to an increase in revenue contribution from products with higher gross profit margin.

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The gross profit of our communication and connectivity ICs increased by 58.0% from RMB20.0 million in 2023 to RMB31.6 million in 2024, primarily due to a 56.4% increase in sales volume of our communication and connectivity ICs, in line with the increase in our revenue. The gross profit margin of our communication and connectivity ICs remained stable at 25.9% and 26.4% in 2023 and 2024, respectively.

The gross profit of our smart automotive SoCs and other ICs decreased by 88.4% from RMB14.0 million in 2023 to RMB1.6 million in 2024, primarily due to a 83.7% decrease in sales volume. The gross profit margin of our smart automotive SoCs and other ICs decreased from 43.8% in 2023 to 33.8% in 2024, primarily due to changes in product mix.

### *Other Income*

Our other income decreased by 51.4% from RMB43.3 million in 2023 to RMB21.0 million in 2024, primarily due to a decrease in certain temporary and one-off government grants.

### *Selling and Marketing Expenses*

Our selling and marketing expenses decreased by 19.3% from RMB88.8 million in 2023 to RMB71.7 million in 2024, primarily due to (i) a decrease of RMB14.0 million in our share-based payment expenses and (ii) a decrease of RMB8.2 million in our employee benefit expenses. The decreases were due to reduction in the number of staffs.

### *General and Administrative Expenses*

Our general and administrative expenses remained relatively stable at RMB169.2 million in 2023 and RMB164.0 million in 2024.

### *Research and Development Expenses*

Our research and development expenses increased by 5.5% from RMB1,282.7 million in 2023 to RMB1,352.7 million in 2024, primarily due to an increase of RMB99.9 million in employee benefit expenses primarily driven by the increase in salaries of our R&D personnel.

### *Impairment Losses, net of reversal on Financial Assets*

We recorded a reversal of impairment losses on financial assets of RMB43,000 in 2024 as compared to a impairment losses on financial assets of RMB60,000 in 2023.

### *Other Gains and Losses, net*

Our other net gains and losses increased by 10.7% from RMB91.2 million in 2023 to RMB101.0 million in 2024, primarily due to (i) an increase of RMB8.5 million in net foreign exchange gains mainly as a result of fluctuations in exchange rate from US\$ to RMB and (ii) an increase of RMB5.2 million in interest income from financial assets at amortized costs in relation to our investments in bonds.

## FINANCIAL INFORMATION

### *Finance Income, Net*

Our finance income increased by 29.6% from RMB86.4 million in 2023 to RMB111.9 million in 2024, primarily due to an increase in interest income from bank deposits of RMB25.2 million primarily attributable to the increase in our deposits.

### *Share of Results of Associates*

Our share of profit of associates decreased by 79.0% from RMB39.0 million in 2023 to RMB8.2 million in 2024, primarily as we recorded substantial share of profits from one of our associates in 2023.

### *Income Tax Expenses*

Our income tax expenses increased from RMB4.3 million in 2023 to RMB32.6 million in 2024, primarily as we recorded a reversal deferred tax expense of RMB20.0 million in 2024.

### *Profit for the Year*

As a result of the foregoing, our profit for the year increased by 64.3% from RMB498.7 million in 2023 to RMB819.2 million in 2024.

## DISCUSSION OF SELECTED BALANCE SHEET ITEMS

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

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Total non-current assets . . . . .	1,208,541	1,533,932	1,961,108
Total current assets . . . . .	<u>5,147,520</u>	<u>5,832,098</u>	<u>6,683,008</u>
<b>Total assets</b> . . . . .	6,356,061	7,366,030	8,644,116
Total non-current liabilities . . . . .	67,492	55,843	66,671
Total current liabilities . . . . .	<u>799,513</u>	<u>883,619</u>	<u>1,201,492</u>
<b>Total liabilities</b> . . . . .	867,005	939,462	1,268,163
<b>Net current assets</b> . . . . .	<u>4,348,007</u>	<u>4,948,479</u>	<u>5,481,516</u>
<b>Net assets</b> . . . . .	<u>5,489,056</u>	<u>6,426,568</u>	<u>7,375,953</u>

## FINANCIAL INFORMATION

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				<i>(unaudited)</i>
				<i>(RMB in thousands)</i>
<b>Current assets</b>				
Inventories . . . . .	1,244,553	1,409,592	2,527,697	3,108,615
Trade and other receivables . . . . .	244,707	199,010	370,924	379,806
Prepayments . . . . .	8,159	8,349	392,847	384,585
Financial assets at fair value through profit or loss . . . . .	974,837	937,103	400,552	247,880
Financial assets at amortized cost . . . . .	142,913	286,822	358,856	143,144
Cash and bank balances . . .	2,506,951	2,915,442	2,521,583	2,246,563
Restricted bank deposits . .	–	43,130	71,086	–
Other current assets . . . . .	25,400	32,650	39,463	36,578
<b>Total current assets . . . . .</b>	<u>5,147,520</u>	<u>5,832,098</u>	<u>6,683,008</u>	<u>6,547,171</u>
<b>Current liabilities</b>				
Trade and other payables . .	614,942	688,124	950,930	874,980
Contract liabilities . . . . .	55,253	117,874	121,274	117,436
Financial liabilities at FVTPL . . . . .	–	201	63	–
Tax payables . . . . .	7,282	402	24,459	20,546
Lease liabilities . . . . .	14,108	14,766	10,219	11,925
Other current liabilities . . .	107,928	62,252	94,547	91,834
<b>Total current liabilities . .</b>	<u>799,513</u>	<u>883,619</u>	<u>1,201,492</u>	<u>1,116,721</u>
<b>Net Current Assets . . . . .</b>	<u>4,348,007</u>	<u>4,948,479</u>	<u>5,481,516</u>	<u>5,430,450</u>

## FINANCIAL INFORMATION

Our net current assets remained relatively stable at RMB5,481.5 million as of December 31, 2025 and RMB5,430.5 million as of February 28, 2026.

Our net current assets increased by 10.8% from RMB4,948.5 million as of December 31, 2024 to RMB5,481.5 million as of December 31, 2025, primarily due to (i) an increase of RMB1,118.1 million in inventories mainly as we increased our inventory level based on our market judgment; (ii) an increase of RMB384.5 million in prepayments mainly as a result of a change in payment arrangement with certain major suppliers to ensure supply chain stability, and (iii) an increase of RMB171.9 million in trade and other receivables in line with the growth in our sales. The increases were partially offset by (i) a decrease of RMB536.6 million in financial assets at FVTPL, primarily in relation to the redemption of wealth management products upon maturity and (ii) a decrease of RMB393.9 million in cash and bank balances.

Our net current assets increased by 13.8% from RMB4,348.0 million as of December 31, 2023 to RMB4,948.5 million as of December 31, 2024, primarily due to (i) an increase of RMB408.5 million in cash and bank balances, primarily reflecting our improved cash flow, (ii) an increase of RMB165.0 million in inventories in response to the gradual recovery in market demands, and (iii) an increase of RMB143.9 million in financial assets at amortized cost mainly as a result of changes of our investment.

### Property, Plant and Equipment

Our property, plant and equipment mainly consist of office equipment and fixtures, equipment and machinery, electronic equipment, and leasehold improvements. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Property and buildings . . . . .	141,564	229,079	218,871
Electronic equipment . . . . .	323,700	382,775	380,771
Motor vehicle . . . . .	739	775	2,146
Office equipment . . . . .	5,407	4,359	3,411
Leasehold improvement . . . . .	9,232	6,167	3,508
<b>Total</b> . . . . .	<b>480,642</b>	<b>623,155</b>	<b>608,707</b>

Our property, plant and equipment increased from RMB480.6 million as of December 31, 2023 to RMB623.2 million as of December 31, 2024, primarily due to (i) an increase in buildings in relation to new office space to support our business expansion, and (ii) an increase in our procurement of electronic equipment primarily attributable to new testing and inspection equipment to support our research and development activities. Our property, plant and equipment decreased from RMB623.2 million as of December 31, 2024 to RMB608.7 million as of December 31, 2025, primarily due to a decrease in property and buildings mainly as a result of the continued depreciation and disposal of existing property and buildings.

## FINANCIAL INFORMATION

### Right-of-use Assets

Our right-of-use assets represent carrying amounts of leased offices for our operations. Our right-of-use assets further decreased from RMB36.6 million as of December 31, 2023 to RMB29.8 million as of December 31, 2024, and further to RMB19.0 million as of December 31, 2025, primarily due to the depreciation of right-of-use assets and the termination of certain lease agreement.

### Intangible Assets

Our intangible assets mainly included our patents and software. Our intangible assets decreased from RMB118.5 million as of December 31, 2023 to RMB67.2 million as of December 31, 2024, primarily as we refined sourcing of certain intangible assets used in our R&D activities and our Amlogic Holdings Group shared the use of such intangible assets with us as part of our globalization strategy. Our intangible assets increased from RMB67.2 million as of December 31, 2024 to RMB151.5 million as of December 31, 2025, primarily attributable to the increase in certain patents and software purchased to support our R&D activities.

### Inventories

Our inventories primarily comprise (i) raw materials, mainly including untested foundry manufactured wafers and memory modules, (ii) work in progress, which includes chips under packaging and testing, (iii) finished goods, and (iv) goods in transit. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Raw materials . . . . .	299,157	211,483	817,491
Work in progress . . . . .	846,805	936,529	1,187,015
Finished goods . . . . .	405,729	485,316	663,027
Goods in transit . . . . .	–	–	86,209
Less: write-down of inventories . . . . .	<u>(307,138)</u>	<u>(223,736)</u>	<u>(226,045)</u>
<b>Total</b> . . . . .	<u><u>1,244,553</u></u>	<u><u>1,409,592</u></u>	<u><u>2,527,697</u></u>

Our inventories increased from RMB1,244.6 million as of December 31, 2023 to RMB1,409.6 million as of December 31, 2024, primarily due to an increase in (i) work in progress and finished goods and (ii) a decrease in provision for write-down of inventories mainly as a result of the growing market demand driven by the recovery of downstream consumer electronics market. Our inventories further increased from RMB1,409.6 million as of December 31, 2024 to RMB2,527.7 million as of December 31, 2025, primarily due to the increased inventory level driven by the increased sales volume and based on our market judgment at the time.

## FINANCIAL INFORMATION

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

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Within six months . . . . .	1,227,285	1,386,696	2,306,707
From six months to one year . . . . .	17,268	22,896	220,990
<b>Total</b> . . . . .	<b>1,244,553</b>	<b>1,409,592</b>	<b>2,527,697</b>

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

	Year ended December 31,		
	2023	2024	2025
	<i>(days)</i>		
Inventory turnover days <sup>(1)</sup> . . . . .	164.0	155.9	189.5

*Note:*

- (1) Inventory turnover days equal the average of opening balance and closing balance of the inventories (before write-downs of inventories) for relevant period divided by cost of sales for the same period and multiplied by 365 days (for a year).

Our inventory turnover days remained relatively stable throughout the Track Record Period. Our inventory turnover days decreased from 164.0 days in 2023 to 155.9 days in 2024, primarily due to the gradual recovery in market demands in 2024. Our inventory turnover days increased to 189.5 days in 2025, primarily due to our increased inventory level in 2025 based on our market judgment at the time.

As of December 31, 2023, 2024 and 2025, we recorded write-down of inventories of RMB307.1 million, RMB223.7 million and RMB226.0 million, respectively, primarily related to slow-moving inventories exceeding one year and adjustments for impaired or defective inventories. The write-down of inventories in 2023 was primarily due to cyclical industry downturns that led to a weakened market demand. With gradual recovery of downstream markets, our write-down of inventories gradually decreased. We periodically assess impairment of inventories and recognize write-down of inventories when their carrying amount is lower than their net realizable value. In addition, majority of our inventory has an aging of less than six months. As such, we believe we have made sufficient provision for inventory impairment during the Track Record Period.

As of February 28, 2026, RMB516.9 million, or approximately 18.8%, of our inventories as of December 31, 2025 had been subsequently sold or utilized.

## FINANCIAL INFORMATION

### Trade and Other Receivables

Our trade and other receivables represent amounts due from customers for products and services we provided. The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
<b>Trade receivables</b>			
– Related parties . . . . .	–	–	293
– Independent third parties . . . . .	218,583	177,196	335,401
Less: loss allowance for trade receivables . . . . .	<u>(554)</u>	<u>(518)</u>	<u>(845)</u>
	218,029	176,678	334,849
<b>Other receivables</b>			
– Related parties . . . . .	–	–	64
– Independent third parties . . . . .	26,679	22,333	36,012
Less: loss allowance for other receivables . . . . .	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
	<u>26,678</u>	<u>22,332</u>	<u>36,075</u>
<b>Total</b> . . . . .	<u><u>244,707</u></u>	<u><u>199,010</u></u>	<u><u>370,924</u></u>

Our trade and other receivables decreased from RMB244.7 million as of December 31, 2023 to RMB199.0 million as of December 31, 2024, primarily due to fluctuations in sales volume of our products in the fourth quarters of the respective periods. Our trade and other receivables increased from RMB199.0 million as of December 31, 2024 to RMB370.9 million as of December 31, 2025, primarily due to the payment schedule of orders received.

During the Track Record Period, we generally allow a credit period of 30 days to 45 days for our customers after invoice date. The following table sets forth an aging analysis of our trade receivables, including related provision for impairment, based on the recognition date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
0-30 days . . . . .	163,611	116,439	274,148
31-180 days . . . . .	<u>54,418</u>	<u>60,239</u>	<u>60,701</u>
<b>Total</b> . . . . .	<u><u>218,029</u></u>	<u><u>176,678</u></u>	<u><u>334,849</u></u>

## FINANCIAL INFORMATION

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

	Year ended December 31,		
	2023	2024	2025
		<i>(days)</i>	
Trade receivables turnover days <sup>(1)</sup> . . . .	11.9	12.2	13.7

*Note:*

- (1) Trade receivables turnover days equal the average of opening balance and closing balance of trade receivables (before loss allowance) for relevant period divided by total revenue for the same period and multiplied by 365 days (for a year).

Our trade receivables turnover days remained relatively stable at 11.9 days, 12.2 days and 13.7 days in 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB276.3 million, or approximately 74.3%, of our trade and other receivables as of December 31, 2025 had been subsequently settled.

### Prepayments

Our prepayments primarily consist of (i) prepayments for acquisition of property, plant and equipment, (ii) prepaid EIT and (iii) prepayment for inventories. The table below sets forth the breakdown of our prepayments as of the dates indicated.

	As of December 31,		
	2023	2024	2025
		<i>(RMB in thousands)</i>	
Prepayment for acquisition of property, plant and equipment . . . . .	9,385	3,056	2,156
Prepayment for acquisition of equity interest in an entity . . . . .	–	–	158,055
Prepaid EIT . . . . .	2,134	4,051	2,163
Prepayment for inventories . . . . .	6,025	4,298	390,684
<b>Total</b> . . . . .	<b>17,544</b>	<b>11,405</b>	<b>553,058</b>

Our prepayments further decreased from RMB17.5 million as of December 31, 2023 to RMB11.4 million as of December 31, 2024, primarily due to a decrease in prepayments for acquisition of property, plant and equipment mainly as a result of ramp-up of renovations of our new office space. Our prepayments increased substantially from RMB11.4 million as of December 31, 2024 to RMB553.1 million as of December 31, 2025, primarily attributable to (i) a substantial increase in prepayment for goods in relation to a change in payment arrangement with certain major suppliers for us to place wafer fabrication orders through the subsidiary of Amlogic Holdings Ltd. in order to ensure supply chain stability. See “Business — Legal Proceedings and Compliance — The Export Control Compliance Arrangement”, and (ii) an increase in prepayment for acquisition of equity interests in Xinmai Micro in September 2025.

## FINANCIAL INFORMATION

As of February 28, 2026, RMB325.3 million, or approximately 58.8%, of our prepayments as of December 31, 2025 had been subsequently settled.

### Trade and Other Payables

Our trade and other payables primarily consist of outstanding amounts due to our suppliers, other payables in relation to licensed IPs and salary and bonus. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
<b>Trade payables</b>			
– Related parties . . . . .	–	–	17,911
– Independent third parties . . . . .	357,539	386,711	551,693
<b>Other payables</b>			
– Related parties . . . . .	–	41,353	114,989
– Independent third parties . . . . .	72,030	71,601	67,536
– Salary and bonus payables . . . . .	185,373	188,459	198,801
<b>Total</b> . . . . .	614,942	688,124	950,930

As of December 31, 2023, 2024 and 2025, our trade and other payables was RMB614.9 million, RMB688.1 million and RMB950.9 million, respectively. The increase in our trade and other payables from December 31, 2023 to December 31, 2024 was primarily due to increased other payables in relation to payables for R&D and ancillary services provided by our Amlogic Holdings Group. See “Connected Transaction — Non-Exempt Continuing Connected Transaction — Procurement of R&D and Ancillary Services.” The increase in our trade and other payables from December 31, 2024 to December 31, 2025 was primarily due to increased inventory level based on our market judgment at the time.

During the Track Record Period, we are typically granted a credit term ranging from 30 days to 60 days by our suppliers. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
0-180 days . . . . .	356,864	364,309	549,345
181-365 days . . . . .	219	21,948	–
1-2 years . . . . .	1	–	20,252
Over 2 years . . . . .	455	454	7
<b>Total</b> . . . . .	357,539	386,711	569,604

## FINANCIAL INFORMATION

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

	Year ended December 31,		
	2023	2024	2025
	<i>(days)</i>		
Trade payables turnover days <sup>(1)</sup> . . . . .	<u>39.1</u>	<u>36.4</u>	<u>41.3</u>

*Note:*

- (1) Trade payables turnover days equal the average of the opening and closing balances of trade payables for relevant period divided by total cost of sales for the same period and multiplied by 365 days (for a year).

Our trade payables turnover days were 39.1 days, 36.4 days and 41.3 days in 2023, 2024 and 2025. Our trade payables turnover days increased from 36.4 days in 2024 to 41.3 days in 2025, primarily due to our increased inventory based on our market judgment at the time.

As of February 28, 2026, RMB702.1 million, or approximately 73.8%, of our trade and other payables as of December 31, 2025 had been subsequently settled.

### Contract Liabilities

Contract liabilities mainly arise from the advance payments made by customers before we recognize the related revenue. As of December 31, 2023, 2024 and 2025, our contract liabilities amounted to RMB55.3 million, RMB117.9 million and RMB121.3 million, respectively. Such amount fluctuates in proportion to the revenue generated from customers who make advance payments.

As of February 28, 2026, RMB96.7 million, or approximately 79.8%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

### Other Current Liabilities

Our other current liabilities consist primarily of (i) patent license fees in relation to purchases of intangible assets, (ii) accrued royalty fees primarily represent royalty fees in relation to use of patents licensed to us, and (iii) others. The following table sets forth a breakdown of our other current liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Patent license fee . . . . .	46,098	13,200	26,223
Accrued royalty fees . . . . .	55,411	45,673	59,359
Others . . . . .	6,419	3,379	8,965
<b>Total</b> . . . . .	<u>107,928</u>	<u>62,252</u>	<u>94,547</u>

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## FINANCIAL INFORMATION

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Our other current liabilities decreased from RMB107.9 million as of December 31, 2023 to RMB62.3 million as of December 31, 2024, primarily due to a decrease in patent license fees reflects fewer licenses purchased during the year, consistent with our business needs. Our other current liabilities increased from RMB62.3 million as of December 31, 2024 to RMB94.5 million as of December 31, 2025, primarily attributable to an increase in accrued royalty fees driven by an increase in sales volume of corresponding products.

As of February 28, 2026, RMB52.8 million, or approximately 77.3%, of our other current liabilities as of December 31, 2025 had been subsequently settled.

### Financial Assets at FVTPL

Financial assets at FVTPL primarily include our investments in wealth management products issued by banks, equity investments in private companies, structural deposits and our investments in private equity funds. Our financial assets at FVTPL increased from RMB1,278.6 million as of December 31, 2023 to RMB1,427.4 million as of December 31, 2024, primarily due to increased investments in certain private equity funds. Our financial assets at FVTPL decreased from RMB1,427.4 million as of December 31, 2024 to RMB948.9 million as of December 31, 2025, primarily as we reduced our holdings in certain investment products.

We have established a comprehensive set of internal policies and guidelines to monitor and control our investment risk. We ensure that investments are made in secure, liquid products offered by qualified financial institutions and closely monitor the fair value of our investments. Members of our investment committee, who possess experience in financial investments, are responsible for proposing, analyzing, and evaluating potential investment opportunities. Our material investments are made subject to the approval by the Board of Directors or Shareholder's meeting and the monitor by our independent executive Directors. We also perform internal audits and compliance checks to ensure adherence to our internal policies and liquidity needs.

Upon Listing, our investments in financial assets will be subject to compliance with Chapter 14 of the Listing Rules.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital Sufficiency

Our Directors are of the view that taking into account our available resources including cash and cash equivalents on hand, the operating cash flows, the available banking facilities and the net estimated proceeds from the [REDACTED], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

## FINANCIAL INFORMATION

During the Track Record Period and up to the Latest Practicable Date, we primarily funded our cash requirements from cash from operations. As of February 28, 2026, we had cash and bank balances of RMB2,246.6 million.

### Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Net cash from/(used in) operating activities . . . . .	886,961	950,653	(225,435)
Net cash from/(used in) investing activities . . . . .	(1,112,248)	(938,221)	581,443
Net cash from/(used in) financing activities . . . . .	(128,363)	17,472	18,969
Net increase/(decrease) in cash and cash equivalents . . . . .	(353,650)	29,904	374,977
Effect of exchange rate changes . . . . .	4,939	(950)	(14,281)
Cash and cash equivalents at beginning of the year . . . . .	1,129,525	780,814	809,768
<b>Cash and cash equivalents at end of the year . . . . .</b>	<b>780,814</b>	<b>809,768</b>	<b>1,170,464</b>

### *Net Cash from/(Used in) Operating Activities*

For the year ended December 31, 2025, we had net cash used in operating activities of RMB225.4 million, which represents our profit before tax of RMB908.6 million, adjusted for certain non-cash and non-operating items, primarily including (i) interest income from bank deposits of RMB113.0 million and (ii) change in fair value of financial assets at FVTPL of RMB41.7 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in inventories of RMB1,127.5 million, (ii) an increase in prepayments of RMB365.0 million. We will continue to monitor our cash flows from operations closely and improve our net operating cash flows position through a variety of means, including (i) increasing our bargaining power and extending our credit period with our suppliers, (ii) managing our trade and bills receivables by monitoring the credit profile of our customers and enhancing our payment collection system, and (iii) increasing our inventory turnover rate to increase our cash flows from operating activities.

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## FINANCIAL INFORMATION

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For the year ended December 31, 2024, our net cash generated from operating activities was RMB950.7 million, which was primarily attributable to our profit before tax of RMB851.8 million, as adjusted by certain non-cash and non-operating items, primarily consisting of (i) depreciation and amortization of RMB216.7 million and (ii) share-based payments of RMB71.9 million. The amount was further adjusted by changes in working capital, primarily including an increase in trade and other payables of RMB73.2 million, partially offset by an increase in inventories of RMB133.0 million.

For the year ended December 31, 2023, our net cash generated from operating activities was RMB887.0 million, which was primarily attributable to our profit before tax of RMB503.0 million, as adjusted by certain non-cash and non-operating items, primarily consisting of (i) depreciation and amortization of RMB248.0 million, (ii) write-down of inventories of RMB171.5 million and (iii) share-based payments of RMB157.4 million. The amount was further adjusted by changes in working capital, primarily including a decrease in inventories of RMB101.5 million, partially offset by (i) an increase in trade and other receivables of RMB91.6 million and (ii) interest income from bank deposits of RMB88.1 million.

### *Net Cash from/(Used in) Investing Activities*

For the year ended December 31, 2025, we had net cash generated from investing activities of RMB581.4 million, primarily due to (i) withdrawal of time deposits of RMB719.8 million and (ii) net proceeds from financial assets/liabilities at FVTPL of RMB436.3 million, partially offset by (i) net payments for financial assets at amortized cost of RMB210.2 million, (ii) purchase of property, plant and equipment of RMB177.4 million, (iii) prepayment for acquisition of equity interests of an entity of RMB158.1 million and (iv) purchase of intangible assets of RMB154.8 million.

For the year ended December 31, 2024, we had net cash used in investing activities of RMB938.2 million, primarily due to (i) placement of time deposits of RMB379.5 million, (ii) purchase of property, plant and equipment of RMB173.5 million, (iii) purchase of assets under construction of RMB169.4 million, partially offset by interest received of RMB113.3 million.

For the year ended December 31, 2023, we had net cash used in investing activities of RMB1,112.2 million, primarily due to (i) placement of time deposits of RMB735.8 million, (ii) net proceeds from financial assets/liabilities at FVTPL of RMB220.2 million and (iii) payments for purchase of property, plant and equipment of RMB165.6 million, partially offset by interest received of RMB88.1 million.

### *Net Cash from/(Used in) Financing Activities*

For the year ended December 31, 2025, we had net cash generated from financing activities of RMB19.0 million, primarily due to proceeds from issuance of new shares, net of issuance cost of RMB133.5 million, partially offset by repurchase of restricted shares of RMB80.0 million.

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For the year ended December 31, 2024, we had net cash generated from financing activities of RMB17.5 million, primarily due to proceeds from issuance of new shares, net of issuance cost of RMB38.9 million, partially offset by repayment of principal of lease liabilities of RMB16.4 million.

For the year ended December 31, 2023, we had net cash used in financing activities of RMB128.4 million, primarily due to dividends paid to owners of the Company of RMB208.2 million, partially offset by proceeds from issuance of new shares, net of issuance cost of RMB98.6 million.

### INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				<i>(unaudited)</i>
				<i>(RMB in thousands)</i>
Lease liabilities . . . . .	<u>40,554</u>	<u>32,258</u>	<u>19,346</u>	<u>17,727</u>

As of February 28, 2026, we did not have any unutilized banking facilities.

### Lease Liabilities

Our lease liabilities are in relation to properties that we lease for our offices and R&D facilities. As of December 31, 2023, 2024 and 2025 and February 28, 2026, we recognized total lease liabilities of RMB40.6 million, RMB32.3 million, RMB19.3 million and RMB17.7 million. Our lease liabilities decreased throughout the Track Record Period, in line with the depreciation recognized during the lease term.

Save as disclosed above, as of February 28, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since February 28, 2026 and up to the date of this document.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURES

Our capital expenditures were RMB233.3 million, RMB199.9 million, and RMB323.2 million in 2023, 2024 and 2025, respectively. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Purchase of property, plant and equipment . . . . .	165,608	173,474	177,393
Purchase of Intangible assets . . . . .	<u>67,646</u>	<u>26,401</u>	<u>145,813</u>
<b>Total</b> . . . . .	<u><u>233,254</u></u>	<u><u>199,875</u></u>	<u><u>323,206</u></u>

During the Track Record Period, our capital expenditures were primarily in relation to purchases of items of property, plant and equipment and intangible assets. We expect that our capital expenditures in 2026 will primarily consist of investments in purchases of equipment, intangible assets and other non-current assets. We expect to finance our capital expenditures through existing cash on hand and the net proceeds from the [REDACTED]. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

### CAPITAL COMMITMENTS

Our capital commitments primarily represent capital expenditure contracted for but not provided for during the Track Record Period. The table below sets forth, as at the dates indicated, our capital commitments.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Acquisition of patents . . . . .	54,699	19,302	36,607
Capital contribution . . . . .	<u>10,000</u>	<u>10,000</u>	<u>—</u>
<b>Total</b> . . . . .	<u><u>64,699</u></u>	<u><u>29,302</u></u>	<u><u>36,607</u></u>

Our Directors confirm that there had been no material change in our capital commitments since February 28, 2026 and up to the Latest Practicable Date.

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in the contingent liabilities of our Company since February 28, 2026 and up to the Latest Practicable Date.

### KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,		
	2023	2024	2025
Gross profit margin <sup>(1)</sup> . . . . .	33.2%	37.1%	37.8%
Current ratio <sup>(2)</sup> . . . . .	6.4	6.6	5.6
Quick ratio <sup>(3)</sup> . . . . .	4.9	5.0	3.5
Debt-to-equity ratio <sup>(4)</sup> . . . . .	0.2	0.1	0.2
Return on equity <sup>(5)</sup> . . . . .	9.6%	13.8%	12.6%

*Notes:*

- (1) Gross profit margin is calculated as revenue minus cost of sales divided by revenue, then multiplied by 100%.
- (2) Current ratio equals total current assets divided by total current liabilities as of the date indicated.
- (3) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the dates indicated.
- (4) Debt-to-equity ratio is calculated using total debt divided by total equity.
- (5) Return on equity is calculated by dividing profit for the year by the equity of our Company for the respective year (sum of opening and closing balances of the equity of the respective year and then divided by two) and multiplied by 100%.

Our quick ratio was 4.9, 5.0 and 3.5 as of December 31, 2023, 2024 and 2025, respectively. The decrease in our quick ratio from December 31, 2024 to December 31, 2025 was primarily driven by the increase in our inventories. Our return on equity was 9.6%, 13.8% and 12.6% in December 31, 2023, 2024 and 2025, respectively. The fluctuations in our return on equity were primarily driven by the fluctuations in our profit.

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## FINANCIAL INFORMATION

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### FINANCIAL RISK MANAGEMENT

Our principal financial instruments include cash and cash equivalents, restricted bank deposits and financial assets at FVTPL. The primary purpose of these financial instruments is to support our operations by raising financing. We also have other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from our business activities. The key risks associated with our financial instruments include currency risk, credit risk, and liquidity risk. Our Directors regularly review these risks and establish policies to manage and mitigate their impact effectively. For details, see Note 43 to the Accountants’ Report included in Appendix I to this document.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 46 to Appendix I to this document. Our Directors believe that these transactions were conducted on normal commercial terms and on an arm’s length basis in the ordinary and usual course of business, and did not distort our results of operations or make our historical results not reflective of our future performance.

### DIVIDEND

Pursuant to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》), and the Articles of Association, we have adopted an annual dividend policy. As of the Latest Practicable Date, we do not have a fixed dividend distribution ratio. We prioritize distributing dividends in the form of cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks. Pursuant to the Articles of Association, our Board may recommend a distribution of dividends after taking into account our results of operations, financial condition, operating requirements and capital requirements. Under applicable PRC laws, dividends may be paid only out of distributable profits, which refer to after-tax profits less any recovery of accumulated losses and required allocations to statutory capital reserve funds.

During the Track Record Period, we declared dividends to our Shareholders as follows:

	Year ended December 31,		
	2023	2024	2025
Dividends . . . . .	208,160	—	—

*(RMB in thousands)*

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All of such dividends declared during the Track Record Period had been fully settled as of the Latest Practicable Date.

### PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified property valuer, valued our selected property interests as of January 31, 2026 at RMB95.5 million. Details of the valuation are summarized in Appendix III to this document. The following table sets out the reconciliation between the net carrying amount of the property as of December 31, 2025 as extracted from the Accountants' Report in Appendix I to this document and the property valuation report as set out in Appendix III to this document as of January 31, 2026:

	<i>RMB'000</i>
Net carrying amount of the subject property as of December 31, 2025 .....	91,913
Add: Changes in fair value .....	<u>3,546</u>
Valuation of the subject property as of January 31, 2026, as set out in Appendix III .....	<u><u>95,459</u></u>

### DISTRIBUTABLE RESERVES

As of December 31, 2025, our distributable reserve was RMB3,801.6 million.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED OF NET TANGIBLE ASSETS

See Unaudited Pro Forma Financial Information in Appendix II to this document for details.

### LISTING EXPENSES

Listing expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Listing expenses to be borne by us are estimated to be approximately RMB[REDACTED] (HK\$[REDACTED]), comprising: (i) [REDACTED] of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED] expenses of RMB[REDACTED] (HK\$[REDACTED]), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[REDACTED] (HK\$[REDACTED]); and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range), approximately RMB[REDACTED] (HK\$[REDACTED]) of which was charged or is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED]

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(HK\$[REDACTED]) of which is expected to be deducted from equity upon the completion of the [REDACTED]. The listing expenses are expected to represent approximately [REDACTED]% of the gross proceeds of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and that the [REDACTED] is not exercised. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025 (being the end date of the period reported on in the Accountants' Report in Appendix I to this document) and there has been no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.