



NSING TECHNOLOGIES INC.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 2701

2025 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Yingtong (*Chairman and General Manager*)
Mr. Kan Yulun
Ms. Ye Yantao

Non-Executive Director

Mr. Zhou Bin

Independent Non-Executive Directors

Mr. Chen Weiwu
Ms. Hao Dan
Ms. Ji Xingdan

AUDIT COMMITTEE

Mr. Chen Weiwu (*Chairman*)
Ms. Hao Dan
Ms. Ji Xingdan

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Hao Dan (*Chairlady*)
Ms. Ji Xingdan
Ms. Ye Yantao

NOMINATION COMMITTEE

Ms. Hao Dan (*Chairlady*)
Mr. Chen Weiwu
Mr. Sun Yingtong

STRATEGIC COMMITTEE

Mr. Sun Yingtong (*Chairman*)
Mr. Kan Yulun
Mr. Zhou Bin

JOINT COMPANY SECRETARIES

Ms. Ye Yantao
Mr. Lui Wing Yat Christopher

AUTHORISED REPRESENTATIVES

Ms. Ye Yantao
Mr. Lui Wing Yat Christopher

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CORPORATE INFORMATION

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Registered Public Interest Entity Auditor
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LEGAL ADVISORS

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As to PRC law:
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COMPLIANCE ADVISOR

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Guangdong Province
PRC

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COMPANY'S WEBSITE

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STOCK CODE

2701 (H Shares listed on Hong Kong Stock Exchange)
300077 (A Shares listed on Shenzhen Stock Exchange)

INVESTOR RELATIONS

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Business

The Group is a platform-based IC design company, focusing on delivering highly secure, reliable, and integrated control chips and system solutions for a broad range of intelligent terminals. Rooted in Shenzhen and expanding globally, the Group brings together top-tier talent to strengthen its capabilities in R&D and innovation. Since its establishment, the Group has gradually achieved leap-forward development from specialized market chips to general-purpose MCUs and further to high-end products such as edge AI computing. The Group has expanded its product portfolio to include battery management system chips and radio frequency chips.

Since 2018, when the Group determined to become a platform-based IC design company, it has launched multiple 32-bit MCU product series based on Cortex-M0 to M7 cores and continuously optimized chip size, power consumption, and performance, achieving scenario evolution from embedded control to edge intelligence. As early as 2019, it became the first fabless IC design company to mass-produce general-purpose MCU products using the 40nm eFlash process, leading a global trend of process advancement in mainstream products.

In 2025, the Group continued to operate two major product segments, comprising chip products and lithium-ion battery anode material products:

Chips Business

The Group focused on MCU-centric chip design, adopting a fabless model to deliver high-security, high-reliability, and high-integration control chips and system solutions for consumer electronics, industrial control, digital energy, smart home, automotive electronics, medical devices, AI data centers, robotics, and other emerging applications, while actively advancing 32-bit MCU upgrades, and differentiated solutions for high-growth scenarios.

Consumer Electronics: The Group offers a broad product portfolio with high cost-performance ratios and excellent compatibility. Its MCUs are widely used in smartphones, aerial photographic drones, action cameras, personal beauty devices, high-speed hair dryers, wireless microphones and other terminal products, and the Group has achieved mass deployment to multiple leading consumer electronics brands. This sector places high requirements on chip size, power efficiency, and electromagnetic interference resistance. The Group's products have demonstrated strong systematic integration, low power consumption, and long-term stability.

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial Control and Digital Energy: The Group launched China's first high-performance MCU product that adopts a heterogeneous multi-core architecture combining Arm Cortex-M7, M4, and GPU for industrial automation. These products are widely used in servo drives, PLCs, inverters, and other general-purpose industrial control systems and have been adopted by many leading industrial automation companies in China. In digital energy management systems, the Group's MCUs – known for their high reliability, low power consumption, and precise analog signal processing capabilities – have been deployed in commercial and industrial energy storage systems and portable power applications. The Group has established long-term cooperation with major customers across the industry.

Smart Home: The Group's MCU products are broadly applied in white goods (such as refrigerators and air conditioners), mid- to high-end televisions (such as Mini LED TVs), cleaning appliances (such as robotic vacuum cleaners, floor washers, and vacuum cleaners), and outdoor smart devices (such as pool cleaning robots and lawn mowers).

Automotive Electronics: The Group's automotive-grade MCUs and specialized market chips are extensively used in body control and driver-assistance systems, including cockpit electronics, intelligent lighting systems, passive keyless entry (PKE), ultrasonic radar, AVAS low-speed warning systems, T-BOX, and V2X communications. Certain products have passed AEC-Q100 certification and been integrated into the installed systems of mainstream automakers. The Group continues to expand into strategic areas such as smart driving domain control and battery management system.

Medical Electronics: The Group's low-power consumption MCUs and Bluetooth SoCs have been successfully implemented in portable health monitoring devices such as oximeters, blood pressure monitors, and blood glucose meters. Its mid- to high-end products have also been adopted in medical equipment systems such as ventilators and patient monitors, meeting the comprehensive demands of medical applications in terms of system robustness, data accuracy, and endurance performance.

In addition, the Group has a notable presence in the secure payment and computing terminal sectors. Its specialized market chips are widely deployed in USB Keys, payment terminals, QR code payment devices, and biometric payment systems. The Group's trusted computing chips are used across embedded systems such as enterprise computers, servers, and industrial control computers.

The widespread adoption of the Group's products across multiple industries and application scenarios reflects the adaptability and versatility of its product ecosystem and establishes a strong foundation for its expansion into strategic emerging industries such as AI, robotics, new energy, and the low-altitude economy.

In the field of AI, the Group has launched edge AI MCUs that support TensorFlow Lite and are planning to introduce high-performance MCUs with integrated NPUs for typical intelligent scenarios such as image processing, voice recognition, and fault prediction.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of robotics, the Group's products are widely used in robotic vacuum cleaners, pool cleaning robots, exoskeleton robots, and humanoid robots, with strong capabilities in high-precision motor control and multi-sensor fusion, supporting applications from mid-range service robots to high-end intelligent robotics.

In the field of new energy, the Group's MCUs have been adopted in energy industry critical segments, such as photovoltaic inverters, server power supplies, and energy storage power management systems, with deployments among top-tier customers, enabling the Group to deliver comprehensive, chip-to-system coordinated control solutions.

In the field of low-altitude economy, the Group's N32G4 and N32H4 product series have been applied in aerial photography drones, demonstrating excellent signal processing and flight control capabilities.

Lithium-ion Battery Anode Materials Business

The Group's lithium-ion battery anode materials business concentrated on the R&D, production, and sales of lithium-ion battery anode materials and graphitisation processing services, primarily serving power batteries, energy storage, and consumer batteries, while emphasizing cost reduction, efficiency improvement, product structure optimisation, and the development of advanced materials such as silicon-carbon and hard carbon to enhance competitiveness amid an industry recovery and structural upgrade cycle.

The Group adopts an on-demand procurement model to ensure stable and cost-efficient sourcing of core raw materials, operates a self-managed production model with plans formulated according to product demand and inventory levels – utilising its graphitization capacity primarily for internal anode-material needs while offering surplus capacity externally – and principally employs a direct-sales model supported by multi-channel engagement to respond promptly to customer requirements and facilitate continuous upgrades to its technologies and product offerings.

By shifting from broad product coverage toward more focused, high-performance, and highly integrated MCU solutions, the Company aims to build durable technological differentiation and scenario-level leadership. Continued investment in core technologies, coupled with expansion into emerging application scenarios and closer integration of chips with energy systems, is expected to strengthen competitiveness and customer value. Supported by global talent recruitment, overseas R&D capabilities, and selective strategic acquisitions, the Company is well positioned to enhance execution efficiency, expand internationally, and progress from domestic substitution toward higher-end, innovation-led market leadership.

MANAGEMENT DISCUSSION AND ANALYSIS

Global Strategy

The Group adheres to a global strategy, and has established headquarters in Shenzhen, China and Singapore, and formed a coordinated and linked global operation structure. The domestic headquarters, leveraging Shenzhen's comprehensive advantages in the electronic information industry chain, R&D ecosystem and manufacturing resources, is responsible for its core technology R&D and local customer service functions. The international headquarters in Singapore focuses on global customer development and delivery capabilities, and also serves as an important R&D center for attracting global technical talent. It possesses integrated capabilities in IC design, project management and regional delivery, and has become the Group's strategic hub for serving international markets and coordinating global resources. Through the "domestic brand + overseas brand" dual-brand strategy, the Group has built supply chains in regions such as Taiwan and Malaysia to meet international procurement and compliance requirements. In 2024, the Group achieved the first overseas delivery of its MCU products. Going forward, the Group will take Singapore as a fulcrum to accelerate our business expansion into the Asia-Pacific, European and American markets, promote overseas revenue growth, and build an international delivery system with local responsiveness and global service capabilities.

Development strategies and business plans*

1. *Strategic Focus on AI & Edge Computing, Robotics and Industrial Control*

The Group will continue to prioritise strategic growth areas including AI and edge computing, robotics, industrial control, automotive-grade electronics, intelligent computing infrastructure and low-altitude economy applications. Leveraging the existing breadth of its MCU product portfolio, the Group aims to deepen technological capabilities by developing higher-performance and higher-integration MCU products, thereby transitioning from broad product expansion to strengthened specialisation. These initiatives are intended to position the Group to achieve full-scenario MCU coverage as intelligent applications become increasingly pervasive across industries.

Focusing on these key verticals, the Group will continue to drive vertical product breakthroughs, enhance differentiated technological advantages and strengthen value creation for customers. The Group also seeks to expand its embedded-control capabilities from edge intelligence to energy-system applications, enabling an upgrade from "application-driven adaptation" to "scenario-driven leadership."

MANAGEMENT DISCUSSION AND ANALYSIS

2. Development of Advanced MCU Products and Complementary Solutions for Emerging Scenarios

The Group will pursue a product development strategy centred on advanced MCUs while broadening coverage of emerging application scenarios. Priority development areas include edge-AI computing, digital power management, industrial networking and in-vehicle information security. The objective is to build a product architecture with strong technological differentiation and market penetration.

In line with the strategic shift towards scenario-driven development, the Group will expand high-performance chip offerings for application areas such as smart home devices, energy-storage systems, photovoltaic power management and medical wearables. Supported by accumulated expertise in analogue design, low-power control and security architecture, the Group aims to enhance core-module reusability and accelerate modular innovation. A rapid-iteration mechanism will be established across edge computing, power-management and wireless-communication product lines to drive comprehensive vertical and horizontal product expansion.

3. Continuous Innovation to Maintain Technological Leadership

Innovation remains central to the Group's long-term competitiveness. The Group will continue to advance its core technologies through independent R&D and systematic technology upgrades. Development efforts will prioritise four key technological pillars:

- (i) high-integration and advanced packaging technologies;
- (ii) ultra-low-power IC design;
- (iii) heterogeneous multi-core architectures; and
- (iv) edge intelligence and model-optimisation technologies.

These pillars support the establishment of a diversified, high-performance chip platform tailored for increasingly complex terminal applications. The Group intends to enhance R&D investment in these areas and accelerate commercial implementation with the aim of reinforcing technological leadership and expanding its product matrix across both traditional and emerging application scenarios. These initiatives are expected to support the Group's progression from domestic substitution towards high-end leadership in the global intelligent-control chip industry.

4. Enhanced Investment in Cost-Effective MCU Products to Strengthen Mass-Market Penetration

In light of intensifying competition in the cost-effective MCU segment, the Group will further increase its R&D investment and market development efforts for cost-effective MCU offerings. These efforts will focus on improving product competitiveness while steadily expanding market share in key mass-market applications such as consumer electronics, smart home devices and white goods.

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Leveraging its existing technology base and supply-chain integration advantages, the Group will optimise performance and cost structure for cost-effective MCU products while ensuring product reliability and compatibility. The Group may selectively pursue acquisitions of teams or enterprises with technological, product or channel advantages in this segment to enhance product-supply capabilities and accelerate market expansion. This strategy seeks to establish a balanced development model whereby high-end products reinforce the Group's technological brand while cost-effective products support scale growth, enabling a comprehensive, multi-level product portfolio covering a wide range of application scenarios.

5. Strengthening Talent Development and Exploring Strategic M&A Opportunities

The Group regards talent as a core driver of innovation and sustainable development. To support long-term growth, the Group will continue strengthening its talent recruitment mechanisms, enhancing incentive programmes and fostering an innovation-driven organisational culture. The Group's R&D centres in Singapore, Japan and other locations will play an important role in building a global talent network capable of attracting high-calibre professionals with international perspectives and industry experience.

The Group will also assess selective merger and acquisition opportunities as an external growth initiative. Future merger and acquisition efforts will target high-quality businesses that align closely with the Group's existing product portfolio, with the objective of achieving vertical integration along the value chain or expanding product capabilities horizontally.

6. Market Consolidation and Operational Efficiency

The Group will enhance product quality, delivery reliability and customer service to strengthen its existing market position and pursue further market-share gains. Efforts will include deeper engagement with potential customers, accelerated qualification and mass-production onboarding, and continued optimisation of production processes, cost controls and upstream collaboration, with internal capacity increasingly directed toward higher-specification mid- to high-end products.

* In the event of any inconsistency, the Chinese version shall prevail.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

STRATEGIES AND PLANS

China's integrated circuit industry, having developed later than major international markets, continues to face a notable gap in technology, ecosystem maturity, and product portfolios across IC design and wafer fabrication, with global manufacturers retaining dominant positions in mid- to high-end segments. In the MCU market, industry concentration remains high internationally, while domestic manufacturers currently maintain relatively low market share and are primarily positioned in mid- to low-end applications. Nevertheless, domestic MCU enterprises have made meaningful advancements in performance, integration, stability, and ecosystem support, achieving increasing competitiveness in consumer electronics and gradually expanding into higher-value sectors such as industrial control and automotive electronics. Supported by advantages in cost efficiency, supply chain localization, and development flexibility – as well as rising market demand driven by emerging fields including edge AI, robotics, new energy applications, and low-altitude aviation – the domestic MCU industry is expected to benefit from ongoing improvements in design capabilities, product diversification, and accelerating trends toward supply chain autonomy and domestic substitution.

Overall demand across the Group's downstream application sectors is expected to be influenced by broader macroeconomic conditions, including domestic economic momentum, global recovery trends, and policy developments. While steady domestic consumption and continued industrial upgrading may support baseline demand, external uncertainties – such as global monetary policies and geopolitical factors – could result in uneven demand patterns across regions. The Group will continue to monitor key economic indicators and industry trends closely to adjust its operational plans, respond to market shifts, and capture emerging opportunities.

MAJOR RISKS AFFECTING THE GROUP'S OPERATION

The Group's growth depends on its ability to innovate continuously, enhance product performance, broaden its product portfolio and successfully expand into new markets. However, product development is inherently complex, costly and uncertain, and newly developed products may not be accepted by the market, particularly if they fail to meet the stringent quality and reliability standards required by downstream customers or industry specifications. Expanding into new markets also demands substantial resources, technological capabilities and competitive strength, with no assurance that these markets will develop as expected, that the Group's products will satisfy their requirements, or that the Group will be able to compete effectively or sustain margins. The Group's competitiveness further relies on strengthening its R&D capabilities – especially in chip technologies – and any delays, insufficient returns, disruptions or political or legal constraints affecting its R&D activities may hinder future development.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the MCU and lithium-ion battery anode material industries are cyclical, and fluctuations in supply, demand and pricing may lead to capacity constraints, inventory build-ups, margin pressure or inefficient capital deployment, adversely affecting the Group's operating and financial performance. The Group is also exposed to risks arising from adverse conditions in downstream sectors such as consumer electronics, industrial control, digital energy, smart home, automotive electronics and medical electronics, including weaker demand, economic downturns, regulatory changes, rising costs or intensifying competition. Reliance on a major customer for a significant portion of anode material revenue, as well as strong competitive pressure in the Group's core markets, may result in reduced orders, margin compression or lost business opportunities if the Group cannot maintain customer relationships, respond to pricing pressure or keep pace with technological advancements. The Group further faces risks related to international trade uncertainties, supply-chain disruptions, high inventory levels, rapid technological change, and operational and financial pressures, which may collectively impact its business performance and financial stability.

FINANCIAL REVIEW

Revenue

By Business Line

The Group generated its revenue from (i) sales of chip products; (ii) sales of lithium-ion battery anode material products and graphitisation processing services; and (iii) other products and services primarily including leasing of real properties, sales of smart door lock System-on-Chip and smart door lock motherboards, and solutions for smart door lock installation, sales of auxiliary materials in the Group's production and tailings of graphite products (by-products from production), which have a high calorific value and could be used for different industries including, among others, steel-making and power generation, and provision of technical services. The following table sets forth a breakdown of the Group's revenue by business line, in absolute amounts and as a percentage of the Group's revenue, for the years indicated:

| | Year ended 31 December | | | |
|---|------------------------|--------------|------------------|--------------|
| | 2025 | | 2024 | |
| | RMB'000 | % of total | RMB'000 | % of total |
| Sales of chip products | 631,868 | 46.5 | 555,724 | 47.6 |
| Sales of lithium-ion battery anode material products and graphitisation processing services | 673,185 | 49.5 | 549,421 | 47.1 |
| Others (note) | 55,213 | 4.0 | 62,405 | 5.3 |
| Total | 1,360,266 | 100.0 | 1,167,550 | 100.0 |

Note: Include lease income

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the details of the sales volumes and the average sales price of the Group's chips products and lithium-ion battery anode material products and graphitisation processing services:

| | Year ended 31 December | |
|--|------------------------|---------|
| | 2025 | 2024 |
| Chip Products | | |
| Revenue (RMB'000) | 631,868 | 555,724 |
| Sales Volume ('000 unit) | 391,531 | 340,683 |
| Average Price Per Unit (RMB) | 1.6 | 1.6 |
| Lithium-Ion Battery Anode Material Products | | |
| Revenue (RMB'000) | 607,942 | 499,750 |
| Sales Volume (Ton) | 30,059 | 26,468 |
| Average Price Per Ton (RMB'000) | 20.2 | 18.9 |
| Graphitisation Processing Services (Note) | | |
| Revenue (RMB'000) | 57,643 | 46,841 |
| Sales Volume (Ton) | 7,376 | 5,978 |
| Average Price Per Ton (RMB'000) | 7.8 | 7.8 |

Note: For the purpose of calculating the average price per ton for the Group's graphitization processing services, the Group has excluded revenue from certain miscellaneous services that are related to the graphitisation and lithium-ion battery anode material production process (such as carbonisation and cladding). Revenue from such miscellaneous services amounted to RMB2.8 million and RMB7.6 million for FY2024 and FY2025 respectively.

The revenue of the Group increased by 16.5% from RMB1,167.6 million in FY2024 to RMB1,360.3 million in FY2025, which was primarily due to the increase in sales volume of both chip products and lithium-ion battery anode material products by 14.9% and 13.6%, respectively. The increase in sales volume of chip products was mainly driven by the Group's continued collaboration with existing IC and electronic component customers, as well as volume contributions from new customers and products that completed development and qualifications in prior periods and entered the sales phase during the year. The increase in sales volume of lithium-ion battery anode material products was primarily attributable to increased production capacity following the trial production of the Group's Suzhou facility in the second half of 2024 and its commencement of commercial production in 2025, as well as strengthened relationships with existing customers and the development of new customers. Selling prices of the Group's chip products remained relatively stable in FY2025 as compared to that in FY2024, while that for lithium ion battery anode material products increased slightly in FY2025 as compared to that in FY2024.

Cost of Sales

The Group's cost of sales consisted of (i) procurement cost of raw materials, (ii) manufacturing costs, (iii) labor costs, (iv) write-down of inventories, (v) taxes and surcharges, and (vi) others. The cost of sales of the Group increased by 12.9% from RMB985.2 million in FY2024 to RMB1,112.0 million in FY2025, which was generally in line with the increase in sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Gross profit of the Group increased significantly by 36.1% from RMB182.4 million in FY2024 to RMB248.3 million in FY2025, which was primarily driven by the increase in the Group's revenue. Gross profit margin of the Group also increased from 15.6% in FY2024 to 18.3% in FY2025, primarily due to the decrease in write-down of inventories, resulting from stabilized chip prices in 2025, as well as higher average selling prices of lithium-ion battery anode materials, which reduced the risk of inventory impairment.

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

| | Year ended 31 December | | | |
|--|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | 2025 | | 2024 | |
| | Gross Profit RMB'000 | Gross Profit Margin % | Gross Profit RMB'000 | Gross Profit Margin % |
| Sales of chip products | 174,669 | 27.6 | 132,457 | 23.8 |
| Sales of lithium-ion battery anode material products | 54,447 | 8.1 | 27,003 | 4.9 |
| Others | 19,200 | 34.8 | 22,932 | 36.7 |
| Total | 248,316 | 18.3 | 182,392 | 15.6 |

Other Income

Other income of the Group decreased from RMB56.7 million in FY2024 to RMB37.5 million in FY2025, primarily due to the decrease in government grants.

Other Gains and Losses

Net other losses of the Group decreased from RMB46.4 million in FY2024 to RMB5.9 million in FY2025, primarily due to the decrease in impairment losses recognised in respect of intangible assets and goodwill and losses from changes in fair value of financial assets at FVTPL, primarily reflecting the performance of principal portfolio companies held by the private equity/venture capital fund in which the Group acted as a limited partner (the "PE/VC Fund"), and loss from changes in fair value of investment properties, primarily reflecting the fluctuations in market rental rates and vacancy levels.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Losses under ECL, Net of Reversal

Impairment losses under ECL increased from RMB0.4 million in FY2024 to RMB5.2 million in FY2025, primarily due to the increase in impairment losses recognised on trade and bills receivables at amortised cost.

Selling Expenses

Selling expenses of the Group increased from RMB43.8 million in FY2024 to RMB48.7 million in FY2025, which was generally in line with the increase in revenue.

Administrative Expenses

Administrative expenses of the Group decreased from RMB162.8 million in FY2024 to RMB113.8 million in FY2025, primarily due to the decrease in share-based payments as a result of the termination of a share incentive scheme of Inner Mongolia Sinuo New Material Technology Co., Ltd. (內蒙古斯諾新材料科技有限公司) (“**Inner Mongolia Sinuo**”), a non-wholly owned subsidiary of the Company, in 2024, which has led to the immediate recognition of expense while no such expense was recognised in FY2025.

R&D Expenses

R&D expenses of the Group decreased by 11.4% from RMB186.8 million in FY2024 to RMB165.6 million in FY2025, primarily as a result of the Group’s cost control and the accumulation of technological capabilities.

Income Tax Credit

Income tax credit slightly decreased from RMB13.4 million in FY2024, to RMB12.5 million in FY2025, primarily due to the decrease in deferred tax recognised in relation to the tax loss.

Loss for the year

As a result of the foregoing, the Group’s loss for the year decreased from RMB255.7 million in FY2024 to RMB117.6 million in FY2025.

Property, Plant and Equipment

Property, plant and equipment of the Group primarily consisted of (i) buildings; (ii) plant and machinery; (iii) vehicles; (iv) leasehold improvement and others; and (v) construction in progress. The Group’s property, plant and equipment decreased from RMB1,271.8 million as at 31 December 2024 to RMB1,237.9 million as at 31 December 2025, primarily due to depreciation charged for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Properties

Investment properties of the Group represented office building and industrial properties. The Group's investment properties decreased from RMB209.4 million as at 31 December 2024 to RMB204.4 million as at 31 December 2025, primarily due to the change in fair value, reflecting the fluctuations in market conditions.

Intangible Assets

Intangible assets of the Group represented the net book value of (i) patents; (ii) trademarks; (iii) software and others; and (iv) development expenditures. The Group's intangible assets increased from RMB208.9 million as at 31 December 2024 to RMB249.7 million as at 31 December 2025, primarily due to the increase in development expenditures related to the development of the Group's chip products.

Inventories

The Group's inventories consisted of (i) raw materials and consumables, primarily including wafers, petroleum coke and needle coke; (ii) work-in-progress; (iii) finished goods; and (iv) others. The Group's inventories remained stable at RMB621.0 million as at 31 December 2024 and RMB624.2 million as at 31 December 2025.

Trade and Bill Receivables at Amortised Cost and FVTOCI

Trade and bills receivables of the Group primarily represented receivables from customers for the lithium-ion battery anode materials business. Trade and bills receivables at amortised cost of the Group increased from RMB249.3 million as at 31 December 2024 to RMB344.5 million as at 31 December 2025, primarily due to the increase in revenue.

Trade and bills receivables of the Group at FVTOCI decreased from RMB149.3 million as at 31 December 2024 to RMB123.4 million as at 31 December 2025, primarily due to settlement made by the customers.

Other Receivables

Other receivables of the Group primarily consisted of (i) tax recoverables, being deductible value-added tax to be recognised; (ii) prepayments for property, plant and equipment; (iii) prepayments to suppliers; and (iv) refundable deposits. Other receivables of the Group decreased from RMB196.4 million as at 31 December 2024 to RMB152.8 million as at 31 December 2025, primarily due to the decrease in other tax recoverable.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets at FVTPL

Financial assets at FVTPL of the Group consisted of investments in certain entities. The investments represented the Group's equity interests in certain private entities, including the PE/VC Fund and the IC Design Investee. The financial assets at FVTPL of the Group decreased from RMB72.5 million as at 31 December 2024 to RMB70.7 million as at 31 December 2025, primarily due to the decrease in stock prices of principal portfolio companies held by the PE/VC Fund and the decrease of the value of the IC Design Investee.

Trade and Other Payables

Trade payables of the Group mainly included (i) trade and bills payables arising from the purchases of raw materials from suppliers; and (ii) other payables, which primarily included payables for production plant of Inner Mongolia Sinuo, payables arising from repurchase obligation for non-controlling interests and salary and welfare payables. Trade and other payables of the Group increased from RMB714.8 million as at 31 December 2024 to RMB734.2 million as at 31 December 2025, primarily due to certain payables for production plant of Inner Mongolia Sinuo falling due within one year and being reclassified from non-current liabilities to current liabilities.

LIQUIDITY AND CAPITAL RESOURCES

During the FY2025, the Group financed its capital expenditure and operations primarily through cash obtained from borrowings. The Group has been improving its cash flow from operating activities primarily through: (i) enhancing collection of trade receivables by actively communicating with customers for settlement; (ii) negotiating with existing and new suppliers for more favorable credit terms; (iii) accelerating inventory turnover and maintaining a lower inventory level; and (iv) improving the working capital management and controlling the discounting of bill receivables. The Group will continue to implement these measures with a view to improve its liquidity and to use the cash generated from its operating activities to finance its operation and capital expenditure.

Upon Listing, the Group will also use the net proceeds raised from the Listing to fund its working capital needs in its operation and business expansion.

The Group has adopted internal control measures to better manage its liquidity and capital resources. Its principal goals are to: (i) ensure the Group has sufficient working capital to support its daily operations and urgent needs for cash; (ii) pursue return on investments of idle cash through prudent investment strategies; and (iii) control risks in the deposit, use and investment of cash.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Group's daily operations, the finance department will manage its working capital according to the plan to avoid business interruption due to shortage of funds or waste of resources due to excessive idle funds. The capital manager shall track the receipts based on the plan and form reports in this regard, and submit a cash flow forecast to the chief financial officer and general manager for review. The Group also intends to strengthen the internal policy to control the trade receivables in various aspects, including, among others, monitoring of the progress of receivables collection and negotiating with customers regarding the delayed payment.

Cash and cash equivalents

The Group's cash and cash equivalents are primarily denominated in RMB and USD. As at 31 December 2025, cash and cash equivalents of the Group amounted to RMB197.5 million, included in which RMB18.4 million was denominated in USD.

Cash Flows

During FY2025, the Group's net cash from operating activities was RMB0.7 million, primarily due to the Group's loss before taxation of RMB130.1 million, as adjusted by (i) non-cash or non-operating items, which primarily included (a) finance costs of RMB76.7 million; (b) depreciation of property, plant and equipment of RMB94.0 million; (c) amortization of intangible assets of RMB34.8 million; and (ii) changes in working capital, which primarily included (a) an increase in trade and bills receivables at FVTOCI of RMB30.8 million; (b) an increase in trade and other receivables of RMB33.2 million; and (c) a decrease in trade and other payables of RMB31.2 million.

Net Current Liabilities

As at 31 December 2025, the Group recorded net current liabilities of RMB125.1 million as compared with net current assets of RMB160.8 million as at 31 December 2024, primarily due to a decrease in cash and cash equivalents of RMB164.2 million as the Group had used cash in its investing activities, increase of borrowings due within one year by RMB117.0 million and an increase of trade and other payables by RMB19.4 million. The Group has carefully assessed the liquidity position by taking into account the availability of undrawn banking facilities amounted to RMB746.5 million at 31 December 2025.

In view of the net current liabilities as at 31 December 2025, the Group has implemented and will continue to take the following measures to improve its financial position:

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Monitoring cash flow situation

Each year, the Group reviews and approves its annual budget planning and expansion plans taking into account, among other things, the financial position of the Group, market conditions, availability of financing. The finance department also prepares weekly cash flow reports and holds internal meetings from time to time to discuss necessary steps to improve the Group's cashflow and liquidity position. Critical business units such as the supply chain department are required to submit rolling monthly projections of cash flow requirements. The Group will continue to closely monitor its liquidity position to ensure sufficient working capital is maintained;

(ii) Maintaining strict procurement and inventory management processes

The Group has developed procurement plans based on definite and binding delivery schedules in purchase orders or sales agreements so as to reduce inventory turnover days. Looking forward, the Group will continue to adhere to its existing inventory management measures and expect to further improve inventory management by prioritizing the utilization of existing inventory and closely monitoring the market prices of key raw materials to facilitate more efficient procurement plans;

(iii) Improving trade receivable management

The Group will continue to carefully assess the recoverability of its trade receivables, taking into account factors including, but not limited to, its customers' ongoing operating results and financial condition, their expected near-term operating results and financial condition, their plans to repay the corresponding trade receivables, and the results of negotiations with such customers. The Group will also continue to proactively communicate with customers regarding the collection of trade receivables; and

(iv) Improving trade payables management

The Group will continue to negotiate more favorable credit terms with its suppliers and will consider credit terms as a factor in selecting suppliers going forward.

MANAGEMENT DISCUSSION AND ANALYSIS

Current Ratio and Quick Ratio

Current ratio is calculated based on total current assets divided by total current liabilities. Quick ratio is calculated by current assets less inventories divided by current liabilities as at the year end. The Group's current ratio decreased from 1.1 times as at 31 December 2024 to 0.9 times as at 31 December 2025, and quick ratio decreased from 0.7 times as at 31 December 2024 to 0.6 times as at 31 December 2025, mainly due to the decrease in cash and cash equivalents and the increase in trade and other payables and borrowings.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The Group's indebtedness primarily consisted of (i) repurchase obligation for non-controlling interests owed to a non-controlling shareholder of Inner Mongolia Sinuo; (ii) borrowings; and (iii) lease liabilities. The table below sets forth a breakdown of our total indebtedness as at the dates indicated:

| | As at 31 December | |
|---|-------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Repurchase obligation for non-controlling interests | 115,599 | 141,176 |
| Borrowings (i) | 1,699,489 | 1,592,300 |
| Lease liabilities (ii) | 32,636 | 39,060 |
| | 1,847,724 | 1,772,536 |

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Borrowings

| | As at 31 December | |
|---|-------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Bank borrowings | 1,426,381 | 1,422,663 |
| Other borrowings (note a) | 157,467 | 102,256 |
| Discount bills with recourse (note b) | 115,641 | 67,381 |
| | 1,699,489 | 1,592,300 |
| Secured (note c) | 1,038,812 | 779,182 |
| Unsecured | 660,677 | 813,118 |
| | 1,699,489 | 1,592,300 |
| Fixed-rate borrowings | 904,504 | 760,262 |
| Variable-rate borrowings | 794,985 | 832,038 |
| | 1,699,489 | 1,592,300 |
| Carrying amount repayable: | | |
| Within one year | 954,336 | 837,282 |
| More than one year, but not exceeding two years | 250,053 | 236,620 |
| More than two years, but not exceeding five years | 372,100 | 373,898 |
| More than five years | 123,000 | 144,500 |
| | 1,699,489 | 1,592,300 |
| Total borrowings | 1,699,489 | 1,592,300 |
| Less: Amounts due within one year shown under current liabilities | (954,336) | (837,282) |
| Amounts due after one year shown under non-current liabilities | 745,153 | 755,018 |

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

(a) Other borrowings amounting to RMB157,467,000 (2024: RMB102,256,000) represented borrowings provided by certain other financial institutions, as at 31 December 2025, some of which are guaranteed by the Company and certain subsidiaries and secured by certain properties and carried interest rates ranging from 4.70% per annum to 6.19% per annum (2024: from 5.00% per annum to 8.79% per annum) as at 31 December 2025. The maturity of loan balances ranged from September 2026 to April 2027 (2024: from May 2026 to April 2027) as at 31 December 2025.

(b) As at 31 December 2025, included in discount bills with recourse, amount of RMB68,641,000 (2024: nil) at was arising from the discounting of notes receivables from intragroup transactions among members of the Group, which were eliminated in full on consolidation.

The discounted bills carried at fixed interest rate of 0.60% per annum to 4.26% per annum (2024: 0.90% per annum to 3.40% per annum) as at 31 December 2025.

(c) Certain bank and other borrowings were secured by property, plant and equipment, right-of-use assets, investment properties, trade and bills receivables at FVTOCI and pledged bank deposits.

The borrowings of the Group are all denominated in RMB.

The ranges of effective interest rates on the Group's borrowings are as follows:

| | As at 31 December | |
|--------------------------|----------------------------|----------------------------|
| | 2025 | 2024 |
| Effective interest rate: | | |
| Fixed-rate borrowings | 0.60% - 6.19% per annum | 0.90% - 8.79% per annum |
| Variable-rate borrowings | 3.10% - 4.20% per annum | 3.45% - 5.30% per annum |

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Lease liabilities

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Lease liabilities payable: | | |
| Within one year | 9,583 | 9,702 |
| More than one year, but not exceeding two years | 6,417 | 8,093 |
| More than two years, but not exceeding five years | 16,636 | 15,839 |
| More than five years | – | 5,426 |
| | 32,636 | 39,060 |
| Less: Amounts due within one year shown under current liabilities | (9,583) | (9,702) |
| Amounts due after one year shown under non-current liabilities | 23,053 | 29,358 |

Lease liabilities of the Group are denominated in RMB.

Net Debt to Equity Ratio

The net debt to equity ratio of the Group increased from 116.9% as at 31 December 2024 to 160.7% as at 31 December 2025, primarily due to drawdown of bank loans financing the Group's operation including R&D activities as well as making capital investments such as acquisition of plant and equipment for the new production plant.

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liabilities (31 December 2024: nil).

Pledge of Assets

As at 31 December 2025, the Group's issuance of bank acceptance bills, and banking and other facilities granted to the Group were secured by the Group's assets in the amount of RMB1,231.9 million (31 December 2024: RMB1,203.5 million). These pledged assets primarily comprise certain property, plant and equipment, right-of-use assets, investment properties, financial assets at FVTPL, trade and bills receivables at FVTOCI and restricted bank balances.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

As at 31 December 2025, the Group had capital commitments contracted for, but not yet provided, of RMB123.1 million, primarily representing contracted but unprovided commitments for acquisition of plant and equipment and equity investments.

Capital Expenditures

The Group's capital expenditures primarily represented expenditures incurred for purchase of property, plant and equipment, right-of-use assets and intangible assets. During the year ended 31 December 2025, the Group incurred capital expenditures of approximately RMB153.9 million (31 December 2024: RMB366.9 million).

R&D intensity

The R&D intensity of the Group is calculated by dividing R&D expenditures of the Group (including R&D expenditures capitalized and expensed, excluding share-based payments) by revenue of the Group.

The Group's R&D intensity decreased from 23.3% in 2024 to 16.5% in 2025, primarily due to the completion of several major R&D projects, which were successively advanced into the tape-out stage (being the process of converting an IC design into a chip for pilot production or manufacturing) in 2024, as well as the varying levels of investment required at different stages of our high-end, high-performance chip development projects.

FINANCIAL RISK MANAGEMENT

The Group's financial instruments include trade and other receivables at amortised cost, trade and bills receivables at FVTOCI, equity instruments at FVTOCI, financial assets at FVTPL, restricted bank balances, cash and cash equivalents, derivative financial instrument, trade and other payables, long-term payables, lease liabilities and borrowings.

The Group monitors and manages the financial risks relating to its operations through internal risk assessment which analyzes exposures by degree and magnitude of risks. The risks included market risk (represents currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market Risk

The Group's activities expose it primarily to market risks arising from changes in interest rates. There are no significant changes to the Group's exposure to market risks or in the manner in which it manages and measures the risk.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Currency risk

The Group mainly has cash and cash equivalents which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations. The Group entered into foreign currency forward contracts to hedge certain liabilities denominated in foreign currency. Given this, the Group considers that the net exposure to currency risk is kept to an appropriate level. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximize hedge effectiveness.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank balances, variable-rate cash and cash equivalents and variable-rate borrowings.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rates. The Group currently does not use any derivative contracts to hedge its borrowings to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

(iii) Other price risk

The Group is exposed to price risk. It is exposed to equity price risk through its investments at FVTOCI and financial assets at FVTPL. It will monitor the price movements and take appropriate actions when required.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period. The Group monitors its settlement from the counterparties on an ongoing basis with a view to minimize any financial loss to the Group.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other available sources of financing. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that members of the Group will be able to continue as a going concern while maximizing the return to the Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group and the Company consists of net debts, which includes, where appropriate, long-term payables and borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, accumulated losses, various reserves and non-controlling interests.

The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2025, the Company has plans to build a new technology platform so as to enhance its R&D capabilities and to conduct strategic investments and acquisitions in the semiconductor industry chain, details of which are set out in the section headed “FUTURE PLANS AND USE OF PROCEEDS” of the Prospectus. Save as disclosed above, the Company did not have any future plans for material investments or additions of capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company did not have any significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2025.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 21 January 2026, the Company, POSCO Future M Co., Ltd. (previously known as POSCO Chemical Co., Ltd.) and Inner Mongolia Sinuo entered into a second supplemental agreement to the capital increase agreement, pursuant to which the Company agreed to repurchase approximately 1.82% remaining equity interest of Inner Mongolia Sinuo held by POSCO Future M Co., Ltd. at a consideration of RMB20,000,000 and the further postponement of the exercise date of the redemption right exercisable by POSCO Future M Co., Ltd. over its remaining equity interest in Inner Mongolia Sinuo.

The Company’s H shares have been listed on the Stock Exchange since 23 March 2026.

Save as disclosed above, subsequent to 31 December 2025 and up to the date of this annual report, no significant events have taken place that may have a material impact on the Group’s operating and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group had a total of 1,112 full-time employees (31 December 2024: 1,165). For FY2025, the total staff cost incurred was RMB258.2 million, among which RMB171.1 million had been recognised as expenses of the Group with the remaining RMB87.1 million being capitalised in intangible assets and inventories. For FY2024, the total staff cost incurred was RMB330.2 million, among which RMB257.2 million had been recognised as expenses of the Group with the remaining RMB73.0 million being capitalised in intangible assets and inventories.

The Group recognises the importance of talents for sustainable business growth and competitive advantages. As part of the Group's human resources strategy, in order to attract, retain qualified personnel, the Group offers employees relatively competitive salaries, performance-based bonuses, and other incentives. The Group typically signs non-competition agreements with its senior management or other key employees. It periodically reviews the performance of its employees on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, the Group has generally been able to attract and retain qualified employees and maintain a stable core management team.

The Group plans to adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. It primarily recruits its employees through on-campus recruitment, online channels and third-party human resources agencies. The Group provides on-board training for all of its employees as well as periodic training or seminars to ensure their self-development. In particular, the Group provides a special training program for its R&D employees to help them get familiar with R&D activities and project management. Experienced engineers serve as mentors in the program, and conduct tutoring with new R&D employees. Furthermore, the Group organises lectures and seminars for exchange of ideas with external professionals. It also provides courses for its employees as an important part of their continuous self-learning. It strives to create a multiple-incentive mechanism and a friendly working environment to fulfill its employees' full potential. Due to its efforts, it generally maintains a stable team of employees that make continuous contributions.

The Group makes contributions to various social welfare schemes for its employees. These schemes include contributions to social insurance and housing provident funds according to applicable laws and regulations. In this regard, the Group makes contributions to five categories of insurance including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the Company's shares were not listed on the Stock Exchange during the year ended 31 December 2025, this disclosure requirement is not applicable to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are listed below.

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Yingtong (孫迎彤), aged 54, is the chairman of the Board, an executive Director and the general manager of the Company. He was appointed as Director in May 2005, became the chairman of the Board since May 2018 and was designated as executive Director on 16 June 2025. Mr. Sun is responsible for the overall strategic planning, business development and operational management of the Group.

Mr. Sun worked for the State Development and Investment Corporation (國家開發投資集團有限公司) from July 1995 to December 2002 where he was in charge of industrial project investment and was recognized as an engineer in December 2001. Mr. Sun joined the Company as deputy general manager in January 2003 and became the general manager since 2005. He has over 22 years of experience in the integrated circuit industry.

From 2011 to 2014, Mr. Sun served as the chairman of the Shenzhen Semiconductor Industry Association (深圳市半導體行業協會) and he was awarded the “Outstanding Contribution Award” in October 2022. From June 2017 to May 2018, Mr. Sun served as the chairman of The Shenzhen Commercial Cipher Industry Association (深圳市商用密碼行業協會). Mr. Sun obtained a bachelor’s degree in computer science from North China University of Technology (北方工業大學) in July 1995 and a master’s degree in business administration from the Beijing Institute of Technology (北京理工大學) in June 2001.

Mr. Kan Yulun (闕玉倫), aged 55, is an executive Director and the deputy general manager of the Company. He was appointed as Director in May 2021 and was designated as executive Director on 16 June 2025. Mr. Kan is responsible for the overall business development of the Group.

Mr. Kan is a senior engineer since June 2001. Mr. Kan has over 30 years of experience in information and communications technology industry. From March 1995 to June 2019, he worked for ZTE Corporation (中興通訊股份有限公司), a communications and information technology solutions provider, whose shares are listed on the Stock Exchange (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063). From June 2019 to April 2021, he served as an executive vice president of Gosuncn Technology Group Co., Ltd. (高新興科技集團股份有限公司), which engages in the provision of software and information technology services.

Mr. Kan obtained a bachelor’s degree in optoelectronics and a master’s degree in engineering from Southeast University (東南大學) in July 1991 and May 1995, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ye Yantao (葉艷桃), aged 38, is an executive Director, deputy general manager, secretary of the Board and joint company secretary of the Company. Ms. Ye served as a Director from May 2020 to May 2021 and was appointed as a Director in May 2023. Ms. Ye was designated as executive Director on 16 June 2025. Ms. Ye is responsible for board affairs, corporate governance, capital management, investors relations and securities matters of the Group.

Ms. Ye has extensive experience in investor relations and corporate secretarial matters. She joined the Group in October 2010 as an accountant and served as a securities affairs specialist and securities affairs representative from October 2018 to June 2020, where she was responsible for disclosure of information, Board and investor relations affairs of the Group. She became deputy general manager and board secretary of the Company since June 2020, where she is mainly responsible for board affairs, corporate governance, capital management, investors relations and securities matters.

Ms. Ye obtained a bachelor's degree in accounting from Shenzhen University (深圳大學) in June 2010. She has passed the professional stage examination of the National Uniform CPA Examination of the PRC (註冊會計師全國統一考試專業階段考試) and has also obtained a certificate of board secretary qualifications from the Shenzhen Stock Exchange in December 2018.

Non-Executive Director

Mr. Zhou Bin (周斌), aged 64, is a non-executive Director. He was appointed as Director in May 2024 and was designated as non-executive Director on 16 June 2025. Mr. Zhou is responsible for providing guidance for the strategy and business development of the Group.

Mr. Zhou is a senior engineer since November 1996. He has extensive experience in integrated circuit design and production. He is currently the chairman and general manager of SouthIC Technologies Co., Ltd. (深圳市南方集成技術有限公司), a company engaged in the development and sales of integrated circuit, since March 2005. He also served as an independent director of Shenzhen Biyi Microelectronics Co., Ltd. (深圳市必易微電子股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 688045) since July 2023, and a director of Shenzhen Zhongke Bluetrum Technology Co., Ltd. (深圳市中科藍訊科技股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 688332), from October 2022 to October 2025.

Mr. Zhou obtained a bachelor's degree in engineering and a master's degree in engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in July 1983 and May 1989, respectively. He was awarded the "National Defense Science and Technology Award" by the State Administration of Science, Technology and Industry for National Defense (中華人民共和國國防科學技術工業委員會) in October 2003 and the "Outstanding Contribution Award" by China Semiconductor Industry Association Integrated Circuit Design Branch (中國半導體行業協會集成電路設計分會) in December 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Chen Weiwu (陳衛武), aged 45, is an independent non-executive Director and is responsible for providing independent opinion and judgment to the Group. He was appointed as Director in May 2021 and was designated as independent non-executive Director on 26 June 2025.

Mr. Chen has extensive experience in the accounting and capital management. From September 2004 to January 2020, he has served as an auditor in various accounting firms including Da Hua Certified Public Accountants LLP (大華會計師事務所), Lixin Certified Public Accountants LLP (立信會計師事務所), Pan-China Certified Public Accountants LLP. (天健會計師事務所) and the consultant of Shenzhen Changjiang Certified Public Accountants (General Partnership) (深圳長江會計師事務所(普通合夥)). From March 2025 to November 2025, he was a partner of Shenzhen Zhongmei Chuangxing Capital Management Co., Ltd. (深圳市中美創興資本管理有限公司). He is currently the general manager of Shenzhen Borui Fengda Investment Advisory Co., Ltd. (深圳市博瑞風達投資顧問有限公司總經理), and has been appointed an independent director of Kennede Electronics Mfg. Co., Ltd. (廣東小崧科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002723), since January 2026.

Mr. Chen obtained a bachelor's degree in public utilities management from Guangdong Ocean University (廣東海洋大學) in June 2004.

Ms. Hao Dan (郝丹), aged 45, is an independent non-executive Director and is responsible for providing independent opinion and judgment to the Group. She was appointed as Director in May 2021 and was designated as independent non-executive Director on 16 June 2025.

Ms. Hao has extensive experience in the legal services and investment risk management. Ms. Hao worked for the Beijing Municipal Bureau of Justice (北京市司法局) from August 2004 to December 2012. From January 2013 to October 2016, she served as the director of the Legal Affairs Office of Wangfujing Group Co., Ltd.(王府井集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600859). From December 2016 to September 2017, she served as the deputy general manager of Beijing Wangfujing Real Estate Co., Ltd.(北京王府井置業有限公司). From October 2017 to November 2019, she served as the risk management director of Shenzhen Jiangu Equity Investment Fund Management Co., Ltd.(深圳兼固股權投資基金管理有限公司). She is currently the head of risk control and compliance and a supervisor of Guangdong Yuanzhi Xianxing Equity Investment Fund Management Co., Ltd. (廣東遠智先行股權投資基金管理有限公司) since November 2019. She has been an independent director of various listed companies whose shares are listed on the Shenzhen Stock Exchange, including Shenzhen Huijie Group Co., Ltd. (深圳匯潔集團股份有限公司) (stock code: 002763) since May 2023, and Shenzhen Zhilai Technology Co., Ltd. (深圳市智萊科技股份有限公司) (stock code: 300771) since September 2022. She was an independent director of Sangfor Technologies Co., Ltd. (深信服科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300454) from February 2018 to May 2023 and was designated as a supervisor from May 2023 to November 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Hao has obtained bachelor's degree and a master's degree in civil and commercial law from Renmin University of China (中國人民大學) in July 2002 and July 2004, respectively. Ms. Hao has obtained the China Securities Investment Fund Industry Practitioner Certificate issued by the Asset Management Association of China (中國證券投資基金業協會) in August 2021.

Ms. Ji Xingdan (吉杏丹), aged 38, is an independent non-executive Director and is responsible for providing independent opinion and judgment to the Group. She was appointed as Director in May 2024 and was designated as independent non-executive Director on 16 June 2025.

Ms. Ji is a senior accountant since June 2023. She was a finance director and the board secretary of Jinlongyu Group Co., Ltd. (金龍羽集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002882), from December 2017 to December 2022 and January 2021 to April 2025, respectively. Apart from the above working experience, Ms. Ji is currently an independent director of Shenzhen Vergiga Semiconductor Co., Ltd. (深圳市威兆半導體股份有限公司) and Shenzhen Jufei Optoelectronics Co., Ltd. (深圳市聚飛光電股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300303).

Ms. Ji obtained a bachelor's degree in English and a bachelor's degree in accounting from Chongqing University (重慶大學) in June 2010, a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in March 2022.

SENIOR MANAGEMENT

Mr. Chen Duxi (陳都習), aged 40, joined the Group in July 2012 and has been the deputy manager since May 2024. Mr. Chen is responsible for the management of the products of the Group. Mr. Chen has served as a products manager, products director, senior products director of the Group since July 2012.

Mr. Chen obtained a bachelor's degree in applied electronics technology education from Henan Institute of Science and Technology (河南科技學院) in July 2009 and a master's degree in computer software and theory from Southwest Jiaotong University (西南交通大學) in July 2012.

Mr. Xu Hui (徐輝), aged 41, is the deputy manager and chief financial officer of the Company and is responsible for the overall financial operation and capital management of the Group. Mr. Xu is an accountant since December 2009. From January 2008 to August 2012, Mr. Xu served in Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合伙)). From October 2013 to July 2017, he was an investment banking division business director of China Great Wall Securities Co., Ltd. (長城證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002939). From July 2017 to May 2018, he was a risk management director of First Capital Investment Management Co., Ltd. (第一創業投資管理有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu obtained a bachelor's degree of management from Jiangxi University of Finance and Economics (江西財經大學) in June 2005 and has also obtained a certificate of board secretary qualifications from the Shenzhen Stock Exchange in December 2018.

Mr. Wang Yuke (王玉科), aged 53, is the deputy manager of the Company since April 2023 and is responsible for product engineering and quality control of the Group. Prior to joining the Company, Mr. Wang has served as the manager of the reliability, assurance and failure analysis department of Shanghai Hongli Semiconductor Manufacturing Co., Ltd. (上海宏力半導體製造有限公司) (now renamed Shanghai Huahong Hongli Semiconductor Manufacturing Co., Ltd.(上海華虹宏力半導體製造有限公司)) from March 2001 to August 2006, a vice director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 981) and Shanghai Stock Exchange (stock code: 688981), from August 2006 to April 2012 and, a director of Texas Instruments Semiconductor Technologies (Shanghai) Corporation (德州儀器半導體技術(上海)有限公司) from May 2012 to February 2023.

Mr. Wang obtained a bachelor's degree in chemistry from Anhui University (安徽大學) in June 1996 and a master's degree in analytical chemistry from Tongji University (同濟大學) in March 2001.

Mr. Zhong Xinyi (鍾新利), aged 41, is the deputy manager of the Company since May 2024. Prior to joining the Group, he served as a products manager for Shenzhen Youchuang Technology Co., Ltd. (優創科技(深圳)有限公司), where he was responsible for sales and marketing. He joined the Group in July 2018 and served as the senior products manager, products director, assistant to the general manager and deputy general manager, where he is currently responsible for the management of the products and overseeing the market of the Group.

Mr. Zhong obtained a bachelor's degree in automation from Hunan University of Technology (湖南工業大學) in June 2007.

Mr. Zhang Cuncai (張存才), aged 43, is the deputy manager of the Company since May 2024. Prior to joining us, Mr. Zhang served as an engineer of Shanghai Peking University Institute of Microeconomics (上海北京大學微電子研究院) and was mainly responsible for integrated circuit design. He joined the Group in June 2010 and has served as a manager, a department director and an assistant to the general manager, where he is responsible for R&D and technology management.

Mr. Zhang obtained a bachelor's degree in electronic science and technology and a master's degree in electronic science and technology from Xi'an Jiaotong University (西安交通大學) in July 2006 and July 2009, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

FURTHER INFORMATION ABOUT MR. SUN AND MR. XU HUI

On 28 August 2019, the Shenzhen Stock Exchange issued a disciplinary decision letter and imposed public censure against the Company, Mr. Sun and Mr. Xu Hui for (i) significant discrepancies of the profits for the financial year ended 31 December 2018 among the preliminary earnings estimate, the earnings preview report and the annual report and the failure to promptly amend the disclosure; and (ii) restatement of major accounting errors (the “**Public Censure**”).

The Public Censure was primarily resulted from the then auditor’s inconsistent opinions regarding (i) the accounting treatment on certain accounting items (including impairment losses on assets and goodwill impairment losses) due to the change in the auditor’s opinion on the impairment provisions for accounts receivable and the depreciation of the value of the battery cells pledged from a major customer of Shenzhen Sinuo Industrial Development Co., Ltd. (深圳斯諾實業發展有限公司) (“**Shenzhen Sinuo**”) as a result of the financial difficulties of such customer in 2018; and (ii) the accounting treatment for an investment property resulting in a reduction of fair value gains. When processing the aforementioned accounting items, the Company had consulted with the then auditor, which concurred with the then accounting treatment. In 2019, the Company replaced its then auditor, Dahua Certified Public Accountants, due to dissatisfaction with inconsistent audit opinions on the 2018 financial statements. Zhongxingcai Guanghua Certified Public Accountants was appointed that same year and has served as auditor of the Company for the financial years 2019 to 2024.

On 28 April 2020, the Shenzhen Stock Exchange issued a disciplinary decision letter and imposed public criticism against the Company, Mr. Sun and Mr. Xu Hui for violations of information disclosure rules and corporate governance standards (the “**Public Criticism**”).

The Public Criticism was primarily resulted from goodwill impairment matters for the financial year of 2018, requiring adjustments to the accounting basis of the data used for goodwill impairment testing. This issue was first identified by the Shenzhen Securities Regulatory Bureau (深圳證監局) (the “**SSRB**”) in its rectification order dated 28 November 2019. Initially, the Company relied on the valuer’s accounting basis of the data used for goodwill impairment testing for Shenzhen Sinuo, and the then auditor adopted the same approach, forming consistent opinions.

Subsequent to the issuance of the rectification order by the SSRB, the valuer adjusted the accounting basis of the data used for goodwill impairment testing and provided an explanatory report. Consequently, both the Company and the auditor adopted the adjusted approach and reflected the same in their updated opinions.

On 4 September 2021, the SSRB issued a warning letter against Mr. Sun and two other individuals who served as a Director and the financial controller of the Company before May 2018 (the “**Warning Letter**”, together with the Public Censure and the Public Criticism, the “**Incidents**”). During an on-site inspection conducted by the SSRB, Nsing Shenzhen was found to have breached section 2(1) of the CSRC’s Information Disclosure Measures for Listed Companies (《上市公司信息披露管理辦法》) (repealed on 1 May 2021) which had impacted the accuracy of the information disclosed in the periodic reports of the Company. Accordingly, SSRB imposed a regulatory measure ordering the Company to undertake corrective actions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The Warning Letter was primarily resulted from the Company's practice of separating payment and collection processes, which led to the failure of identifying the connection between accounts receivable collections and supply chain payments of a customer of the Company in a timely manner. The Company had completed corrective actions and enhanced internal control measures to prevent reoccurrence of the incident subsequently. Key enhancements include mandatory compliance training for key personnel and key departments, a systemic review and revision of the Company's internal control system and a complete overhaul of the goodwill impairment testing methodology for Shenzhen Sinuo featuring corrected accounting treatment, transparent parameter disclosure, and mandatory third-party verification.

To the Company's best knowledge, (i) the Company, Mr. Sun and Mr. Xu Hui had not benefited from the accounting errors, discrepancies or adjustments in the Incidents and did not trade any of the Company's A Shares prior to the announcement of significant loss, (ii) such Incidents have been concluded, (iii) there has not been any further regulatory request, action or correspondence imposed on Mr. Sun and Mr. Xu Hui by the Shenzhen Stock Exchange and CSRC, and (iv) other than disclosed above, neither Mr. Sun nor Mr. Xu Hui had been imposed any administrative penalties or involved in any other investigation, hearing or proceeding brought or instituted by any securities regulatory authority or stock exchange, relating to the aforementioned Incidents.

Since the Listing Date and up to the date of this annual report, there has been no change in the information of the Directors or the chief executive that is required to be disclosed under Rule 13.51(2) of the Listing Rules, nor has any other matter arisen requiring disclosure under Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report for the year ended 31 December 2025.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Company was not listed on the Stock Exchange during FY2025, the Corporate Governance Code was not applicable to the Company during such period.

The Company recognises the importance of incorporating elements of good corporate governance in its management structure and internal control procedures so as to achieve effective accountability. Since the Listing and up to the date of this annual report, the Company has applied the principles of good corporate governance and complied with all code provisions of the Corporate Governance Code, except for the deviation from code provision C.2.1 of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive and Mr. Sun currently is serving as the chairman of the Board as well as the general manager of the Company. In view that Mr. Sun has been assuming day-to-day responsibilities in operating and managing the Group since 2005, the Board believes that with the support of Mr. Sun's extensive experience and knowledge in the business of the Group, vesting the roles of both chairman and chief executive of the Company in Mr. Sun strengthens the consistent and solid leadership of the Group, and thereby allows for efficient business planning and decision which is in the best interest to the Group and the Shareholders taken as a whole. The Board will continue to review and consider splitting the roles of executive chairman of the Board and the chief executive of the Company at a time when it is appropriate by taking into account the circumstances of the Group and the Shareholders taken as a whole.

The Directors consider that the deviation from code provision C.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, the Board is also of the view that the current management structure is effective for the Group's operations, and sufficient checks and balances are in place. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive is and continues to be necessary and in the interest of the Group and the Shareholders taken as a whole.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company was not listed on the Stock Exchange during FY2025, the Model Code was not applicable to the Company during such period.

Since the Listing, the Company has adopted the Model Code as the guidelines for Directors' dealings in the securities of the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is set forth below:

Executive Directors

Mr. Sun Yingtong (*Chairman and General Manager*)

Mr. Kan Yulun

Ms. Ye Yantao

Non-Executive Director

Mr. Zhou Bin

Independent Non-Executive Directors

Mr. Chen Weiwu

Ms. Hao Dan

Ms. Ji Xingdan

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” in this annual report. There were no relationships (including financial, business, family, or other material or relevant relationships) among members of the Board and senior management.

The Role of the Board and the Management

The Board oversees the Group’s overall direction by determining business and investment plans, formulating profit distribution proposals and exercising other powers, functions and duties as conferred by the Articles of Association.

The executive Directors and other members of the senior management are responsible for the day-to-day operations and management of the business of the Group, and implementing the Board’s approved plans.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The independent non-executive Directors provide independent judgement, supervision and professional advice to the Board. In accordance with the Articles of Association, they participate in decision-making and checks and balances, safeguard the overall interests of the Company and protect the rights and interests of minority Shareholders. By leveraging their professional expertise and experience, they enhance the quality of the Board's deliberations and support the long-term and sustainable development of the Group.

Since the Listing and up to the date of this annual report, the Board has complied with the requirements of Rule 3.10A of the Listing Rules (which specified that an issuer must appoint independent non-executive directors representing at least one-third of the board), and the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules (which specify that every board of directors shall include at least three independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise).

The Company has received confirmation from each independent non-executive Director of his/her independence. The Company confirms it considers all the independent non-executive Directors to be independent with reference to the factors set out in Rule 3.13 of the Listing Rules.

The Board has established governance arrangements to ensure that independent and objective views are considered in its deliberations and decision-making. Directors are provided with timely access to information, management and resources necessary to discharge their duties effectively, and may, where appropriate, obtain independent professional advice at the Company's expense. The Board maintains an appropriate balance of skills and independence through the participation of independent non-executive Directors, who contribute professional judgement and oversight, including through their involvement in Board committees. All Directors are encouraged to express their views openly and to engage directly with senior management to facilitate informed discussion. Where a Director has a material interest in a matter to be considered, such interest is required to be declared in accordance with the Articles of Association, and the Director concerned shall abstain from voting and will not be counted towards the quorum, ensuring that relevant decisions are made on an independent and objective basis.

The Board will conduct an annual review of the effectiveness of mechanisms to ensure that independent views and input are provided to the Board after the Listing.

Term of Appointment of Directors

Code provision B.2.2 of the Corporate Governance Code provides that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. In accordance with the Articles of Association, each Director is appointed for a term of three years and is eligible for re-election upon the expiry of his or her term.

CORPORATE GOVERNANCE REPORT

Directors' Training and Professional Development

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. The Company is responsible for arranging and funding comprehensive, formal and tailored induction for newly appointed Directors upon appointment and suitable continuous professional development for all Directors.

Each Director, namely, Mr. Sun Yingtong, Mr. Kan Yulun, Ms. Ye Yantao, Mr. Zhou Bin, Mr. Chen Weiwu, Ms. Hao Dan and Ms. Ji Xingdan, confirmed that he/she (i) has obtained the legal advice pursuant to Rule 3.09D of the Listing Rules on 18 June 2025 and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

BOARD COMMITTEES

Audit Committee

As at the date of this annual report, the Audit Committee consists of three members, namely Mr. Chen Weiwu, Ms. Hao Dan and Ms. Ji Xingdan, all being independent non-executive Directors. The chairman of the Audit Committee is Mr. Chen Weiwu, who possesses appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and monitoring the external auditors' audit process and giving guidance to internal audit work; (ii) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (iii) overseeing the effectiveness of the financial reporting system, risk management and internal control systems; (iv) reviewing and providing advices and comments on financial reports; (v) coordination among management team, internal audit department and related departments and external auditors; (vi) performing corporate governance functions; (vii) supervise and evaluate external audit work, and propose to hire, replace and dismiss external audit institutions; (viii) supervise and evaluate internal audit work, and be responsible for the coordination of internal and external audits; (ix) review financial information and its disclosure; (x) supervise and evaluate internal control; (xi) supervise and improve the principles, structure and system of corporate governance; (xii) supervise the behaviour of Directors and senior managers in performing their duties, and propose the removal of Directors and senior managers who violate laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' meeting; (xiii) require Directors and senior managers to correct their behaviour when it harms the interests of the Company; and (xiv) performing other duties and responsibilities as assigned by the Board and/or required by the relevant laws and regulations.

During FY2025, the Audit Committee held eight meetings. The Audit Committee reviewed, among other matters, the Company's periodic financial reports (including the annual, interim and quarterly reports), the internal control self-assessment, the appointment and oversight of external auditors, and communicated with the external auditors in relation to the scope, timetable, resourcing and key audit matters for the annual audit.

CORPORATE GOVERNANCE REPORT

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three members, namely Ms. Hao Dan and Ms. Ji Xingdan, both being independent non-executive Directors, as well as Ms. Ye Yantao, an executive Director. Ms. Hao Dan is the chairlady of the Remuneration and Appraisal Committee.

The primary duties of the Remuneration and Appraisal Committee include, but are not limited to, (i) establishing, reviewing and providing advice to the Board on policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time-to-time; and (iv) reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

As the Company was listed on the Stock Exchange on 23 March 2026, no meetings of the Remuneration and Appraisal Committee were held during FY2025.

Nomination Committee

The Nomination Committee consists of three members, namely Ms. Hao Dan and Mr. Chen Weiwu, both being independent non-executive Directors, as well as Mr. Sun, an executive Director. Ms. Hao Dan is the chairlady of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of Board members; (iii) assessing the independence of the independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of Directors and succession planning for Directors.

As the Company was listed on the Stock Exchange on 23 March 2026, no meetings of the Nomination Committee were held during FY2025.

CORPORATE GOVERNANCE REPORT

Strategic Committee

The Strategic Committee consists of three members, namely Mr. Sun, Mr. Kan Yulun and Mr. Zhou Bin. Mr. Sun is the chairman of the Strategic Committee.

The primary duties of the Strategic Committee include, but are not limited to, (i) studying and advising on long term strategic development plans of the Company; (ii) studying and advising on major investment financing proposals that are subject to Board's approval; (iii) studying and advising on major capital operations and asset management projects that are subject to Board's approval; (iv) studying and advising on any other significant events that affect the development of Company; and (v) monitoring the implementation of the aforesaid matters.

SHAREHOLDERS' MEETINGS, BOARD AND BOARD COMMITTEES' MEETINGS

During FY2025, the Board held 10 meetings. The following table sets out the attendance of each Director at the meetings of the Board, Board committees and shareholders' meetings during the said period:

| Name of Director | Number of meetings attended/Number of meetings held | | | | |
|------------------|---|-------------------------------|--------------------------------------|----------------------|------------------------|
| | Board | Audit and Appraisal Committee | Remuneration and Appraisal Committee | Nomination Committee | Shareholders' meetings |
| Mr. Sun Yingtong | 10/10 | – | – | – | 3/3 |
| Mr. Kan Yulun | 10/10 | – | – | – | 2/3 |
| Ms. Ye Yantao | 10/10 | – | – | – | 3/3 |
| Mr. Zhou Bin | 10/10 | – | – | – | 3/3 |
| Mr. Chen Weiwu | 10/10 | 8/8 | – | – | 3/3 |
| Ms. Hao Dan | 10/10 | 8/8 | – | – | 3/3 |
| Ms. Ji Xingdan | 10/10 | 8/8 | – | – | 3/3 |

Note: As the Company was listed on the Stock Exchange on 23 March 2026, no meetings of the Remuneration and Appraisal Committee and the Nomination Committee were held during FY2025.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Nomination Committee is a specialised body under the Board responsible for formulating the selection criteria and procedures for Directors and senior management, and for selecting, reviewing and assessing the qualifications of candidates.

When evaluating potential candidates, the Nomination Committee reviews a range of factors such as relevant skills, professional expertise, and experience aligned with the Company's business and development objectives. Considerations also include diversity factors such as gender, age, cultural and educational background, professional background and independence. The Nomination Committee also considers time commitment, integrity, and overall suitability of potential candidates, ensuring that each candidate can dedicate adequate time to their role and comply with all regulatory requirements.

The procedures for the nomination and appointment of Directors include the following key steps:

- (i) The Nomination Committee conducts the initial screening, selection and qualification assessment of Director and senior management candidates against the established standards and procedures.
- (ii) After completing its assessment, the Nomination Committee submits its recommendations to the Board. The Board must document and disclose any non-adoption of the recommendations with reasons.
- (iii) Director candidates approved by the Board are submitted to shareholders' meeting for election. The Company must circulate the required information in accordance with applicable laws and regulations.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Directors and senior management receive compensation from the Group in the form of Director's fee, salaries and allowance and other benefits, performance related bonus, retirement benefit contributions and share-based payments. The Board will review and determine the remuneration and compensation packages of Directors and senior management and will receive recommendations from the Remuneration and Appraisal Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration of the Directors and the five highest paid individuals for FY2025 are set out in Note 12 to the consolidated financial statements. During FY2025, none of the Directors had waived or agreed to waive any remuneration.

The remuneration payable to members of senior management by band for FY2025 is set out below:

| Remuneration level | Number of persons |
|--------------------------------|--------------------------|
| HK\$1,000,001 to HK\$1,500,000 | 2 |
| HK\$1,500,001 to HK\$2,000,000 | 2 |
| HK\$2,000,001 to HK\$2,500,000 | 1 |

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge. The Company selects potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the board diversity policy and other factors. The Company will also consider its own business model and specific needs from time-to-time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Board currently comprises three female Directors and four male Directors. The Board considers that it has achieved gender diversity at the Board level and targets to maintain the current level of female representation and in any event at least one female Director shall be seated on the Board. The Board aims to increase the proportion of female members over time where possible when selecting and making recommendations on suitable candidates for Board appointments. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board going forward. The objective is to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

CORPORATE GOVERNANCE REPORT

EMPLOYEE DIVERSITY

The Group recognises that a diverse and inclusive workforce is important to supporting innovation, sound governance and sustainable development. The Group is committed to providing equal employment opportunities and fostering a professional, respectful and inclusive working environment across recruitment, training and career development. In its talent acquisition and selection processes, the Group seeks to attract candidates with a broad range of backgrounds, skills and experience, having regard to the needs of its businesses and long-term development. The Group continues to review its people and talent management practices to ensure they remain aligned with its business strategy, organisational culture and commitment to diversity and equal opportunity.

The Company has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company. The indicators on employees of the Group, including senior management, as at 31 December 2025, are set out below:

| Indicator | As at 31 December 2025 | |
|------------------|------------------------|---|
| | Number of persons | Percentage of total number of employees |
| Male employees | 868 | 78.1% |
| Female employees | 244 | 21.9% |

Based on the Group's review, there was no mitigating factor or circumstance which makes achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of any legal actions against them arising out of the Company's business, and the insurance coverage will be reviewed annually.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee is responsible for performing the corporate governance functions set out in code provision A.2.1 of the Corporate Governance Code. In performing the corporate governance functions, the Audit Committee will (i) develop and review the Company's policies and practices on corporate governance; (ii) review and monitor the training and continuing professional development of Directors and senior management; (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) review the Company's compliance with the Corporate Governance Code and disclosure in the Company's corporate governance report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's risk management and internal control system is designed to provide reasonable assurance of operational efficiency and effectiveness, asset protection, compliance with relevant laws and regulations, and the accuracy, completeness, and fairness of information disclosure. To support these objectives, the Company maintains internal manuals detailing operating procedures, internal control processes, and other policies and guidelines, alongside the adoption and implementation of comprehensive risk management policies across various aspects of its business operations, including financial reporting, compliance, and anti-bribery and kick-back initiatives.

The Group maintains a systematic mechanism for risk identification, assessment and response through a defined risk reporting mechanism to support the effective implementation of risk management. Risks are identified by relevant departments through team-based assessment activities covering operational, regulatory and other emerging risks, and are then assessed using severity and frequency to classify priority levels. Appropriate responses are selected based on the assessment results and are embedded into existing procedures to maintain a closed-loop process. Ongoing monitoring is supported by multi-level reporting and review, with oversight implemented through a three-lines-of-defence model, including independent review of the risk management process as part of internal control audits.

The Board is responsible for establishing, updating, and implementing internal control policies and systems, while the management team monitors the daily implementation of the internal control procedures and measures across functional teams. Operating independently under the Audit Committee, the internal audit department of the Company evaluates the effectiveness of internal controls and risk management, audits financial and operational compliance, monitors related-party transactions and fund flows, and supports anti-fraud mechanisms. The internal audit department conducts regular reviews of internal controls and fund flows, performs follow-up assessments to ensure timely rectification of identified deficiencies, and promptly reports any major risks or significant internal control defects to the Audit Committee.

The Board confirms that a review of the effectiveness of the risk management and internal control systems of the Group for FY2025 has been conducted. Such review covered all material controls, including financial, operational and compliance controls. Based on the review, the Company did not identify any material or significant deficiencies in internal control over financial reporting as at 31 December 2025, and did not identify any material deficiencies in non-financial reporting internal control. The Board is of the view that the Group's risk management and internal control systems during FY2025 were effective and adequate.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established a comprehensive system for the management of inside information to ensure that all disclosures are made in a truthful, accurate, complete, timely and fair manner. The Board assumes overall responsibility for supervising the management of inside information. To prevent leakage or misuse of undisclosed information, no department or individual is permitted to disclose, report or transmit any inside information without prior approval from the Board. All materials containing inside information, including documents, electronic media, recordings or storage devices, must be reviewed and approved by the Board secretary and, where appropriate, further submitted to the Board before any external communication takes place.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RELATION TO FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for FY2025, which give a true and fair view of the condition of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern.

The auditor's statement on its reporting responsibilities in respect of the Group's consolidated financial statements is set out in the Independent Auditor's Report in this annual report.

AUDITOR'S REMUNERATION

For FY2025, the Company's remuneration to (i) the external overseas auditor of the Company, Deloitte Touche Tohmatsu, in respect of its audit services was RMB750,000; and (ii) the external domestic auditor of the Company, China Audit Asia Pacific Certified Public Accountants LLP, in respect of its audit services was RMB950,000. Apart from this, the Company's external auditors did not provide any other audit or non-audit services to the Company during the year.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Ms. Ye Yantao, executive Director, deputy general manager and Board secretary, and Mr. Lui Wing Yat Christopher, senior manager of company secretarial services of Tricor Services Limited, an external service provider of the Company, have been appointed as the joint company secretaries of the Company.

Ms. Ye Yantao has been designated as the principal contact person of the Company and will cooperate and communicate with Mr. Lui Wing Yat Christopher on corporate governance matters of the Company.

The Company was not listed on the Stock Exchange for FY2025. The joint company secretaries of the Company will receive no less than 15 hours of relevant professional training in each financial year in accordance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary Shareholders' Meetings

Shareholders holding 10% or more of the Shares individually or collectively have the right to request the Board to convene an extraordinary shareholders' meeting, and shall submit such a request to the Board in writing. The Board shall provide written feedback within 10 days of receiving the request, indicating whether or not it agrees to convene the extraordinary shareholders' meeting.

If the Board agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of the meeting within 5 days of making the Board resolution. Any changes to the original request in the notice shall require the consent of the relevant Shareholders.

If the Board disagrees to convene an extraordinary shareholders' meeting, or fails to provide feedback within 10 days of receiving the request, Shareholders holding 10% or more of the Shares individually or collectively have the right to propose to the Audit Committee that an extraordinary shareholders' meeting be convened, and shall submit such a request to the Audit Committee in writing.

If the Audit Committee agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of the meeting within 5 days of receiving the request. Any changes to the original proposal in the notice shall require the consent of the relevant Shareholders.

CORPORATE GOVERNANCE REPORT

If the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed period, it shall be deemed that the Audit Committee has failed to convene and preside over the shareholders' meeting, and Shareholders who individually or collectively hold more than 10% of the Shares for more than 90 consecutive days may convene and preside over the meeting themselves.

If the Audit Committee or Shareholders decide to convene a shareholders' meeting on their own, they must notify the Board in writing and file a record with the Shenzhen Stock Exchange. Before the announcement of the shareholders' meeting resolution, the shareholding ratio of the convening Shareholder shall not be less than 10%. The Audit Committee or the convening Shareholder shall submit relevant supporting documents to the Shenzhen Stock Exchange when issuing the notice of the shareholders' meeting and the announcement of the shareholders' meeting resolution.

The Board and the Board secretary shall cooperate with any shareholders' meeting convened by the Audit Committee or the Shareholders themselves. The Board shall provide a shareholder register as of the record date. The Company shall bear all necessary expenses for any shareholders' meeting convened by the Audit Committee or the Shareholders themselves.

Putting Forward Proposals at Shareholders' Meetings

When the Company convenes a shareholders' meeting, the Board, the Audit Committee, and Shareholder(s) individually or collectively holding 1% or more of the Shares shall have the right to submit proposals to the Company. Shareholder(s) individually or collectively holding 1% or more of the Shares may submit temporary proposals in writing to the convener 10 days before the shareholders' meeting.

Within 2 days of receiving the proposal, the convener shall issue a supplemental notice of the shareholders' meeting to the other Shareholders, announcing the content of the temporary proposal, and submit the temporary proposal to the shareholders' meeting for deliberation, except where the temporary proposal violates laws, administrative regulations, or the Articles of Association, or does not fall within the scope of the authority of shareholders' meeting.

Proposals that are not specified in the notice of the shareholders' meeting or that do not comply with the provisions of the Articles of Association shall not be submitted for voting or form part of the resolutions of the shareholders' meeting.

CORPORATE GOVERNANCE REPORT

Enquiries to the Board

The Company maintains a website at www.nsingtech.com, where information on the Company's profile, key corporate governance policies and announcements, financial reports, sustainable development and other information are available for public access. Shareholders may put enquiries to the Board by submitting written enquiries to the Company through the Board secretary, who serves as the principal channel of communication between Shareholders and the Board:

Address: 1/F, Nsing Tower, No. 109 Baoshen Road, Songpingshan Community, Xili Street, Nanshan District, Shenzhen, Guangdong Province, PRC

Email: investors@nsingtech.com

INVESTOR RELATIONS

Shareholders' Communication Policy

The Company recognises the importance of maintaining transparent, effective and ongoing communication with its Shareholders. The Company is committed to ensuring that Shareholders are provided with timely, accurate and accessible information to enable them to make informed assessments of the Company's performance and governance. Corporate communications, including annual and interim reports, notices of shareholders' meetings, circulars and other regulatory disclosures, are made available in accordance with the Articles of Association and applicable regulatory requirements, and are published on the websites of the Company and the Stock Exchange.

Shareholders are encouraged to engage with the Company through attendance and participation at shareholders' meetings, at which Directors and senior management are available to respond to Shareholders' questions and views. In addition, Shareholders may communicate with the Board by submitting written enquiries to the Company through the Board Secretary. The Articles of Association also provide Shareholders with formal mechanisms to submit proposals and requisition shareholders' meetings. Through these channels, the Company seeks to promote constructive dialogue with Shareholders and to ensure that their rights are exercised on an informed and equitable basis.

The Board will conduct an annual review of the implementation and effectiveness of the shareholders' communication policy after the Listing.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company has in place a dividend policy in compliance with the PRC laws and regulations. Pursuant to the Articles of Association, in principle, the amount of the dividends distributed in cash each year should not be less than 10% of the distributable profits that are available for distribution in the current year, the amount of the dividends distributed in cash in every three years should be at least 30% of the Company's profits for these three years that are available for distribution, subject to certain specified conditions.

After the Listing, the Board may declare dividends after taking into account various factors, including the Company's future earnings and cash inflows, future plan for use of funds, long-term development of business, financial conditions, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which the Directors consider relevant. Distribution of dividends will be decided by the Board at their discretion and will be subject to Shareholders' approval. There is no assurance that dividends of any amount will be declared or be distributed in any year.

Constitutional Documents

Pursuant to the written resolutions passed by the Shareholders on 16 June 2025, the Articles of Association were duly approved and adopted, subject to completion of the global offering related to the Listing. The Articles of Association became effective on the Listing Date.

The full text of the Articles of Association is available on the Company's website (www.nsingtech.com) and the website of the Stock Exchange (www.hkexnews.hk).

REPORT OF THE DIRECTORS

The Board is pleased to present its Directors' report and the audited consolidated financial statements of the Company for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company is mainly engaged in investment holding and integrated design and sales of chip products. Its subsidiaries are engaged in providing customers with the integrated design and sales of chip products and production and sales of lithium-ion battery anode material products.

BUSINESS REVIEW

The Group's business review and its future business development, an analysis of the Group's business using financial key performance indicators, important events affecting the Company that have occurred since the end of the financial year, and a description of the principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis" in this annual report.

FINAL DIVIDEND

The Board resolved that no final dividend would be declared for FY2025 (2024: Nil).

As at 31 December 2025, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

PRC TAXATION

Taxation on Dividends

Individual Investors

Under the provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), last amended on 31 August 2018, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), last amended on 18 December 2018 (collectively referred to as the "IIT Law"), dividends disbursed by Chinese enterprises are subject to a flat individual income tax rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) jointly issued by the MOF, the STA and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering and market transfer, if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the public offering and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

REPORT OF THE DIRECTORS

According to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), which came into effect on 1 January 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection”. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities. For withholding at source and designated withholding, a non-resident taxpayer asserting that it satisfies the criteria for claiming treaty benefits and need to claim such benefits shall complete an “Information Report on Non-resident Taxpayers Claiming Treaty Benefits” truthfully, submit to the withholding agent voluntarily, gather and retain the relevant materials pursuant to the relevant provisions.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on 21 August 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents, including both natural persons and legal entities. The tax levied shall not exceed 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company and meets certain conditions as the beneficial owner of the equity, the tax imposed shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), in effect since 6 December 2019, introduces specific criteria determining entitlement to treaty benefits. According to this protocol, treaty benefits will not be granted if, upon careful consideration of all relevant facts and conditions, it is reasonably determined that obtaining these benefits was a primary purpose of the arrangement or transactions, thereby providing direct or indirect benefits under the Arrangement. Exceptions are made when such benefits align with the Arrangement’s relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81). Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

REPORT OF THE DIRECTORS

Enterprise Investors

Pursuant to the provisions outlined in the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), enacted by the National People's Congress of the PRC (NPC) on 16 March 2007, and enforced from 1 January 2008, subsequently amended on 24 February 2017, and 29 December 2018, and in alignment with the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on 6 December 2007, and effective from 1 January 2008, last amended on 6 December 2024 and effective on 20 January 2025 (collectively referred to as the “EIT Law”), it is established that a non-resident enterprise is generally liable to a 10% enterprise income tax on income sourced within the PRC. Such income includes dividends and bonuses received from a PRC resident enterprise. This taxation applies to non-resident enterprises that lack a physical establishment or premises in the PRC. Alternatively, if an establishment or premise exists within the PRC, but the PRC-sourced income is unrelated to said establishment or premise, it is subject to the aforementioned taxation.

The withholding tax for non-resident enterprises is mandated to be deducted at the source, whereby the entity making the payment assumes the role of the withholding agent. Consequently, the withholding agent is obligated to withhold the income tax from the payment or due payment each time it is disbursed or becomes due.

The Circular of the STA on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on 6 November 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on 24 July 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees Limited) shall be subject to withholding enterprise income tax at a rate of 10%.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, the PRC Government is authorised to impose taxes on dividends disbursed by a PRC company to Hong Kong residents, including both individuals and legal entities, not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, the tax shall not surpass 5% of the total dividends if the Hong Kong resident qualifies as the beneficial owner of the equity, and specific conditions are met.

REPORT OF THE DIRECTORS

Furthermore, the Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, introduces additional criteria for qualifying for treaty benefits. While other provisions may exist within the Arrangement, treaty benefits shall not be granted for relevant gains if, based on all relevant facts and conditions, it is reasonably determined that one of the main purposes of the arrangement or transactions, which result in direct or indirect benefits under the Arrangement, is to obtain such treaty benefits. This exception applies unless the grant of benefits aligns with the objectives and goals outlined in the Arrangement.

It is important to note that the application of the dividend clause of tax agreements is contingent upon compliance with PRC tax laws and regulations, including the guidelines provided in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions that have established treaties or arrangements for the avoidance of double taxation with the PRC may qualify for a reduction in the PRC enterprise income tax levied on dividends received from PRC companies. Currently, the PRC has entered into Avoidance of Double Taxation Treaties or Arrangements with several countries and regions, including the Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States.

Non-PRC resident enterprises eligible for preferential tax rates under these relevant taxation treaties or arrangements are required to submit an application to the PRC tax authorities for a refund of the enterprise income tax that exceeds the agreed tax rate. The approval of the refund application is subject to the evaluation and decision of the PRC tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Under the guidelines outlined in the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (referred to as “**Circular 36**”), effective from 1 May 2016, and subsequently amended on 11 July 2017, 25 December 2017, and 20 March 2019, individuals and entities conducting service transactions within the PRC are obligated to pay VAT. “Sales of services within the PRC” are defined as transactions where either the service provider or the recipient is situated within the PRC.

REPORT OF THE DIRECTORS

Furthermore, Circular 36 specifies that the transfer of financial products, including the ownership transfer of marketable securities, is subject to a VAT rate of 6% on the taxable income. Taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers. Notably, individuals are exempt from VAT obligations when engaging in the transfer of financial products.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

Income Taxes

Individual investors

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, in accordance with the Circular of the MOF and the STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61), issued jointly by the MOF and STA on 30 March 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since 1 January 1997.

As at the date of this annual report, there are no provisions expressly stating that individual income tax shall be imposed on non-PRC resident individuals for the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise investors

In accordance with the EIT Law, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realised from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments.

The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It is important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the avoidance of double taxation.

REPORT OF THE DIRECTORS

Save as disclosed above, the Company is not aware of any tax relief or exemption available to the Shareholders due to their holding of the Company's securities.

Shareholders and prospective investors are advised to consult their own tax and financial advisers regarding the PRC and other tax consequences of owning, investing in, or disposing of H Shares.

SHARE CAPITAL

Details of the movements in the share capital of the Company for FY2025 are set out in Note 34 to the consolidated financial statements.

DEBENTURES

The Company did not issue any debentures during FY2025.

LEGAL PROCEEDINGS AND COMPLIANCE

During FY2025, to the best knowledge of the Directors, the Group had not been and was not a party to any material legal, arbitral or administrative proceedings, and the Directors were not aware of any material pending or threatened legal, arbitral or administrative proceedings against the Group or the Directors. To the best knowledge of the Directors, the Group's business operations had been carried out in compliance with applicable laws and regulations in all material aspects during FY2025.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during FY2025 are set out in the section headed "Consolidated Statement of Changes in Equity" in this annual report.

As at 31 December 2025, the Company had no distributable retained profits.

RIGHTS OF PRE-EMPTION

According to the PRC laws and the Articles of Association, there is no arrangement for the rights of pre-emption.

REPORT OF THE DIRECTORS

BOARD OF DIRECTORS

The Directors during FY2025 and up to the date of this annual report are set out below:

Executive Directors

Mr. Sun Yingtong (*Chairman and General Manager*)

Mr. Kan Yulun

Ms. Ye Yantao

Non-Executive Director

Mr. Zhou Bin

Independent Non-Executive Directors

Mr. Chen Weiwu

Ms. Hao Dan

Ms. Ji Xingdan

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The Company has entered into a service agreement with each of the executive Directors and a letter of appointment with each of the non-executive Director and independent non-executive Directors for a term of three years.

None of the Directors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During FY2025, neither any Director nor any entity connected with the Directors had any direct or indirect material interest in any transactions, arrangements or contracts of significance relating to the business of the Company to which the Company or any of its subsidiaries was a party.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During FY2025, none of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the Company's business as required to be disclosed under Rule 8.10 of the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Stock Exchange as at 31 December 2025, Divisions 7 and 8 of Part XV of the SFO, section 352 of the SFO and the Model Code were not applicable to the Directors or the chief executive of the Company as of the same date.

As at the Listing Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

| Director/Chief executive | Nature of interest | Class of Shares | Number of Shares ⁽¹⁾ | Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾ | Approximate percentage of shareholding in the Company's total issued Shares ⁽²⁾ |
|--------------------------|--------------------|-----------------|---------------------------------|---|--|
| Mr. Sun | Beneficial owner | A Shares | 15,453,300 (L) | 2.65% | 2.28% |
| Mr. Kan Yulun | Beneficial owner | A Shares | 420,400 (L) | 0.07% | 0.06% |
| Ms. Ye Yantao | Beneficial owner | A Shares | 368,000 (L) | 0.06% | 0.05% |

Notes:

⁽¹⁾ The letter "L" denotes the person's long position in the Shares.

⁽²⁾ The calculation is based on the total number of 678,126,700 Shares in issue as at the Listing Date, comprising 583,126,700 A Shares and 95,000,000 H Shares.

Save as disclosed above, as at the Listing Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As the Company was not listed on the Stock Exchange as at 31 December 2025, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of the same date.

As at the Listing Date, the following persons other than the Directors and chief executive of the Company had or was deemed or taken to have an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Shareholder | Nature of interest | Class of Shares | Number of Shares ⁽¹⁾ | Approximate percentage of shareholding in the relevant class of Shares ⁽²⁾ | Approximate percentage of shareholding in the Company's total issued Shares ⁽²⁾ |
|--|------------------------------------|-----------------|---------------------------------|---|--|
| CITIC Securities International Capital Management Limited ⁽³⁾ | Beneficial owner | H Shares | 7,150,800 (L) | 7.53% | 1.05% |
| | | | 7,150,800 (S) | 7.53% | 1.05% |
| CSI Global Markets Holdings Limited ⁽³⁾ | Interest in controlled corporation | H Shares | 7,150,800 (L) | 7.53% | 1.05% |
| | | | 7,150,800 (S) | 7.53% | 1.05% |
| CITIC Securities International Company Limited ⁽³⁾ | Interest in controlled corporation | H Shares | 7,150,800 (L) | 7.53% | 1.05% |
| | | | 7,150,800 (S) | 7.53% | 1.05% |
| CITIC Securities Company Limited ⁽³⁾ | Interest in controlled corporation | H Shares | 7,170,200 (L) | 7.55% | 1.06% |
| | | | 7,150,800 (S) | 7.53% | 1.05% |
| Huatai Securities Co., Ltd. ⁽⁴⁾ | Interest in controlled corporation | H Shares | 6,637,200 (L) | 6.99% | 0.98% |
| J.P. MORGAN SECURITIES PLC ⁽⁵⁾ | Person having a security interest | H Shares | 6,018,000 (L) | 6.33% | 0.89% |
| JPMorgan Chase & Co. ⁽⁵⁾ | Person having a security interest | H Shares | 6,030,000 (L) | 6.35% | 0.89% |

Notes:

⁽¹⁾ The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares.

⁽²⁾ The calculation is based on the total number of 678,126,700 Shares in issue as at the Listing Date, comprising 583,126,700 A Shares and 95,000,000 H Shares.

⁽³⁾ CITIC Securities International Capital Management Limited held direct interest in a long position of 7,150,800 H Shares and a short position of 7,150,800 H Shares. CITIC Securities International Capital Management Limited was 100% controlled by CSI Global Markets Holdings Limited, which was in turn 100% controlled by CITIC Securities International Company Limited, which was in turn 100% controlled by CITIC Securities Company Limited.

CITIC Securities Asset Management Company Limited held direct interest in a long position of 19,400 H Shares. CITIC Securities Asset Management Company Limited was 100% controlled by CITIC Securities Company Limited.

REPORT OF THE DIRECTORS

(4) Huatai Capital Investment Limited and Huatai Financial Holdings (Hong Kong) Limited held direct interests in long positions of 6,000,000 H Shares and 637,200 H Shares, respectively. Both Huatai Capital Investment Limited and Huatai Financial Holdings (Hong Kong) Limited were 100% controlled by Huatai Securities Co., Ltd.

(5) J.P. MORGAN SECURITIES PLC held security interest in a long position of 6,018,000 H Shares. J.P. MORGAN SECURITIES PLC was 100% controlled by J.P. MORGAN CAPITAL HOLDINGS LIMITED, which was in turn 100% controlled by J.P. Morgan International Finance Limited, which was in turn 100% controlled by JPMorgan Chase Bank, National Association, which was in turn 100% controlled by JPMorgan Chase & Co.

J.P. Morgan Securities LLC held security interest in a long position of 12,000 H Shares. J.P. Morgan Securities LLC was 100% controlled by J.P. Morgan Broker-Dealer Holdings Inc., which was in turn 100% controlled by JPMorgan Chase Holdings LLC, which was in turn 100% controlled by JPMorgan Chase & Co.

Save as disclosed above, as at the Listing Date, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had or was deemed or taken to have an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during FY2025 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company has maintained liability insurance for the Directors and senior management to protect them from any legal liability to any third party arising from corporate activities. The permitted indemnity provision was in force during FY2025 and remained in force as at the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2025.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during FY2025.

REPORT OF THE DIRECTORS

DONATIONS

During FY2025, the Company made a donation of HK\$3 million under the Stock Code for Charity Scheme of the Stock Exchange.

Save as disclosed above, the Company did not make any other donations or charitable donations during FY2025.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for 49.50% and 33.73%, respectively, of the Group's total revenue for FY2025.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 50.89% and 15.41%, respectively, of the Group's total purchases for FY2025.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for FY2025.

RELATED PARTY TRANSACTIONS

During FY2025, the Group did not enter into transactions with its related parties except for the remunerations of Directors and other key management personnel as set forth in Note 38 to the consolidated financial statements. As the Company was listed on 23 March 2026, none of the related party transactions constituted connected transaction or continuing connected transaction under the Listing Rules for FY2025.

AUDITORS

On 10 December 2025, the Board, with the recommendation of the Audit Committee, proposed the appointment of China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所) as the Company's accounting firm responsible for domestic financial reporting and internal control audits for a term of one year, in place of Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所). The above change took effect upon Shareholders' approval at the Shareholders' meeting convened and held by the Company on 26 December 2025.

Save as disclosed, there has been no change in the auditors of the Company in the preceding three years. The consolidated financial statements for FY2025 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, which will be subject to nomination for reappointment at the 2025 AGM.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available and to the knowledge of the Directors, since the Listing Date and up to the date of this annual report, the Company maintained sufficient public float in compliance with the Listing Rules.

RELATIONSHIP WITH STAKEHOLDERS

Customers

The Group values long-term and stable relationships with its customers, which include companies engaged in the distribution and production of electronic components, semiconductors and modular circuits as well as lithium-ion battery plants. Through continuous product innovation, reliable quality and responsive technical support, the Group serves customers across multiple sectors and maintained sound and mutually beneficial relationships with its major customers.

Suppliers

The Group places importance on maintaining stable and long-term relationships with its suppliers, which support its operations across the chip products business, lithium-ion battery anode materials business and graphitisation process. The Group's suppliers primarily include companies with business operations in R&D, manufacturing or sales of wafers and relevant components and devices, packaging and testing, as well as utility providers and suppliers of raw materials for lithium-ion battery anode material production such as needle coke and petroleum coke. The Group conducts comprehensive review of suppliers based on quality, price, credit terms, after-sales and other dimensions to determine a list of qualified suppliers.

Employees

The Group recognises that talent is fundamental to sustainable growth and competitive advantage, and that its performance depends on attracting, retaining and motivating suitably qualified personnel. Its human resources approach includes offering relatively competitive salaries, performance-based bonuses, and other incentives. The Group also adopts a diversified recruitment approach, using channels such as campus hiring, online channels and external agencies, and provides induction and ongoing training, including tailored programmes and mentoring for R&D staff, supported by external seminars. The Group strives to create a multiple-incentive mechanism and a friendly working environment to fulfil employees' full potential.

REPORT OF THE DIRECTORS

PENSION SCHEME

The Group participates in social security schemes organised by municipal and provincial government, including pension, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. Payments to state-managed defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

As at 31 December 2025, no forfeited contributions were available to reduce the existing level of contributions payable by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is firmly committed to sustainable development, social responsibility, and strong corporate governance, all of which reflect its adherence to ESG principles. To support this commitment, the Group has developed a comprehensive suite of policies and procedures encompassing environmental stewardship, workplace safety, employee well-being, and anti-corruption practices. Management views ESG as a fundamental pillar of the Group's mission and has fully integrated sustainable development practices into the Group's corporate strategy and day-to-day operations. By continuously refining its ESG policies and implementation plans, the Group aims to deliver long-term value for all stakeholders. The Group believes that a structured and proactive approach to ESG not only strengthens its competitive advantage but also contributes to the sustainable development of its entire value chain.

The Company will publish its ESG Report in compliance with the Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Listing Rules.

For and on behalf of the Board
NSING TECHNOLOGIES INC.
Mr. Sun Yingtong
Chairman

Hong Kong, 30 March 2026

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

To the Members of NSING TECHNOLOGIES INC.

(A joint stock company incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of NSING TECHNOLOGIES INC. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 67 to 163, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKASAs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) as applicable to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matters was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Revenue Recognition on sales of chips products and lithium-ion battery anode material products

We identified revenue recognition in relation to sales of chips products and lithium-ion battery anode material products as a key audit matter due to its financial significance to the consolidated statement of profit of loss and other comprehensive income.

The Group recognises revenue from the domestic sales of chip products to the distributors or the ultimate customers at a point in time when the chip products are delivered to the distributors' or the ultimate customers' designated locations, and the distributors or the ultimate customers have confirmed the acceptance of the products; and recognises revenue from overseas sales of chip products at a point in time when the chip products have been declared to the customs and loaded on board in accordance with the sales contract. The Group recognises revenue from the domestic sales of lithium-ion battery anode material products to the customers at a point in time when the lithium-ion battery anode material products are delivered to the customers' designated locations, and the customers have confirmed the acceptance of the products. The Group recognised revenue from sales of chips products and lithium-ion battery anode material products during the year ended 31 December 2025 amounting to RMB1,305,053,000 in aggregate.

Details of the accounting policies for revenue recognition and revenue information are disclosed in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue recognition on sales of chips products and lithium-ion battery anode material products included:

- Understanding the contractual terms of the sales transactions of chips products and lithium-ion battery anode material products, and evaluating the appropriateness of the relevant revenue recognition policies of the Group with reference to the requirements of the prevailing accounting standards;
- Evaluating the design and implementation of the relevant controls over revenue recognition on sales of chips products and lithium-ion battery anode material products and testing their operating effectiveness;
- Conducting background search on a selection of distributors to understand their business nature;
- Confirming the sales amount with a selection of customers and performing alternative procedures for non-responses; and
- Checking a selection of recorded sales transactions, by tracing the selected transactions to the corresponding supporting documents.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LEUNG, Po Shan (practising certificate number: P07300).

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

| | Notes | Year ended 31 December | |
|--|-------|------------------------|------------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Revenue | | | |
| – Sales of goods and services | 5 | 1,354,826 | 1,160,741 |
| – Leases | | 5,440 | 6,809 |
| | | 1,360,266 | 1,167,550 |
| Cost of sales | | | |
| – Cost of sales of goods and services | | (1,097,531) | (932,159) |
| – Write-down of inventories | | (14,419) | (52,999) |
| | | (1,111,950) | (985,158) |
| Gross profit | | | |
| Other income | 6 | 37,530 | 56,695 |
| Other gains and losses | 7 | (5,890) | (46,440) |
| Impairment losses under expected credit loss model ("ECL"), net of reversal | 8 | (5,221) | (436) |
| Selling expenses | | (48,662) | (43,788) |
| Administrative expenses | | (113,820) | (162,834) |
| Research and development expenses | | (165,600) | (186,831) |
| Finance costs | 9 | (76,731) | (67,842) |
| Loss before tax | | | |
| Income tax credit | 10 | 12,516 | 13,360 |
| Loss for the year | | | |
| | 11 | (117,562) | (255,724) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (115,418) | (235,342) |
| Non-controlling interests | | (2,144) | (20,382) |
| | | (117,562) | (255,724) |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)

| | Notes | Year ended 31 December | |
|--|-------|------------------------|-----------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Other comprehensive (expense) income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Fair value (loss) gain on equity instruments at fair value through other comprehensive income ("FVTOCI") | | (1,176) | 19 |
| Others | | – | (1,225) |
| | | (1,176) | (1,206) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | 611 | 155 |
| Other comprehensive expense for the year, net of income tax | | (565) | (1,051) |
| Total comprehensive expense for the year | | (118,127) | (256,775) |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (115,983) | (236,331) |
| Non-controlling interests | | (2,144) | (20,444) |
| | | (118,127) | (256,775) |
| Loss per share | | | |
| – Basic in RMB | 14 | (0.20) | (0.40) |
| – Diluted in RMB | 14 | N/A | (0.40) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

| | Notes | As at 31 December | |
|---|-------|-------------------|------------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Non-current Assets | | | |
| Property, plant and equipment | 15 | 1,237,949 | 1,271,846 |
| Right-of-use assets | 16 | 84,700 | 92,705 |
| Investment properties | 17 | 204,400 | 209,435 |
| Goodwill | 18 | 30,351 | 30,647 |
| Intangible assets | 20 | 249,675 | 208,910 |
| Long-term prepayments | 23 | 22,761 | 24,652 |
| Equity instruments at FVTOCI | 20 | 68,427 | 69,603 |
| Deferred tax assets | 21 | 88,029 | 77,457 |
| | | 1,986,292 | 1,985,255 |
| Current Assets | | | |
| Inventories | 23 | 624,207 | 620,957 |
| Trade and other receivables at amortised cost | 24 | 474,546 | 421,047 |
| Trade and bills receivables at FVTOCI | 25 | 123,355 | 149,261 |
| Financial assets at fair value through profit or loss ("FVTPL") | 26 | 70,743 | 72,533 |
| Derivative financial instrument | 30 | – | 419 |
| Restricted bank balances | 27 | 93,857 | 101,800 |
| Cash and cash equivalents | 27 | 197,527 | 361,665 |
| | | 1,584,235 | 1,727,682 |
| Current Liabilities | | | |
| Trade and other payables | 28 | 734,191 | 714,760 |
| Contract liabilities | 29 | 10,679 | 4,965 |
| Tax liabilities | | 11 | 168 |
| Derivative financial instrument | 30 | 538 | – |
| Borrowings | 31 | 954,336 | 837,282 |
| Lease liabilities | 32 | 9,583 | 9,702 |
| | | 1,709,338 | 1,566,877 |
| Net Current (Liabilities) Assets | | (125,103) | 160,805 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025 (continued)

| | Notes | As at 31 December | |
|--|-------|-------------------|-----------------|
| | | 2025 RMB'000 | 2024 RMB'000 |
| Total Assets Less Current Liabilities | | 1,861,189 | 2,146,060 |
| Non-current Liabilities | | | |
| Deferred income | 33 | 23,821 | 21,650 |
| Long-term payables | 28 | 113,430 | 264,131 |
| Borrowings | 31 | 745,153 | 755,018 |
| Lease liabilities | 32 | 23,053 | 29,358 |
| Deferred tax liabilities | 22 | 21,144 | 23,141 |
| | | 926,601 | 1,093,298 |
| Net Assets | | 934,588 | 1,052,762 |
| Capital and Reserves | | | |
| Share capital | 34 | 583,127 | 583,127 |
| Reserves | | 336,855 | 406,209 |
| Equity attributable to owners of the Company | | 919,982 | 989,336 |
| Non-controlling interests | | 14,606 | 63,426 |
| Total Equity | | 934,588 | 1,052,762 |

The consolidated financial statements on pages 67 to 163 were approved and authorised for issue by the board of directors on 30 March 2026 and are signed on its behalf by:

Sun Yingtong
DIRECTOR

Kan Yulun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

| | Attributable to owners of the Company | | | | | | | Subtotal | Non-controlling interests | Total |
|---|---------------------------------------|-----------------|----------------------|------------------------------|---------------|---------------------|--------------------|-----------|---------------------------|-----------|
| | Share capital | Capital reserve | Treasury shares | Share-based payments reserve | Other reserve | Statutory reserve | Accumulated losses | | | |
| | RMB'000 | RMB'000 | RMB'000 (note 35) | RMB'000 (note a) | RMB'000 | RMB'000 (note b) | RMB'000 | RMB'000 | RMB'000 | |
| At 1 January 2024 | 594,841 | 2,234,029 | (71,457) | 217,511 | 145,019 | 68,561 | (2,017,370) | 1,171,134 | 74,368 | 1,245,502 |
| Loss for the year | - | - | - | - | - | - | (235,342) | (235,342) | (20,382) | (255,724) |
| Other comprehensive expense for the year | - | - | - | - | (989) | - | - | (989) | (62) | (1,051) |
| Total comprehensive expense for the year | - | - | - | - | (989) | - | (235,342) | (236,331) | (20,444) | (256,775) |
| Repurchase and cancellation of shares | (11,714) | (59,743) | 71,457 | - | - | - | - | - | - | - |
| Share-based payments, net of income tax | - | - | - | 54,495 | - | - | - | 54,495 | 9,493 | 63,988 |
| Cancellation of the share incentive scheme | - | 272,006 | - | (272,006) | - | - | - | - | - | - |
| Others | - | - | - | - | 38 | - | - | 38 | 9 | 47 |
| At 31 December 2024 | 583,127 | 2,446,292 | - | - | 144,068 | 68,561 | (2,252,712) | 989,336 | 63,426 | 1,052,762 |
| Loss for the year | - | - | - | - | - | - | (115,418) | (115,418) | (2,144) | (117,562) |
| Other comprehensive expense for the year | - | - | - | - | (565) | - | - | (565) | - | (565) |
| Total comprehensive expense for the year | - | - | - | - | (565) | - | (115,418) | (115,983) | (2,144) | (118,127) |
| Repurchase of non-controlling interests | - | (94,509) | - | - | - | - | - | (94,509) | (46,667) | (141,176) |
| Derecognition of repurchase obligation (note 28(c)) | - | 141,176 | - | - | - | - | - | 141,176 | - | 141,176 |
| Others | - | - | - | - | (38) | - | - | (38) | (9) | (47) |
| At 31 December 2025 | 583,127 | 2,492,959 | - | - | 143,465 | 68,561 | (2,368,130) | 919,982 | 14,606 | 934,588 |

Notes:

- (a) Share-based payments reserve represented the share-based payments under Share Incentive Scheme of the Company and Share Incentive Scheme of Sinuo launched by a non-wholly owned subsidiary of the Company (as detailed in note 37), net of income tax effect.
- (b) The statutory reserve represents the amount transferred from net profit for the year of the Company in accordance with the relevant laws of the People's Republic of China (the "PRC") until the statutory surplus reserve reaches 50% of the registered capital of the Company. The statutory surplus reserve cannot be reduced except for either using to set off the accumulated losses or increase share capital.

As at 31 December 2025 and 2024, statutory reserve of subsidiaries both amounting to RMB30,953,000 is included in retained profits of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| OPERATING ACTIVITIES | | |
| Loss before tax | (130,078) | (269,084) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 94,043 | 55,698 |
| Depreciation of right-of-use assets | 10,217 | 10,717 |
| Amortisation of intangible assets | 34,802 | 35,451 |
| Amortisation of government grants | (1,094) | (272) |
| ECL, net of reversal | 5,221 | 436 |
| Impairment losses recognised on intangible assets | – | 12,211 |
| Impairment losses recognised on goodwill | 296 | 1,434 |
| Write-down for inventories | 14,419 | 52,999 |
| Share-based payment expense | – | 63,988 |
| Fair value changes of investment properties | 5,035 | 11,743 |
| Fair value changes of financial assets at FVTPL | 3,316 | 14,282 |
| Fair value changes of derivative financial instruments | 957 | (419) |
| Net gain on disposal of property, plant and equipment and right-of-use assets | (127) | (233) |
| Net investment gain on financial assets | (7,502) | (1,621) |
| Net foreign exchange loss | 1,134 | 2,183 |
| Finance costs | 76,731 | 67,842 |
| Interest income | (2,737) | (5,041) |
| Operating cash flows before movements in working capital | 104,633 | 52,314 |
| Increase in inventories | (17,669) | (60,532) |
| Increase in trade and other receivables | (33,233) | (66,752) |
| Increase in trade and bills receivables at FVTOCI | (70,580) | (139,150) |
| Decrease (increase) in guarantee deposits for issuance of bank bills | 4,843 | (71,160) |
| Increase in trade and other payables | 8,562 | 165,928 |
| Increase (decrease) in contract liabilities | 5,714 | (13,080) |
| Decrease in provisions | – | (3,216) |
| (Decrease) increase in deferred income | (1,385) | 16,494 |
| Cash from (used in) operations | 885 | (119,154) |
| Income taxes paid | (210) | (2,179) |
| NET CASH FROM (USED IN) OPERATING ACTIVITIES | 675 | (121,333) |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| INVESTING ACTIVITIES | | |
| Interests received | 2,737 | 5,041 |
| Payments for purchase and deposits paid for acquisition of property, plant and equipment | (165,476) | (157,219) |
| Payments for purchase of intangible assets | (51,294) | (37,217) |
| Proceeds from disposal of property, plant and equipment | 1,664 | 3,626 |
| Payments for purchase of financial assets at FVTPL | (2,500) | (8,826) |
| Proceeds from disposal of financial assets at FVTPL | 974 | 10,548 |
| Net investment gain on financial assets | 7,502 | 1,621 |
| Net changes in restricted bank balances for derivative financial instruments | 683 | (2,015) |
| Receipts of government grants relating to construction of non-current assets | 4,650 | 1,500 |
| NET CASH USED IN INVESTING ACTIVITIES | (201,060) | (182,941) |
| FINANCING ACTIVITIES | | |
| Interest paid | (88,454) | (70,767) |
| Proceeds from borrowings raised | 1,158,614 | 895,044 |
| Repayments of borrowings | (975,239) | (834,291) |
| Repayment of principal elements of lease liabilities | (10,362) | (12,023) |
| Repayment of interest elements of lease liabilities | (2,436) | (2,813) |
| Repurchase of non-controlling interests | (30,000) | – |
| Issue costs paid | (17,770) | – |
| Repurchase of the Company's shares | – | (71,457) |
| Net changes in guarantee deposits to secure banking facilities | 2,417 | (250) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 36,770 | (96,557) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (163,615) | (400,831) |
| Effect of foreign exchange rate changes | (523) | (2,028) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 361,665 | 764,524 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 197,527 | 361,665 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was established in the PRC on 20 March 2000 as a limited liability company. On 3 June 2009, the Company was converted into a joint stock company with limited liabilities with the name changed from Shenzhen ZTE Integrated Circuit Design Co., Ltd.* (深圳市中興集成電路設計有限責任公司) to Nations Technologies Inc.* (國民技術股份有限公司) and the name further changed to NSING TECHNOLOGIES INC. on 9 September 2025. The Company was listed on the Shenzhen Stock Exchange on 30 April 2010, with the stock code 300077. The address of the registered office and principal place of business of the Company 1/ F, Nsing Tower, No. 109 Baoshen Road Songpingshan Community, Xili Street, Nanshan District, Shenzhen, Guangdong Province, PRC.

The Company is mainly engaged in investment holding and integrated design and sales of chip products. Its subsidiaries are engaged in providing customers with the integrated design and sales of chip products and production and sales of lithium-ion battery anode material products. The particulars of the Company's subsidiaries are set out in note 42.

The consolidated financial statements is presented in RMB, which is also the functional currency of the Company.

The consolidated financial statements has been prepared based on the accounting policies which conform with IFRS Accounting Standards.

As at 31 December 2025, the Group had net current liabilities of RMB125,103,000. The directors of the Company have carefully assessed the Group's liquidity position by taking into account the availability of undrawn banking facilities amounted to RMB746,518,000 at 31 December 2025. The directors of the Company believe that the Group has adequate resources to continue operations and meet its liabilities as at when they fall due for the foreseeable future. Therefore, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF IFRS ACCOUNTING STANDARDS

The Group has consistently applied the accounting policies which conform with the IFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2025 throughout the years reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF IFRS ACCOUNTING STANDARDS (Continued)

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

| | |
|---|--|
| Amendments to IAS 21 | Translation to a Hyperinflationary Presentation Currency ³ |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ² |
| Amendments to IFRS 7 and IFRS 9 | Contracts Referencing Nature – Dependent Electricity ² |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards – Volume 11 ² |
| IFRS 18 | Presentation and Disclosure in Financial Statements ³ |

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2026.

3 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7 *Financial Instruments: Disclosures*. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF IFRS ACCOUNTING STANDARDS (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements (Continued)

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the consolidated financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements has been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 *Leases* (“IFRS16”), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or group of CGU) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGU) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGU).

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in notes 5 and 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefit costs

Payments to state-managed defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

The Group operates a share incentive plan, under which it receives services from employees as consideration for restricted shares of the Company (the “**Share Incentive Scheme of the Company**”) and shares granted by a subsidiary of the Company (the “**Share Incentive Scheme of Sinuo**”) as detailed in note 37. The fair value of the services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated statements of profit or loss with a corresponding increase in equity.

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits (Continued)

Share-based payments (Continued)

Equity-settled share-based payments transactions (Continued)

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve. For equity instruments that vest immediately at the date of grant, the fair value of the equity instruments is expensed immediately to profit or loss.

When equity instruments are exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and capital reserve. When the equity instruments are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to capital reserve.

When share incentive scheme is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the share incentive scheme is recognised immediately.

At each reporting period end, the Group revises the estimates of the number of equity instruments that are expected to ultimately vest. The Group recognises the impact of the revision to original estimates, if any, in the consolidated statements of profit or loss, with a corresponding adjustment to equity.

Taxation

Income taxation represents the sum of the current and deferred income taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in FVTOCI and other reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash generating unit or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or the group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or the group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated 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, including costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and trade and bills receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Trade and bills receivables classified as at FVTOCI*

Subsequent changes in the carrying amounts for trade and bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of other reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of trade and bills receivables classified as at FVTOCI. When these trade and bills receivables classified as at FVTOCI are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in “other gains and losses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, trade and bills receivables at FVTOCI, restricted bank balances and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade and bills receivables at amortised cost and FVTOCI. The ECL on these assets are assessed individually for debtors with significant balances and credit-impaired and/or collectively using a collective basis with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for trade and bills receivables at amortised cost and FVTOCI are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- nature of financial instruments;
- past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for trade and bills receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For trade and bills receivables that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the other reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the other reserve in relation to accumulated loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities of the Group (including trade and other payables, long-term payables and borrowings) are subsequently measured at amortised cost using effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents (Continued)

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of the Group's cash management.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgement

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxation on changes in fair value of investment properties.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

Estimated impairment of intangible assets

Intangible assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to uncertainties.

The directors of the Company conducted impairment assessment on certain software and development expenditure, which have indication for impairment due to the market downturn of chip products, with carrying amounts of RMB40,483,000 (2024: RMB12,211,000) as at 31 December 2025. The recoverable amounts of the aforesaid intangible assets have been determined based on fair value less cost of disposal. Based on the assessment of the directors of the Company, no impairment loss (2024: RMB12,211,000) have been recognised in other gains and losses during the year ended 31 December 2025.

Details of the impairment of intangible assets are disclosed in note 20.

Determination of net realisable value of inventories

Inventories mainly include chip products and lithium-ion battery anode material products. The net realisable values are subject to fluctuation of market prices of the relevant products. When there is a downward trend in the market, the selling price of the finished goods may decrease which imposes pressures to the net realisable values. Inventories are stated at the lower of cost and net realisable value with carrying amount of RMB624,207,000 (2024: RMB620,957,000), net of allowance for inventories of RMB149,017,000 (2024: RMB166,438,000), as at 31 December 2025.

Deferred tax assets

As at 31 December 2025, deferred tax assets of RMB88,029,000 (2024: RMB77,457,000), in relation to unused tax losses and deductible temporary differences have been recognised in the consolidated statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred tax assets (Continued)

The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment, may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 17.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the greater market uncertainty has led to higher degree of uncertainties in respect of the valuations. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statements of profit or loss and other comprehensive income.

As at 31 December 2025, the carrying amount of the Group's investment properties is RMB204,400,000 (2024: RMB209,435,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Types of goods and services | | |
| Chip products | 631,868 | 555,724 |
| Lithium-ion battery anode material products | 673,185 | 549,421 |
| Others | 49,773 | 55,596 |
| Revenue from contracts with customers | | |
| Leases | 5,440 | 6,809 |
| Total revenue | 1,360,266 | 1,167,550 |

The Group's revenue was substantially recognised at a point in time.

Performance obligations for contracts with customers

Revenue is primarily generated from the sales of chip products, lithium-ion battery anode material products and provision of other goods and services in Chinese mainland and Hong Kong.

Sales of chip products

Revenue from the domestic sales of chip products to the distributors or the ultimate customers is recognised at a point in time when the chip products are delivered to the distributors' or the ultimate customers' designated locations, and the distributors or the ultimate customers have confirmed the acceptance of the products. Upon confirming the acceptance, the distributor and the ultimate customers have the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of chip products is recognised at a point in time when the chip products have been declared to the customs and loaded on board in accordance with the sales contract.

Sales of lithium-ion battery anode material products

Revenue from the domestic sales of lithium-ion battery anode material products to the customers is recognised at a point in time when the lithium-ion battery anode material products are delivered to the customers' designated locations, and the customers have confirmed the acceptance of the products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

Performance obligations for contracts with customers (Continued)

Others

The Group also provides goods and services to customers, such as sales of smart locks and scrap materials, provision of technical and development services. Revenues are recognised at a point in time upon transfer of goods to the customers or completion of the services.

Leases

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| <i>For operating leases</i> | | |
| Total revenue arising from lease | | |
| – Operating lease income with fixed lease payments | 5,440 | 6,809 |

Transaction price allocated to the remaining performance obligation for contracts with customers

The performance obligation under the contract with customers has original expected duration of less than one year and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group's chief operating decision maker, who has been identified as the Chief Executive Officer (the "CEO"), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CEO. Hence, the Group has only one reportable segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Year ended 31 December | |
|------------------------------------|------------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Revenue from customers | | |
| – Chinese Mainland | 1,329,020 | 1,129,036 |
| – Hong Kong | 16,316 | 20,698 |
| – Korea | 247 | 2 |
| – United States of America (“USA”) | 4,419 | 7,763 |
| – Others | 4,824 | 3,242 |
| | 1,354,826 | 1,160,741 |

| | As at 31 December | |
|--------------------|-------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Non-current assets | | |
| – Chinese Mainland | 1,781,710 | 1,797,095 |
| – Singapore | 48,126 | 41,100 |
| | 1,829,836 | 1,838,195 |

Note: Non-current assets excluded financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | Year ended 31 December | |
|-------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Customer A* | 458,765 | 336,793 |

* Revenue arising from sales of lithium-ion battery anode material products.

6. OTHER INCOME

| | Year ended 31 December | |
|-------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Government grants | 29,864 | 51,522 |
| Interest income | 2,737 | 5,041 |
| Others | 4,929 | 132 |
| | 37,530 | 56,695 |

During the year ended 31 December 2025, the government grants mainly include subsidies received to reward for the Group's contribution in high and new technology and encouraged industries and tax refund amounting to RMB22,885,000 (2024: RMB47,096,000), which was recognised in the consolidated statements of profit or loss upon receipt of these rewards and the related conditions associated with the rewards are met, if any. There are no unfulfilled conditions or contingencies relating to these grants.

The remaining portion of government grants mainly related to subsidies received for the construction of plant and facilities and reimbursement of research and development expenses in the PRC which were recognised in the statement of profit or loss as detailed in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER GAINS AND LOSSES

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Investment gain on financial assets | 7,502 | 1,621 |
| Loss from changes in fair value of financial assets at FVTPL | (3,316) | (14,282) |
| Changes in fair value of derivative financial instruments | (957) | 419 |
| Changes in fair value of investment properties | (5,035) | (11,743) |
| Impairment losses recognised in respect of intangible assets | – | (12,211) |
| Impairment losses recognised in respect of goodwill | (296) | (1,434) |
| Net gain (loss) on disposal of property, plant and equipment | 127 | (9) |
| Net gain on disposal of right-of-use assets | – | 242 |
| Net foreign exchange losses | (833) | (2,200) |
| Others | (3,082) | (6,843) |
| | (5,890) | (46,440) |

8. IMPAIRMENT LOSSES UNDER ECL, NET OF REVERSAL

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Impairment losses recognised, net of reversal, on: | | |
| – Trade and other receivables at amortised cost | (6,094) | (1,681) |
| – Trade and bills receivables at FVTOCI | 873 | 1,245 |
| | (5,221) | (436) |

Details of impairment assessment are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Interest expense on borrowings | (74,295) | (70,597) |
| Interest expense on lease liabilities | (2,436) | (2,813) |
| Total borrowing costs | (76,731) | (73,410) |
| Less: amounts capitalised in the cost of construction in progress | – | 5,568 |
| | (76,731) | (67,842) |

10. INCOME TAX CREDIT

| | Year ended 31 December | |
|-------------------------------|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Current tax | | |
| PRC EIT | (98) | (1,396) |
| Over provision in prior years | 45 | 201 |
| | (53) | (1,195) |
| Deferred tax (note 22) | 12,569 | 14,555 |
| | 12,516 | 13,360 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX CREDIT (Continued)

Chinese Mainland

Under the Law of the PRC on Enterprise Income Tax (“**PRC EIT**”) and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the Company and its PRC subsidiaries is 25% for the years ended 31 December 2025 and 2024 except for those are eligible for preferential taxation of paying EIT at a rate of 15% and 10% during the years ended 31 December 2025 and 2024 as detailed below.

- (i) The Law of PRC EIT allows enterprises to apply for certificate of “High and New Technology Enterprise” (“**HNTE**”), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria.

The Company obtained the HNTE certificate in December 2020 and renewed in November 2023, and is qualified as a HNTE and entitled to the preferential tax rate of 15% for the years ended 31 December 2025 and 2024.

Nsing Technology (Shenzhen) Inc. (國民科技(深圳)有限公司), a wholly-owned subsidiary, obtained the HNTE certificate in December 2020 and renewed in November 2023, and is qualified as a HNTE and entitled to the preferential tax rate of 15% for the years ended 31 December 2025 and 2024.

Hubei Sinuo New Material Technology Co., Ltd. (湖北斯諾新材料科技有限公司), a non-wholly owned subsidiary, obtained the HNTE certificate in October 2023, and is qualified as a HNTE and entitled to the preferential tax rate of 15% for the years ended 31 December 2025 and 2024.

- (ii) Inner Mongolia Sinuo New Material Technologies Co., Ltd. (內蒙古斯諾新材料科技有限公司) (“**Inner Mongolia Sinuo**”), a non-wholly owned subsidiary, is engaged in the “Encouraged Industries in the Western Region” and eligible for the preferential EIT rate at 15% from 2021 to 2030.
- (iii) According to Guofa [2020] No. 8 and relevant tax regulations, the Company is qualified as an integrated circuit enterprise and entitled to enjoy a 5-year tax holiday (income tax full exemption for 5 years since the first profit-making year) and further enjoy the preferential EIT rate at 10% after the 5-year tax holiday.

The additional tax deduction of the qualified research and development expenses is 100% for the years ended 31 December 2025 and 2024 (“**Super Deduction**”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX CREDIT (Continued)

Chinese Mainland (Continued)

The income tax credit can be reconciled to the loss before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Loss before taxation | (130,078) | (269,084) |
| Tax at the PRC EIT rate of 15% (note a) | 19,512 | 40,363 |
| Tax effect of expenses not deductible for tax purpose (note b) | (2,645) | (10,549) |
| Tax effect of Super Deduction | 14,333 | 20,185 |
| Effect of different tax rates of group entities | (2,360) | (4,710) |
| Tax effect of tax losses and deductible temporary differences not recognised | (16,369) | (32,130) |
| Over provision in respect of prior years | 45 | 201 |
| Total | 12,516 | 13,360 |

Notes:

- (a) The PRC EIT in the jurisdiction where the operation of the Group is substantially based is used.
- (b) During the year ended 31 December 2024, expenses not deductible mainly included the remaining share-based payment expenses recognised upon cancellation of Share Incentive Scheme of Sinuo in 2024, which is not eligible for the tax deduction under the EIT Law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS FOR THE YEAR

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Loss for the year has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 1,700 | 950 |
| Directors' and supervisors' remuneration (note 12) | 5,504 | 12,598 |
| Other staff 's salaries, allowance and other benefits | 234,257 | 243,737 |
| Other staff 's retirement benefit contributions | 18,422 | 17,103 |
| Other staff 's share-based payments | – | 56,793 |
| Total staff costs | 258,183 | 330,231 |
| Less: capitalised in development expenditure included in intangible assets | (24,347) | (23,584) |
| capitalised in inventories | (62,741) | (49,424) |
| | 171,095 | 257,223 |
| Depreciation of property, plant and equipment | 96,850 | 57,841 |
| Depreciation of right-of-use assets | 11,943 | 11,986 |
| Amortisation of intangible assets | 44,617 | 46,845 |
| Total depreciation and amortisation | 153,410 | 116,672 |
| Less: capitalised in development expenditure included in intangible assets | (14,348) | (14,806) |
| | 139,062 | 101,866 |
| Impairment losses, included in other gains and losses, in respect of: | | |
| – intangible assets | – | 12,211 |
| – goodwill | 296 | 1,434 |
| Lease income from investment properties | 5,440 | 6,809 |
| Write-down of inventories included in costs of sales | 14,419 | 52,999 |
| Cost of inventories (excluding write-down of inventories) recognised as an expense | 1,076,663 | 901,245 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the individuals who were appointed as the directors, supervisors and the chief executive of the Company are as follow:

Year ended 31 December 2025

| | Director's Fee RMB'000 | Salaries and allowance and other benefits RMB'000 | Performance related bonus RMB'000 | Retirement benefit contribution RMB'000 | Total RMB'000 |
|--|------------------------------|---|--|--|------------------|
| <i>Executive directors</i> | | | | | |
| Mr. Sun Yingtong (孫迎彤) (note i) | - | 1,765 | - | 35 | 1,800 |
| Mr. Kan Yulun (闕玉倫) (note ii) | - | 960 | 400 | 35 | 1,395 |
| Ms. Ye Yantao (葉豔桃) (note ix) | - | 720 | 440 | 36 | 1,196 |
| | - | 3,445 | 840 | 106 | 4,391 |
| <i>Non-executive director</i> | | | | | |
| Mr. Zhou Bin (周斌) (note iii) | 180 | - | - | - | 180 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Chen Weiwu (陳衛武) (note iv) | 180 | - | - | - | 180 |
| Ms. Hao Dan (郝丹) (note v) | 180 | - | - | - | 180 |
| Ms. Ji Xingdan (吉杏丹) (note vii) | 180 | - | - | - | 180 |
| | 540 | - | - | - | 540 |
| <i>Supervisors</i> | | | | | |
| Mr. Wang Yuci (王渝次) (note viii) | 90 | - | - | - | 90 |
| Ms. Yang Zhihong (楊志紅) (note viii) | - | 182 | 23 | - | 205 |
| Ms. Lin Yuhua (林玉華) (note viii) | - | 186 | 24 | 33 | 243 |
| | 90 | 368 | 47 | 33 | 538 |
| | 630 | 3,813 | 887 | 139 | 5,469 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 31 December 2024

| | Director's Fee RMB'000 | Salaries and allowance and other benefits RMB'000 | Performance related bonus RMB'000 | Retirement benefit contribution RMB'000 | Total RMB'000 |
|--|------------------------------|---|--|--|------------------|
| <i>Executive directors</i> | | | | | |
| Mr. Sun Yingtong (孫迎彤) (note i) | – | 1,750 | – | 46 | 1,796 |
| Mr. Kan Yulun (闕玉倫) (note ii) | – | 960 | 80 | 46 | 1,086 |
| Ms. Ye Yantao (葉豔桃) (note ix) | – | 716 | 60 | 48 | 824 |
| | – | 3,426 | 140 | 140 | 3,706 |
| <i>Non-executive director</i> | | | | | |
| Mr. Zhou Bin (周斌) (note iii) | 120 | – | – | – | 120 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Chen Weiwu (陳衛武) (note iv) | 180 | – | – | – | 180 |
| Ms. Hao Dan (郝丹) (note v) | 180 | – | – | – | 180 |
| Mr. Shu Xiaobin (舒小斌) (note vi) | 75 | – | – | – | 75 |
| Ms. Ji Xingdan (吉杏丹) (note vii) | 120 | – | – | – | 120 |
| | 555 | – | – | – | 555 |
| <i>Supervisors</i> | | | | | |
| Mr. Wang Yuci (王渝次) (note viii) | – | 180 | – | – | 180 |
| Ms. Yang Zhihong (楊志紅) (note viii) | – | 372 | 23 | – | 395 |
| Ms. Lin Yuhua (林玉華) (note viii) | – | 384 | 24 | 39 | 447 |
| | – | 936 | 47 | 39 | 1,022 |
| | 675 | 4,362 | 187 | 179 | 5,403 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

- (i) Mr. Sun Yingtong acts as the chairman and chief executive of the Company for the years ended 31 December 2025 and 2024 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.
- (ii) Mr. Kan Yulun served as the executive director for the years ended 31 December 2025 and 2024.
- (iii) Mr. Zhou Bin was appointed as a non-executive director since 16 May 2024.
- (iv) Mr. Chen Weiwu was served as a non-executive director for the years ended 31 December 2025 and 2024 and designated as an independent non-executive director on 16 June 2025.
- (v) Ms. Hao Dan was served as a non-executive director for the years ended 31 December 2025 and 2024 and designated as an independent non-executive director on 16 June 2025.
- (vi) Mr. Shu Xiaobin resigned on 16 May 2024.
- (vii) Ms. Ji Xingdan was appointed as a non-executive director since 16 May 2024 and designated as an independent non-executive director on 16 June 2025.
- (viii) Mr. Wang Yuci, Ms. Yang Zhihong and Ms. Lin Yuhua act as the supervisors of the Company for the years ended 31 December 2025 and 2024.
- (ix) Ms. Ye Yantao was appointed as an executive director since 10 May 2023.

The discretionary bonus is determined based on the performance of individual and market trend during the years ended 31 December 2025 and 2024.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

Pursuant to the Share Incentive Schemes of the Company and Sinuo, certain executive directors, independent non-executive directors and supervisors were granted shares incentives. During the year ended 31 December 2024, the Share Incentive Scheme of Sinuo was cancelled and no replacement compensation arrangement was implemented, as details in note 37.

For the year ended 31 December 2025, no share-based payments (2024: RMB7,195,000) was recognised by the Group in relation to the eligible executive directors, independent non-executive directors and supervisors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid employees

The five highest paid individuals of the Group include 3 (2024: 2) directors for year ended 31 December 2025. The remunerations of the remaining individuals are set out below:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Salaries and allowance and other benefits (including retirement benefit contribution) | 2,615 | 3,345 |
| Share-based payments | – | 494 |
| Total | 2,615 | 3,839 |

The number of the five highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | |
|--------------------------------|------------------------|------|
| | 2025 | 2024 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 3 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | – |

No emoluments were paid by the Group or any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the years ended 31 December 2025 and 2024.

Certain non-director and non-chief executive highest paid employees were granted incentives, in respect of their services to the Group under the Share Incentive Scheme of the Company and the Share Incentive Scheme of Sinuo, as details in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIVIDENDS

During the years ended 31 December 2025 and 2024, no dividend was paid or proposed for ordinary shareholders of the Company, nor has any dividend been proposed since the end of the years ended 31 December 2025 and 2024.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company are based on the following data.

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2025 | 2024 |
| Loss (RMB'000) | | |
| Loss attributable to the owners of the Company for the purpose of calculation of | | |
| – basic loss per share | (115,418) | (235,342) |
| – diluted loss per share | N/A | (235,342) |
| Number of shares ('000) | | |
| Weighted average number of ordinary shares for the purposes of | | |
| – basic loss per share | 583,127 | 583,127 |
| – diluted loss per share | N/A | 583,127 |

For the year ended 31 December 2024, the computation of diluted loss per share does not assume vesting of Share Incentive Scheme of the Company (as detailed in note 37) nor the exercise of the Share Incentive Scheme of Sinuo (as detailed in note 37) since their vesting/exercise would result in a decrease in loss per share.

For the year ended 31 December 2025, no diluted loss per share is presented as there is no potential ordinary shares in issue during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Buildings RMB'000 | Plant and machinery RMB'000 | Vehicles RMB'000 | Leasehold improvement and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|----------------------|-----------------------------------|---------------------|---|--|------------------|
| COST | | | | | | |
| At 1 January 2024 | 409,211 | 379,050 | 18,592 | 28,230 | 480,302 | 1,315,385 |
| Additions | – | 2,023 | 599 | 907 | 267,385 | 270,914 |
| Transfer from construction in progress | 319,372 | 335,422 | 1,995 | – | (656,789) | – |
| Disposals/written-off | – | (700) | (837) | – | – | (1,537) |
| At 31 December 2024 | 728,583 | 715,795 | 20,349 | 29,137 | 90,898 | 1,584,762 |
| Additions | – | 9,296 | 410 | 19,592 | 35,192 | 64,490 |
| Transfer from construction in progress | 3,003 | 38,847 | 863 | – | (42,713) | – |
| Disposals/written-off | – | (8,172) | (730) | – | – | (8,902) |
| At 31 December 2025 | 731,586 | 755,766 | 20,892 | 48,729 | 83,377 | 1,640,350 |
| DEPRECIATION | | | | | | |
| At 1 January 2024 | 60,687 | 163,435 | 13,687 | 12,523 | – | 250,332 |
| Provided for the year | 16,555 | 32,053 | 1,969 | 7,264 | – | 57,841 |
| Eliminated on disposals | – | (481) | (795) | – | – | (1,276) |
| At 31 December 2024 | 77,242 | 195,007 | 14,861 | 19,787 | – | 306,897 |
| Provided for the year | 26,236 | 62,908 | 2,287 | 5,419 | – | 96,850 |
| Eliminated on disposals/written-off | – | (3,590) | (695) | – | – | (4,285) |
| At 31 December 2025 | 103,478 | 254,325 | 16,453 | 25,206 | – | 399,462 |
| IMPAIRMENT | | | | | | |
| At 1 January 2024 and 31 December 2024 | – | 5,874 | 145 | – | – | 6,019 |
| Disposal | – | (3,080) | – | – | – | (3,080) |
| At 31 December 2025 | – | 2,794 | 145 | – | – | 2,939 |
| CARRYING VALUES | | | | | | |
| At 31 December 2025 | 628,108 | 498,647 | 4,294 | 23,523 | 83,377 | 1,237,949 |
| At 31 December 2024 | 651,341 | 514,914 | 5,343 | 9,350 | 90,898 | 1,271,846 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2025, the Group has obtained the property certificates for buildings held except for buildings with carrying amount of RMB292,398,000 (2024: RMB301,125,000) in which the Group is in the process of obtaining.

The above items of property, plant and equipment of the Group, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over their estimated useful lives or, in the case of leasehold improvements, as follows:

| | |
|-----------------------------------|---|
| Buildings | 20 to 30 years |
| Plant and machinery | 3 to 10 years |
| Vehicles | 4 to 8 years |
| Leasehold improvements and others | Shorter of their useful lives and the lease terms |

Certain property, plant and equipment have been pledged to secure the banking and other facilities, details are set out in note 43.

16. RIGHT-OF-USE ASSETS

| | Leasehold land RMB'000 | Leased properties RMB'000 | Total RMB'000 |
|---|------------------------------|---------------------------------|------------------|
| CARRYING VALUES | | | |
| At 31 December 2025 | 55,990 | 28,710 | 84,700 |
| At 31 December 2024 | 57,716 | 34,989 | 92,705 |
| | | Year ended 31 December | |
| | | 2025 | 2024 |
| | | RMB'000 | RMB'000 |
| Additions to right-of-use assets | | 4,028 | 4,947 |
| Depreciation charge | | 11,943 | 11,986 |
| Expenses relating to short-term leases and leases of low-value assets | | 2,381 | 1,651 |
| Total cash outflow for leases | | 15,179 | 16,487 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS (Continued)

The Group leases pieces of land and properties for its operations during the years ended 31 December 2025 and 2024. Lease contracts of properties are entered into for fixed term of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has obtained the land use right certificates for all leasehold lands as at 31 December 2025 and 2024. At 31 December 2025 and 2024, certain leasehold land have been pledged to secure the banking and other facilities granted to the Group, details are set out in note 43.

The Group regularly entered into short-term leases for office, staff quarters and carparks. As at 31 December 2025 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, the lease liabilities of the Group of RMB32,636,000 (2024: RMB39,060,000) are recognised with the related right-of-use assets of the Group of RMB28,710,000 (2024: RMB34,989,000) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES

The Group leases out office building and industrial properties under operating leases. The leases typically run for an initial period of 1 to 12 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

| | RMB'000 |
|----------------------------|----------------|
| At 1 January 2024 | 221,178 |
| Changes in fair value | (11,743) |
| At 31 December 2024 | 209,435 |
| Changes in fair value | (5,035) |
| At 31 December 2025 | 204,400 |

The fair value of the Group's investment properties as at 31 December 2025 and 2024 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL Appraisal"), an independent qualified professional valuers not connected to the Group. The address of JLL Appraisal is on 7/F, One Taikoo Place, 979 King's Road, Hong Kong.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INVESTMENT PROPERTIES (Continued)

| Investment properties | Fair value as at 31 December | | Location | Fair value hierarchy | Valuation techniques | Significant unobservable inputs | Range | Sensitivity |
|---|------------------------------|--------------|----------|----------------------|------------------------------------|---------------------------------|--|---|
| | 2025 RMB'000 | 2024 RMB'000 | | | | | | |
| Office building | 165,100 | 168,662 | Shenzhen | Level 3 | Direct comparison | Market unit rate | Taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property, which ranged from RMB21,000 to RMB24,000 per square metre ("sqm") | An increase in the market unit rate used would result in an increase in fair value, and vice versa. |
| | | | | | 2024: Income capitalisation method | Monthly reversionary rent | RMB128 per sq.m – RMB180 per sq.m | A significant increase/decrease in monthly reversionary rent would result in significant increase/decrease in fair value. |
| | | | | | | Term yield | 4.00% – 4.25% | A significant increase/decrease in term yield would result in significant decrease/increase in fair value. |
| | | | | | | Reversionary yield | 4.50% – 4.75% | A significant increase/decrease in reversionary yield would result in significant decrease/increase in fair value. |
| Office building and industrial properties | 39,300 | 40,773 | Shenzhen | Level 3 | Income capitalisation method | Monthly reversionary rent | RMB128 per sq.m – RMB180 per sq.m (2024: RMB128 per sq.m–RMB180 per sq.m) | A significant increase/decrease in monthly reversionary rent would result in significant increase/decrease in fair value. |
| | | | | | | Term yield | 4.25%(2024:4.25%) | A significant increase/decrease in term yield would result in significant decrease/increase in fair value. |
| | | | | | | Reversionary yield | 4.75%(2024: 4.75%) | A significant increase/decrease in reversionary yield would result in significant decrease/increase in fair value. |

Certain investment properties have been pledged to secure banking facilities granted to the Group, details are set out in note 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL

The Group

| | RMB'000 |
|--|------------------|
| COST | |
| At 1 January 2024, 31 December 2024 and 2025 | 1,098,958 |
| IMPAIRMENT | |
| At 1 January 2024 | 1,066,877 |
| Provided for the year | 1,434 |
| At 31 December 2024 | 1,068,311 |
| Provided for the year | 296 |
| At 31 December 2025 | 1,068,607 |
| CARRYING VALUES | |
| At 31 December 2025 | 30,351 |
| At 31 December 2024 | 30,647 |

Details of impairment assessment of goodwill are set out in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. IMPAIRMENT ASSESSMENT ON GOODWILL

The CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Inner Mongolia Sinuo | 28,764 | 28,764 |
| 深圳市斯諾實業發展有限公司 Shenzhen Sinuo Industrial Development Co., Ltd. (“Shenzhen Sinuo”) | 1,587 | 1,883 |
| | 30,351 | 30,647 |

In addition to goodwill above, property, plant and equipment, right-of-use assets and intangible assets that generate cash flows together with the related goodwill are also included in the CGU for the purpose of impairment assessment.

Inner Mongolia Sinuo

The recoverable amount of the CGU of Inner Mongolia Sinuo is determined based on value-in-use calculations. These calculations use cash flow projections primarily based on the respective financial budgets of the CGU covering a five-year period estimated, including the growth rates in revenue, the pre-tax discount rates, estimated revenue, estimated gross profit, estimated operating expenses, approved by management.

The discount rates reflect specific risks relating to the CGU. The growth rates have been based on past experience and management’s expectation of market development.

The following table sets out the key assumption on which management has based on in its cash flow projections for the purpose of impairment testing of goodwill arising on acquisitions:

| | As at 31 December | |
|-------------------------|-------------------|--------|
| | 2025 | 2024 |
| Inner Mongolia Sinuo | | |
| – Pre-tax discount rate | 12.66% | 11.76% |
| – Long-term growth rate | 0% | 0% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. IMPAIRMENT ASSESSMENT ON GOODWILL (Continued)

Inner Mongolia Sinuo (Continued)

The impairment assessment is evaluated by 中和資產評估有限公司 (Zhonghe Asset Appraisal Co., Ltd.) (“**Zhonghe Appraisal**”), an independent valuer in the PRC who holds relevant professional qualification and has recent experience in carrying out the valuations. The address of Zhonghe Appraisal is 13/F, Building A, Fuhua Mansion, 8 Chaoyangmen North Street, Dongcheng District, Beijing, the PRC.

Based on the results of the impairment assessment, the Group determines that no impairment on goodwill was recognised during the years ended 31 December 2025 and 2024.

At 31 December 2025, the recoverable amounts of Inner Mongolia Sinuo is marginally above its carrying amounts by RMB36,782,000 (2024: RMB16,659,000). If the pre-tax discount rate is increased by 1.23% (2024: 0.46%), or the long-term growth rate is decreased by 1.46% (2024: 0.67%), at 31 December 2025, while other parameters remain constant, the headrooms will be removed.

Shenzhen Sinuo

Along with the relocation of the production line for manufacturing lithium-ion battery anode material products, the operation of Shenzhen Sinuo had been downsizing since 2021. During the years ended 31 December 2025 and 2024, the finance performance of Shenzhen Sinuo has been declining.

The recoverable amount of the CGU of Shenzhen Sinuo has been determined based on its fair value less cost of disposal and evaluated by Zhonghe Appraisal. Based on the results of the impairment assessment evaluated by Zhonghe Appraisal, the carrying amount of Shenzhen Sinuo exceeds the recoverable amount, as at 31 December 2025, therefore, impairment loss of RMB296,000 (2024: RMB1,434,000) were recognised for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INTANGIBLE ASSETS

| | Patent RMB'000 | Trademark RMB'000 | Software and others RMB'000 | Development expenditure RMB'000 | Total RMB'000 |
|-------------------------------------|-------------------|----------------------|-----------------------------------|---------------------------------------|------------------|
| COST | | | | | |
| At 1 January 2024 | 141,087 | 24,567 | 404,187 | 83,392 | 653,233 |
| Additions | – | – | 2,938 | 88,074 | 91,012 |
| Transfer | – | – | 20,643 | (20,643) | – |
| Disposals/written-off | (131) | – | (10,783) | – | (10,914) |
| At 31 December 2024 | 140,956 | 24,567 | 416,985 | 150,823 | 733,331 |
| Additions | – | – | 25,919 | 59,463 | 85,382 |
| Transfer | – | – | 31,348 | (31,348) | – |
| At 31 December 2025 | 140,956 | 24,567 | 474,252 | 178,938 | 818,713 |
| AMORTISATION | | | | | |
| 1 January 2024 | 58,542 | 8,087 | 257,855 | – | 324,484 |
| Provided for the year | 2,048 | 968 | 43,829 | – | 46,845 |
| Eliminated on disposals/written-off | (131) | – | (10,783) | – | (10,914) |
| At 31 December 2024 | 60,459 | 9,055 | 290,901 | – | 360,415 |
| Provided for the year | 1,141 | 968 | 42,508 | – | 44,617 |
| At 31 December 2025 | 61,600 | 10,023 | 333,409 | – | 405,032 |
| IMPAIRMENT | | | | | |
| At 1 January 2024 | 79,164 | 13,252 | 38,894 | 20,485 | 151,795 |
| Provided for the year | – | – | – | 12,211 | 12,211 |
| Transfer | – | – | 14,322 | (14,322) | – |
| At 31 December 2024 and 2025 | 79,164 | 13,252 | 53,216 | 18,374 | 164,006 |
| CARRYING VALUES | | | | | |
| At 31 December 2025 | 192 | 1,292 | 87,627 | 160,564 | 249,675 |
| At 31 December 2024 | 1,333 | 2,260 | 72,868 | 132,449 | 208,910 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INTANGIBLE ASSETS (Continued)

Development costs and certain software are internally generated. All other the Group's intangible assets were acquired from third parties.

The above intangible assets, except for development expenditure which have finite useful lives, are amortised on a straight-line basis over the following periods:

| | |
|---------------------|---------------|
| Patent | 3 to 20 years |
| Trademark | 3 to 10 years |
| Software and others | 3 to 10 years |

Impairment assessment

The directors of the Company conducted impairment assessment on certain software and development expenditure, which have indication for impairment due to the decline in market demand and intense price competition for the relevant chip products in relation to the software under development since 2023, with carrying amounts of RMB40,483,000 (2024: RMB12,211,000) as at 31 December 2025. The recoverable amounts of the aforesaid intangible assets have been determined based on fair value less cost of disposal. The fair value less cost of disposal is estimated using the relief-from-royalty method which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the relevant asset. The key assumption involved in the valuation includes the royalty rate of 15.00% (2024: 15.00%) as at 31 December 2025. Based on the assessment of the directors of the Company, no impairment loss (2024: RMB12,211,000) has been recognised in other gains and losses during the years ended 31 December 2025.

At 31 December 2025, the recoverable amounts of the software and development expenditure, which have indication for impairment is marginally above its carrying amounts by RMB6,564,000. If the royalty rate of 15.00% is decreased by 2.07% at 31 December 2025, while other parameters remain constant, the headrooms will be removed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. EQUITY INSTRUMENTS AT FVTOCI

| | As at 31 December | |
|-----------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Unlisted equity investments | 68,427 | 69,603 |

The above unlisted equity investments represent the Group's equity interests in certain private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Included in the equity instruments at FVTOCI of the Group, there are investments in Dongguan Langtaitong amounting to RMB64,665,000 (2024: RMB65,877,000) as at 31 December 2025.

The fair value of Dongguan Langtaitong as at 31 December 2025 and 2024 has been arrived at on the basis of a valuation carried out on the respective dates by 中聯資產評估集團山東有限公司 (China United Assets Appraisal Shandong Co., Ltd.), an independent qualified professional valuers not connected to the Group. The address of China United Assets Appraisal Group Co., Ltd. is on No. 260 Daming Lake Road, Lixia District, Jinan City, Shandong Province, the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED TAX

| | As at 31 December | |
|--------------------------|-------------------|----------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Deferred tax assets | 88,029 | 77,457 |
| Deferred tax liabilities | (21,144) | (23,141) |
| | 66,885 | 54,316 |

The following is the analysis of the Group's deferred tax balances for financial reporting purposes:

| | Tax losses | Impairment provision | Share-based payments | Fair value changes | Right-of-use assets | Lease liabilities | Others | Total |
|--------------------------------------|------------|----------------------|----------------------|--------------------|---------------------|-------------------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2024 | 31,657 | 26,538 | 3,053 | (21,235) | (5,736) | 6,270 | 439 | 40,986 |
| Credit (charge) to profit or loss | 13,174 | (2,238) | (3,053) | 4,139 | 916 | (884) | 2,501 | 14,555 |
| Charge to other comprehensive income | - | - | - | (1,225) | - | - | - | (1,225) |
| At 31 December 2024 | 44,831 | 24,300 | - | (18,321) | (4,820) | 5,386 | 2,940 | 54,316 |
| Credit (charge) to profit or loss | 13,356 | (1,502) | - | 1,567 | 655 | (647) | (860) | 12,569 |
| At 31 December 2025 | 58,187 | 22,798 | - | (16,754) | (4,165) | 4,739 | 2,080 | 66,885 |

At 31 December 2025, the Group has deductible temporary differences of RMB526,428,000 (2024: RMB535,293,000) available for offset against future profit. At 31 December 2025, deferred tax asset has been recognised in respect of RMB261,051,000 (2024: RMB287,587,000) of such deductible temporary differences and no deferred tax asset has been recognised in respect of the remaining deductible temporary differences due to the unpredictability of future profits streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED TAX (Continued)

At 31 December 2025, the Group has unused tax losses of RMB2,849,324,000 (2024: RMB2,611,986,000) available for offset against future profit. At 31 December 2025, deferred tax asset has been recognised in respect of RMB423,694,000 (2024: RMB328,778,000) of such tax losses and no deferred tax asset has been recognised in respect of the remaining unused tax losses due to the unpredictability of future profits streams. The unrecognised tax losses will be expired gradually in various dates within the next ten years from the end of each reporting period.

23. INVENTORIES

| | As at 31 December | |
|------------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Raw material and consumables | 81,921 | 125,085 |
| Work-in-progress | 344,461 | 174,727 |
| Finished goods | 179,331 | 310,832 |
| Others | 18,494 | 10,313 |
| | 624,207 | 620,957 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES AT AMORTISED COST

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Trade receivables | 407,558 | 308,813 |
| Less: allowance for credit losses | (63,861) | (61,239) |
| | 343,697 | 247,574 |
| Bill receivables | 858 | 1,703 |
| Less: allowance for credit losses | (8) | (20) |
| | 850 | 1,683 |
| Other receivables | | |
| Prepaid expenses | 14,029 | 5,524 |
| Refundable deposits | 9,991 | 11,590 |
| Prepayments to suppliers | 18,981 | 32,885 |
| Prepayments for acquisition of property, plant and equipment | 21,247 | 23,170 |
| Other tax recoverables | 58,812 | 118,421 |
| Deferred issue costs | 26,343 | – |
| Others | 5,376 | 5,205 |
| | 154,779 | 196,795 |
| Less: allowance for credit losses | (2,019) | (353) |
| | 152,760 | 196,442 |
| Total trade and other receivables | 497,307 | 445,699 |
| Less: prepayments shown under non-current assets | (22,761) | (24,652) |
| | 474,546 | 421,047 |

As of 1 January 2024, the Group's trade and bills receivables (including trade and bills receivables at FVTOCI (note 25)) amounted to RMB353,229,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. TRADE AND OTHER RECEIVABLES AT AMORTISED COST (Continued)

The Group mainly allows a credit period of 0 to 120 days to its trade customers. The following is an aging analysis of trade and bills receivables (including trade and bills receivables at FVTOCI (note 25)), net of allowance for credit losses, presented based on dates of delivery of goods or dates of rendering of services.

| | 2025 RMB'000 | 2024 RMB'000 |
|-------------------|-----------------|-----------------|
| 0 – 90 days | 347,997 | 298,653 |
| 91 – 180 days | 99,563 | 53,510 |
| 181 days – 1 year | 13,580 | 40,583 |
| Over 1 year | 6,762 | 5,772 |
| | 467,902 | 398,518 |

As at 31 December 2025, total bills (including bills receivables at FVTOCI) received amounting to RMB47,563,000 (2024: RMB73,131,000) were further discounted/endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 39(d). All notes received by the Group are with a maturity period of less than one year.

As of 31 December 2025, included in the Group's trade and bills receivables balance (including trade and bills receivables at FVTOCI (note 25)) are debtors with aggregate carrying amount of RMB33,234,000 (2024: RMB41,086,000), which are past due but not credit-impaired as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances except for the trade receivables for which bills are received.

Details of impairment assessment of trade and other receivables at amortised cost are set out in note 39.

25. TRADE AND BILLS RECEIVABLES AT FVTOCI

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Bank acceptance bills receivables | 74,695 | 77,313 |
| Electronic commercial bills receivables | 50,410 | 74,554 |
| | 125,105 | 151,867 |
| Less: allowance for credit losses | (1,750) | (2,606) |
| | 123,355 | 149,261 |

Details of impairment assessment of trade and bills receivables at FVTOCI are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. FINANCIAL ASSETS AT FVTPL

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Equity investments | 70,743 | 72,533 |

The investments represent the Group's equity interests in certain entities.

Details of fair value measurement of financial assets at FVTPL are set out in note 39.

27. RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

As of 31 December 2025 and 2024, restricted bank balances mainly represent guarantee deposits held in designated bank accounts for issuance of bank acceptance bills and certain bank borrowings.

Restricted bank balances and cash and cash equivalents include demand deposits with original maturity less than three months for the purpose of meeting the Group's short-term cash commitments, which carry interest at market rates range from 0.0001% to 1.50% per annum, (2024: 0.0001% to 1.80% per annum), at 31 December 2025.

Details of impairment assessment of bank balances are set out in note 39.

The restricted bank balances and cash and cash equivalents denominated in foreign currencies are mainly as below:

| | As at 31 December | |
|-------------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| United States Dollars ("USD") | 18,431 | 34,848 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Trade and bills payables (note a) | | |
| – Trade payables | 305,485 | 328,764 |
| – Bills payables | 89,956 | 177,128 |
| | 395,441 | 505,892 |
| Other payables | | |
| Salary and welfare payables | 38,680 | 34,930 |
| Accrued expenses | 21,214 | 17,621 |
| Deposits | 3,410 | 4,422 |
| Payables for production plant of Sinuo (note b) | 256,218 | 264,131 |
| Repurchase Obligation for Non-controlling Interests (note c) | 115,599 | 141,176 |
| Other tax payables | 5,921 | 5,396 |
| Accrued issue costs | 8,573 | – |
| Others | 2,565 | 5,323 |
| | 452,180 | 472,999 |
| | 847,621 | 978,891 |
| Less: Amounts due for settlement after one year shown under long-term payables | (113,430) | (264,131) |
| | 734,191 | 714,760 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) The Group has issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group continues to recognise these trade payables as the Group are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills by the Group are included within operating cash flows based on the nature of the arrangements.

The credit period granted by suppliers is mainly ranging from 0 to 90 days. The following is an aging analysis of the Group's trade and bills payables presented based on the invoice dates at the end of each reporting period.

| | As at 31 December | |
|-----------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Within 90 days | 280,062 | 317,387 |
| 91 to 180 days | 46,769 | 108,716 |
| 181 to 365 days | 17,632 | 51,848 |
| Over 1 year | 50,978 | 27,941 |
| | 395,441 | 505,892 |

- (b) During the year ended 31 December 2022, Inner Mongolia Sinuo, a non-wholly owned subsidiary of the Company, has entered into a construction agreement with certain contractors in relation to construction of the plant for production of lithium-ion battery anode material products. This balance represents the unpaid installment payments for the project.
- (c) During the year ended 31 December 2022, an independent investor made capital injection amounting to RMB141,176,000 to Inner Mongolia Sinuo, a non-wholly owned subsidiary of the Company and upon the completion of capital injection, the independent investor owned 12.85% of Inner Mongolia Sinuo. Subject to the terms and conditions of investment agreement, if certain requirements cannot be fulfilled by Inner Mongolia Sinuo by January 2025, the independent investor has the right to request the controlling shareholder of Inner Mongolia Sinuo, which is the Company, to repurchase the 12.85% equity interests of Inner Mongolia Sinuo ("**Repurchase Obligation for Non-controlling Interests**") at a consideration of RMB141,176,000 within 3 months from January 2025. The Group has accounted for the Repurchase Obligation for Non-controlling Interests as financial liabilities at amortised cost.

As at 31 December 2024, the Repurchase Obligation for Non-controlling Interests was due within one year and classified as current liabilities.

In January 2025, the independent investor requested the controlling shareholder of Inner Mongolia Sinuo to repurchase the 12.85% equity interest of Inner Mongolia Sinuo. Based on the negotiation, the independent investor and the controlling shareholder of Inner Mongolia Sinuo has entered into a supplementary agreement in April 2025, pursuant to which the controlling shareholder of Inner Mongolia Sinuo is required to repurchase the 2.73% equity interest of Inner Mongolia Sinuo at a consideration of RMB30,000,000 and to repurchase the remaining 10.12% equity interest in Inner Mongolia Sinuo at a consideration of RMB111,176,000, which carries interests at 4% per annum and will be due in January 2026. The outstanding amount is pledged by 70.12% equity interests in Inner Mongolia Sinuo and certain shares of the Company held by Mr. Sun Yingtong, the chief executive and a shareholder of the Company, as detailed in note 38.

In January 2026, the independent investor and the controlling shareholder of Inner Mongolia Sinuo had further entered into a supplementary agreement and the controlling shareholder of Inner Mongolia Sinuo is required to repurchase the 1.82% equity interest of Inner Mongolia at a consideration of RMB20,000,000 and to repurchase the remaining 8.30% equity interest in Inner Mongolia Sinuo at a consideration of RMB94,176,000. The outstanding balances carries interests at 4% per annum and will be due in July 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTRACT LIABILITIES

The contract liabilities represented the advance payment, received from the customers while the underlying services are yet to be provided.

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Advances from customers for | | |
| – Sales of chip products | 10,226 | 4,776 |
| – Sales of lithium-ion battery anode material products | 453 | 189 |
| | 10,679 | 4,965 |

At 1 January 2024, the Group's contract liabilities amounted to RMB18,045,000.

The amount of contract liabilities includes the revenue to be recognised. The contract liabilities balance varies in accordance with the number of contracts outstanding at the end of reporting period. The following table shows how much of the revenue of the Group recognised relates to carried-forward contract liabilities:

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Revenue recognised that was included in the contract liabilities balances at the beginning of the year | 4,590 | 16,253 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTRACT LIABILITIES (Continued)

The Group requires a deposit on acceptance of orders from certain customers. When the Group receives a deposit before delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Contract liabilities of the Group denominated in foreign currencies are as below.

| | As at 31 December | |
|-----|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| USD | 3,016 | 214 |

30. DERIVATIVE FINANCIAL INSTRUMENT

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Derivative financial instrument – foreign currency forward contracts | | |
| Assets | – | 419 |
| Liabilities | 538 | – |

At the end of each reporting period, the Group had foreign currency forward contracts in order to minimise its exposures to foreign currency risk on its transactions denominated in USD. The aforesaid contracts were settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Bank borrowings | 1,426,381 | 1,422,663 |
| Other borrowings (note a) | 157,467 | 102,256 |
| Discount bills with recourse (note b) | 115,641 | 67,381 |
| | 1,699,489 | 1,592,300 |
| Secured (note c) | 1,038,812 | 779,182 |
| Unsecured | 660,677 | 813,118 |
| | 1,699,489 | 1,592,300 |
| Fixed-rate borrowings | 904,504 | 760,262 |
| Variable-rate borrowings | 794,985 | 832,038 |
| | 1,699,489 | 1,592,300 |
| Carrying amount repayable: | | |
| Within one year | 954,336 | 837,282 |
| More than one year, but not exceeding two years | 250,053 | 236,620 |
| More than two years, but not exceeding five years | 372,100 | 373,898 |
| More than five years | 123,000 | 144,500 |
| Total borrowings | 1,699,489 | 1,592,300 |
| Less: Amounts due within one year shown under current liabilities | (954,336) | (837,282) |
| Amounts due after one year shown under non-current liabilities | 745,153 | 755,018 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes:

- (a) Other borrowings amounting to RMB157,467,000 (2024: RMB102,256,000) represented borrowings provided by certain other financial institutions, as at 31 December 2025, some of which are guaranteed by the Company and certain subsidiaries and secured by certain properties and carried interest rates ranging from 4.70% per annum to 6.19% per annum (2024: from 5.00% per annum to 8.79% per annum) as at 31 December 2025. The maturity of loan balances ranged from September 2026 to April 2027 (2024: from May 2026 to April 2027) as at 31 December 2025.
- (b) As at 31 December 2025, included in discount bills with recourse, amount of RMB68,641,000 (2024: nil) at 31 December 2025 were arising from the discounting of notes receivables from intragroup transactions among members of the Group, which were eliminated in full on consolidation.

The discounted bills carried at fixed interest rate of 0.60% per annum to 4.26% per annum (2024: 0.90% per annum to 3.40% per annum) at 31 December 2025.

- (c) Certain bank and other borrowings were secured by property, plant and equipment, right-of-use assets, investment properties, trade and bills receivables at FVTOCI and pledged bank deposits. Details are set out in note 43.

The borrowings of the Group are all denominated in RMB.

The ranges of effective interest rates on the Group's borrowings are as follows:

| | As at 31 December | |
|--------------------------|--------------------------|--------------------------|
| | 2025 | 2024 |
| Effective interest rate: | | |
| Fixed-rate borrowings | 0.60%-6.19% per annum | 0.90%-8.79% per annum |
| Variable-rate borrowings | 3.10%-4.20% per annum | 3.45%-5.30% per annum |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. LEASE LIABILITIES

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Lease liabilities payable: | | |
| Within one year | 9,583 | 9,702 |
| More than one year, but not exceeding two years | 6,417 | 8,093 |
| More than two years, but not exceeding five years | 16,636 | 15,839 |
| More than five years | – | 5,426 |
| | 32,636 | 39,060 |
| Less: Amounts due within one year shown under current liabilities | (9,583) | (9,702) |
| Amounts due after one year shown under non-current liabilities | 23,053 | 29,358 |

Lease liabilities of the Group are denominated in RMB.

33. DEFERRED INCOME

| | As at 31 December | |
|------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Government grant | 23,821 | 21,650 |

Government grants of RMB9,150,000 (2024: RMB22,148,000) have been received by the Group during the year ended 31 December 2025 which are mainly related to investments in production facilities. The amounts have been treated as deferred income and is transferred to cost of construction of plant and facilities and reimbursement of research and development cost and other expenses.

During the year ended 31 December 2025, the Group received government subsidies of RMB4,650,000 (2024: RMB1,500,000), toward the construction of plant and facilities. The amounts have been treated as deferred income and is transferred to other income over the useful live of the relevant assets. During the year ended 31 December 2025, government grant related to assets amounting RMB1,094,000 (2024: RMB272,000), were recognised in other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED INCOME (Continued)

During the year ended 31 December 2025, the Group received government subsidies of RMB4,500,000 (2024: RMB20,648,000) toward the reimbursement of research and development expenses. The amounts have been treated as deferred income and is transferred to other income over the spending of research and development costs and other expenses. During the year ended 31 December 2025, government grant related to reimbursement of research and development expenses amounting to RMB5,885,000 (2024: RMB4,154,000), were recognised in other income.

34. SHARE CAPITAL

Details of movements of registered and issued share capital of the Company are as follows:

| | Number of shares '000 | Share capital RMB'000 |
|---|-----------------------------|--------------------------|
| Issued and fully paid: | | |
| At 1 January 2024 | 594,841 | 594,841 |
| Repurchase and cancellation of shares (note 37) | (11,714) | (11,714) |
| At 31 December 2024 and 2025 | 583,127 | 583,127 |

The H shares of the Company were listed on the Main Board of the Stock Exchange on 23 March 2026. In connection with the completion of the initial public offering, the Company allotted and issued a total of 95,000,000 shares with a par value of RMB1 each at a price of HK\$10.8 (equivalent to approximately RMB9.52) per share for a gross proceed of approximately HK\$1,026 million (equivalent to approximately RMB904 million). The transaction costs directly attributable to the issue of shares upon the initial public offering amounting to approximately RMB65 million were treated as deduction from capital reserve in the consolidated statement of financial position. After deducting the transaction costs, the net proceeds amounted to RMB838,816,000, of which RMB95,000,000 was credited to share capital and the remaining amount was credited to capital reserve in the consolidated statement of financial position.

All new shares issued rank pari passu with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. TREASURY SHARES

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| At the beginning of the year | – | 71,457 |
| Repurchase and cancellation of shares (note ii) | – | (71,457) |
| At the end of the year | – | – |

Notes:

- (i) As at 1 January 2024, treasury stock mainly comprised the 11,714,000 restricted shares under Share Incentive Schemes of the Company, as detailed in note 37, amounting to approximately RMB71,457,000 that have not met vesting condition.
- (ii) During the year ended 31 December 2024, 11,714,000 restricted shares were repurchased and cancelled by the Company using the grant price under the Share Incentive Scheme of the Company, as detailed in note 37, as the performance conditions have not been met.

36. FINANCIAL INFORMATION OF THE COMPANY

(a) Financial position of the Company

| | As at 31 December | |
|-------------------------------|-------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Non-current Assets | | |
| Property, plant and equipment | 328,351 | 344,998 |
| Right-of-use assets | 19,767 | 25,192 |
| Investment properties | 220,781 | 225,562 |
| Investment in subsidiaries | 659,710 | 774,373 |
| Intangible assets | 181,434 | 160,310 |
| Long-term prepayments | – | 45 |
| Equity instruments at FVTOCI | 3,762 | 3,726 |
| Deferred tax assets | 29,478 | 29,995 |
| | 1,443,283 | 1,564,201 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Financial position of the Company

| | As at 31 December | |
|---|-------------------|------------------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Current Assets | | |
| Inventories | 303,191 | 367,547 |
| Trade and other receivables at amortised cost | 125,756 | 93,927 |
| Trade and bills receivables at FVTOCI | 1,882 | 142 |
| Financial assets at FVTPL | 47,110 | 50,377 |
| Derivative financial instrument | – | 419 |
| Restricted bank balances | 30,886 | 38,562 |
| Cash and cash equivalents | 115,651 | 186,590 |
| | 624,476 | 737,564 |
| Current Liabilities | | |
| Trade and other payables | 169,509 | 210,476 |
| Contract liabilities | 8,935 | 3,189 |
| Derivative financial instrument | 538 | – |
| Bank borrowings | 329,412 | 337,186 |
| Lease liabilities | 3,887 | 5,513 |
| | 512,281 | 556,364 |
| Net Current Assets | 112,195 | 181,200 |
| Total Assets Less Current Liabilities | 1,555,478 | 1,745,401 |
| Non-current Liabilities | | |
| Deferred income | 2,630 | 4,104 |
| Long-term payables | 5,000 | 5,000 |
| Bank borrowings | 341,752 | 294,071 |
| Lease liabilities | 376 | 3,916 |
| Deferred tax liabilities | 17,554 | 19,279 |
| | 367,312 | 326,370 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Financial position of the Company

| | As at 31 December | |
|-----------------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Net Assets | 1,188,166 | 1,419,031 |
| Capital and Reserves | | |
| Share capital | 583,127 | 583,127 |
| Reserves | 605,039 | 835,904 |
| Total Equity | 1,188,166 | 1,419,031 |

(b) Movement of reserves of the Company

| | Capital reserve RMB'000 | Treasury shares RMB'000 (note 35) | Share-based payments reserve RMB'000 | Other reserve RMB'000 | Statutory reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|--|-------------------------------|--|---|-----------------------------|---------------------------------|----------------------------------|------------------|
| At 1 January 2024 | 1,841,970 | (71,457) | 205,914 | 147,161 | 68,561 | (1,267,231) | 924,918 |
| Total comprehensive income (expense) for the year | - | - | - | 20 | - | (109,555) | (109,535) |
| Repurchase and cancellation of shares | (59,743) | 71,457 | - | - | - | - | 11,714 |
| Share-based payments, net of income tax | - | - | 8,807 | - | - | - | 8,807 |
| Cancellation of the share incentive scheme | 214,721 | - | (214,721) | - | - | - | - |
| At 31 December 2024 | 1,996,948 | - | - | 147,181 | 68,561 | (1,376,786) | 835,904 |
| Total comprehensive income (expense) for the year | - | - | - | 38 | - | (230,903) | (230,865) |
| At 31 December 2025 | 1,996,948 | - | - | 147,219 | 68,561 | (1,607,689) | 605,039 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SHARE-BASED PAYMENTS

Share Incentive Scheme of the Company

On 11 June 2021, the third meeting of the fifth board of the Company reviewed and passed the proposal on granting restricted shares to incentive objects, agreeing 28 June 2021 as the grant date, and granted 38,049,000 restricted shares to eligible employees who meet the grant conditions at a grant price of RMB6.10 per share (“Share Incentive Scheme of the Company”). The vesting periods for restricted shares granted are no more than 60 months from the grant date. According to the Company’s performance appraisal and individual performance appraisal, 30%, 40%, 30% restricted shares will be vested respectively.

Pursuant to the Share Incentive Scheme of the Company, on 28 June 2021 and 13 May 2022, the Company granted 35,049,000 shares and 2,992,000 shares to eligible employees for their performance and contribution and were immediately vested, respectively. The purpose of the Share Incentive Scheme of the Company is to attract and retain the best available personnel, provide additional incentives to employees, and promote the success of the Group.

The restricted shares granted to the employees under this incentive scheme shall not be transferred, used to guarantee or repay debts before the restrictions on sales are unlocked. When the sales restriction period expires, the Company will process the unlocking of the sales restriction for the employees that meet the conditions, and those restricted shares that do not meet the conditions will be repurchased and cancelled by the Company. The validity period of the scheme is from the date of completion of registration of the granted restricted shares to the date of completion of the unlocking of restrictions on the sales of all restricted shares or the repurchase of all restricted shares, which shall not exceed 60 months at most.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SHARE-BASED PAYMENTS (Continued)

Share Incentive Scheme of the Company (Continued)

The number of restricted shares granted to the Group's incentive participants is summarised as follows:

| | Year ended 31 December | |
|---------------------------------------|------------------------|--------------|
| | 2025 '000 | 2024 '000 |
| At the beginning of the year | – | 11,714 |
| Repurchase and cancellation of shares | – | (11,714) |
| At the end of the year | – | – |

During the year ended 31 December 2024, 11,714,000 restricted shares were cancelled, respectively, and repurchased by the Company as the performance conditions have not been met.

The fair value of granted shares was RMB15.40 per share and RMB15.65 per share for the Share Incentive Scheme of the Company on 28 June 2021 and 13 May 2022, respectively.

No expense was recognised in relation to Share Incentive Scheme of the Company for the years ended 31 December 2025 and 2024.

Share Incentive Scheme of Sinuo

On 30 August 2022, Inner Mongolia Sinuo, a non-wholly owned subsidiary of the Company, launched a share incentive scheme (“**Share Incentive Scheme of Sinuo**”) in relation to granted 20,608,000 shares to eligible employees. The purpose of the Share Incentive Scheme of Sinuo is to attract and retain the best available personnel, provide additional incentives to employees, and promote the success of the Group.

The exercise price of Share Incentive Scheme of Sinuo is RMB5.14 per share. The shares granted are generally service-based and subject to the Inner Mongolia Sinuo's performance appraisal and individual performance appraisal. The share incentives are exercisable by 31 December 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SHARE-BASED PAYMENTS (Continued)

Share Incentive Scheme of Sinuo (Continued)

The number of shares granted by Inner Mongolia Sinuo to the incentive participants is summarised as follows:

| | Year ended 31 December | |
|--|------------------------|--------------|
| | 2025 '000 | 2024 '000 |
| At the beginning of the year | – | 19,963 |
| Cancellation of the share incentive scheme | – | (19,963) |
| At the end of the year | – | – |

The fair value of granted shares was RMB9.41 per share for the Share Incentive Scheme of Sinuo on 30 August 2022.

During the year ended 31 December 2024, pursuant to the board resolution, Inner Mongolia Sinuo cancelled the Share Incentive Scheme of Sinuo taking into consideration of the performance of Inner Mongolia Sinuo and the vesting conditions of the Share Incentive Scheme of Sinuo. Therefore, Inner Mongolia Sinuo recognised remaining expenses in relation to the Share Incentive Scheme of Sinuo in 2024.

No expense (2024:RMB63,988,000) was recognised in relation to Share Incentive Scheme of Sinuo for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Salaries and allowance and other benefits (including retirement benefit contribution) | 5,684 | 5,403 |
| Share-based payments | – | 7,195 |
| | 5,684 | 12,598 |

Guarantee provided by a related party

As at 31 December 2025, Mr. Sun Yingtong, the chief executive and a shareholder of the Company, pledged certain shares of the Company held by himself to an independent investor of Inner Mongolia Sinuo to secure the outstanding repurchase obligation for non-controlling interests amounting to RMB115,599,000, as detailed in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Financial assets | | |
| Financial assets at amortised cost | 649,279 | 728,941 |
| Trade and bills receivables at FVTOCI | 123,355 | 149,261 |
| Derivative financial instrument | – | 419 |
| Equity instruments at FVTOCI | 68,427 | 69,603 |
| Financial assets at FVTPL | 70,743 | 72,533 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 2,472,722 | 2,513,244 |
| Derivative financial instrument | 538 | – |

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables at amortised cost, trade and bills receivables at FVTOCI, equity instruments at FVTOCI, financial assets at FVTPL, restricted bank balances, cash and cash equivalents, derivative financial instrument, trade and other payables, long-term payables, lease liabilities and borrowings. Details of these financial instruments are disclosed in respective notes.

The directors of the Company monitor and manage the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (represents currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the years ended 31 December 2025 and 2024. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates. There are no significant changes to the Group's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk

The Group mainly has cash and cash equivalents which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The Group entered into foreign currency forward contracts to hedge certain liabilities denominated in foreign currency. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items to maximise hedge effectiveness. Details of the foreign currency forward contracts entered into by the Group at the end of each reporting period are set out in note 30.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

| | As at 31 December | |
|--------------------|-------------------|---------|
| | 2025 | 2024 |
| | RMB'000 | RMB'000 |
| Assets | | |
| USD | 44,201 | 60,752 |
| Liabilities | | |
| USD | 7,120 | 20,813 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of the relevant foreign currencies against the functional currency of respective group entities, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Decrease (increase) in loss for the year | | |
| – if RMB weakens against USD | 1,854 | 1,997 |
| – if RMB strengthens against USD | (1,854) | (1,997) |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31 December 2025 and 2024.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank balances, variable-rate cash and cash equivalents and variable-rate borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rates.

The Group currently does not use any derivative contracts to hedge its borrowings to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (restricted bank balances, cash and cash equivalents and borrowings). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of cash and cash equivalents and borrowings.

At 31 December 2025, if interest rates had been increased/decreased by 50 basis point (2024: 50 basis point) of restricted bank deposits, cash and cash equivalents and borrowings and all other variables were held constant, the Group's loss for the year would increased/decreased by RMB2,518,000 (2024: RMB1,843,000) for the year ended 31 December 2025, respectively.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments at FVTOCI and financial assets at FVTPL. The Group is exposed to price risk. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of each reporting period.

At 31 December 2025, if prices were 10% (2024: 10%) higher or lower, the other reserve would increase or decrease by RMB6,842,000 (2024: RMB5,935,000) respectively, as a result of the changes in the fair value of equity instruments at FVTOCI.

At 31 December 2025, if prices were 10% (2024: 10%) higher or lower, the Group's loss for the year would decrease or increase by approximately RMB6,603,000 (2024: RMB6,417,000) for the year ended 31 December 2025 as a result of the changes in the fair value of financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

Trade and bills receivables arising from contracts with customers

The Group has concentration of credit risk as 52.25% (2024: 44.24%) of the trade receivables, as at 31 December 2025 was due from Customer A. In order to minimise the credit risk, the management of the Group has delegated the responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group may require a deposit to be received from most of the customers before acceptance of orders. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade and bills receivables which are credit-impaired individually. The remaining trade and bills receivables are assessed on collective basis based on customers' aging analysis. Impairment losses of RMB3,554,000 (2024: RMB571,000) are recognised in profit or loss for each of the year ended 31 December 2025. Details of the quantitative disclosures are set out below in this note.

Other receivables

The credit risk of other receivables of the Group are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss.

In addition, the Group performs impairment assessment under ECL model on other receivables which are credit-impaired individually.

Restricted bank balances and cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank balances and cash and cash equivalents (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description |
|------------------------|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts or debtor repays after due dates but usually settle in full |
| Loss | There is evidence indicating the asset is credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery |

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| | External credit rating | Internal credit rating | 12m or life-time ECL | Gross carrying amount At 31 December | |
|--|------------------------|------------------------|---------------------------------------|---|-----------------|
| | | | | 2025 RMB'000 | 2024 RMB'000 |
| Financial assets at FVTOCI | | | | | |
| Trade and bills receivables | N/A | (i) | Life-time ECL (not credited-impaired) | 125,105 | 151,867 |
| Financial assets at amortised cost | | | | | |
| Trade and bills receivables | N/A | (i) | Life-time ECL (not credited-impaired) | 361,125 | 261,238 |
| | | | Life-time ECL (credited-impaired) | 47,291 | 49,278 |
| | | | | 533,521 | 462,383 |
| Other receivables | N/A | (ii) | 12m ECL Credit-impaired | 13,734 1,633 | 16,572 – |
| Restricted bank balances and bank balances | A-AAA | N/A | 12m ECL | 291,384 | 463,465 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank balances and cash and cash equivalents (Continued)

Notes:

- (i) For trade and bills receivables at amortised cost and FVTOCI, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors credit-impaired, the Group determines the ECL on these items on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors of the Group which are credit-impaired with gross carrying amounts of RMB47,291,000 (2024: RMB49,278,000) as at 31 December 2025.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a collective basis:

| | As at 31 December 2025 | | | As at 31 December 2024 | | |
|-----------------|------------------------|-------------------------------|-----------------------------------|------------------------|-------------------------------|-----------------------------------|
| | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
| Within one year | 2.8% | 474,396 | 13,255 | 2.6% | 403,226 | 10,481 |
| 1 to 2 years | 11.3% | 7,141 | 809 | 14.0% | 3,296 | 462 |
| 2 to 3 years | 42.7% | 546 | 233 | 30.4% | 4,218 | 1,283 |
| Over 3 years | 97.2% | 4,147 | 4,031 | 99.8% | 2,365 | 2,361 |
| | 3.8% | 486,230 | 18,328 | 3.5% | 413,105 | 14,587 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping by past due status is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank balances and cash and cash equivalents (Continued)

Notes: (Continued)

(i) (Continued)

| | Lifetime ECL (not credit- impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|--|--|------------------|
| As of 1 January 2024 | 13,584 | 49,757 | 63,341 |
| Impairment losses recognised, net of reversal | 1,050 | (479) | 571 |
| Written off | (47) | – | (47) |
| As of 31 December 2024 | 14,587 | 49,278 | 63,865 |
| Impairment losses recognised, net of reversal | 3,729 | (175) | 3,554 |
| Written off | – | (1,800) | (1,800) |
| As of 31 December 2025 | 18,316 | 47,303 | 65,619 |

(ii) For the purposes of internal credit risk management, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, on which the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For the purposes of internal credit risk management, the Group uses debtors' aging information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2025, the Group has provided impairment allowance for other receivables of RMB2,019,000 (2024: RMB353,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the discounted amount is derived from interest rates existing at the end of the reporting period.

| | On demand and less than 1 year RMB'000 | 1 – 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|--------------------------------------|---|------------------------|-------------------------|--|-------------------------------|
| As at 31 December 2025 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 659,803 | 113,430 | – | 773,233 | 773,233 |
| Borrowings | 972,588 | 669,748 | 148,830 | 1,791,166 | 1,699,489 |
| Lease liabilities | 11,474 | 26,896 | – | 38,370 | 32,636 |
| Derivative-net settlement | | | | | |
| Foreign exchange forward contracts | 538 | – | – | 538 | 538 |
| | 1,643,865 | 810,074 | 148,830 | 2,602,769 | 2,505,358 |
| As at 31 December 2024 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 656,813 | 264,131 | – | 920,944 | 920,944 |
| Borrowings | 855,650 | 664,091 | 176,200 | 1,695,941 | 1,592,300 |
| Lease liabilities | 12,037 | 29,018 | 5,794 | 46,849 | 39,060 |
| | 1,524,500 | 957,240 | 181,994 | 2,663,734 | 2,552,304 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the years ended 31 December 2025 and 2024.

The capital structure of the Group consists of net debts, which includes, where appropriate, long-term payables and borrowings, net of cash and cash equivalent and equity attributable to the owners of the Company, comprising share capital, accumulated losses, various reserves and non-controlling interests.

The directors of the Company review the capital structure on regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure.

(c) Fair value measurement of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group establishes appropriate valuation techniques and inputs to the models utilised to estimate the fair value of the financial instruments.

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---------------------------|------------|---------|----------------------|--|
| | 2025 | 2024 | | |
| | RMB'000 | RMB'000 | | |
| Financial assets at FVTPL | 44,531 | 50,377 | Level 3 | The fair value of the financial assets at FVTPL is determined by the net asset value of the private investment fund with underlying listed equity investments measured at fair value or by recent transaction of the entity's own securities. The fair value of listed equity instruments is determined by quoted bid prices in an active market. An increase/decrease in transaction prices by 10% (2024: 10%), while other variables remain constant, would result in an increase/decrease in the fair value of the Group by RMB4,453,000 (2024: RMB5,038,000) as at 31 December 2025. |
| | 26,212 | 22,156 | Level 3 | The fair value of the financial assets at FVTPL is determined by the net asset value of the entity measure by market approach or adjusted market price in relation to the lockup period. The key input for the fair value of the entity is the adjustment of liquidity discount. An increase/decrease in the liquidity discount by 10%, while other variables remain constant, would result in a decrease/increase in the fair value of the Group by RMB463,000 (2024: RMB408,000) as at 31 December 2025. |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

| | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|--------------------------------------|------------------------|------------------------|----------------------|--|
| | As at 31 December 2025 | As at 31 December 2024 | | |
| | RMB'000 | RMB'000 | | |
| Equity instruments at FVTOCI | 68,427 | 69,603 | Level 3 | The unlisted equity instruments are calculated based on price-to-earning ratio of comparable companies with an adjustment of discount for lack of marketability of underlying investment portfolio and adjustments of related expenses. An increase/decrease in price-to-earning ratio of comparable companies by 10% (2024: 10%), while other variables remain constant, would result in an increase/decrease in the fair value of the Group by RMB5,762,000 (2024: RMB5,672,000) as at 31 December 2025. An increase/decrease in adjustment of discount for lack of marketability by 10% (2024: 10%), while other variables remain constant, would result in a decrease/increase in the fair value of the Group by RMB5,238,000 (2024: RMB1,472,000) as at 31 December 2025. |
| Trade and bill receivables at FVTOCI | 123,355 | 149,261 | Level 2 | Discounted cash flow based on the interest rate |
| Derivative financial instrument | | | Level 2 | Discounted cash flow based on the contracted exchange rate and the forward rate |
| – Assets | – | 419 | | |
| – Liabilities | 538 | – | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements

| | Financial assets at FVTPL RMB'000 | Financial assets at FVTOCI RMB'000 |
|---------------------------------|---|--|
| At 1 January 2024 | 88,537 | 69,584 |
| Total (losses) gain | | |
| – in profit or loss | (14,282) | – |
| – in other comprehensive income | – | 19 |
| Purchased | 8,826 | – |
| Disposal | (10,548) | – |
| At 31 December 2024 | 72,533 | 69,603 |
| Total losses | | |
| – in profit or loss | (3,316) | – |
| – in other comprehensive income | – | (1,176) |
| Purchased | 2,500 | – |
| Disposal | (974) | – |
| At 31 December 2025 | 70,743 | 68,427 |

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (Continued)

(d) Transfers of financial assets

The following were the Group's bills as at 31 December 2025 and 2024 that were transferred to banks or suppliers by discounting or endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to the bills, it continues to recognise the full carrying amount of the related bills receivables and trade payables and has recognised the cash received from banks on the transfer as secured borrowings (note 31).

| | Bills discounted to banks with recourse RMB'000 | Bills endorsed to suppliers with recourse RMB'000 | Total RMB'000 |
|--|--|--|--------------------------|
| As at 31 December 2025 | | | |
| Carrying amount of trade and bills receivables at FVTOCI | 47,000 | 563 | 47,563 |
| Carrying amount of trade payables | – | (563) | (563) |
| Carrying amount of borrowings | (47,000) | – | (47,000) |
| Net position | – | – | – |
| As at 31 December 2024 | | | |
| Carrying amount of trade and bills receivables at amortised cost | – | 500 | 500 |
| Carrying amount of trade and bills receivables at FVTOCI | 67,381 | 5,250 | 72,631 |
| Carrying amount of trade payables | – | (5,750) | (5,750) |
| Carrying amount of borrowings | (67,381) | – | (67,381) |
| Net position | – | – | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Group's consolidated financial statement of cash flows from financing activities.

| | Repurchase Obligation for Restricted Shares RMB'000 (note 28) | Repurchase Obligation for Non- controlling Interests RMB'000 (note 28) | Borrowings RMB'000 (note 31) | Lease liabilities RMB'000 (note 31) | Accrued issue costs RMB'000 (note 28) | Total RMB'000 |
|--|--|---|------------------------------------|--|--|------------------|
| At 1 January 2024 | 71,457 | 141,176 | 1,638,719 | 46,136 | – | 1,897,488 |
| Financing cash flows | (71,457) | – | (10,014) | (14,836) | – | (96,307) |
| Finance cost and lease liability charges | – | – | 70,597 | 2,813 | – | 73,410 |
| Inception of leases (note 41) | – | – | – | 4,947 | – | 4,947 |
| Non-cash settlement of trade and bills receivables (note 41) | – | – | (107,002) | – | – | (107,002) |
| At 31 December 2024 | – | 141,176 | 1,592,300 | 39,060 | – | 1,772,536 |
| Financing cash flows | – | (30,000) | 94,921 | (12,798) | (17,770) | 34,353 |
| Finance cost and lease liability charges | – | 4,423 | 69,872 | 2,436 | – | 76,731 |
| Inception of leases (note 41) | – | – | – | 4,028 | – | 4,028 |
| Cancellation of leases | – | – | – | (90) | – | (90) |
| Accrued issue costs | – | – | – | – | 26,343 | 26,343 |
| Non-cash settlement of trade and bills receivables (note 41) | – | – | (57,604) | – | – | (57,604) |
| As at 31 December 2025 | – | 115,599 | 1,699,489 | 32,636 | 8,573 | 1,856,297 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2025, the Group entered into certain new lease agreements for the use of offices and dormitories. On the date of commencement of leases, the Group recognised right-of-use assets of RMB4,028,000 (2024: RMB4,947,000) and lease liabilities of RMB4,028,000 (2024: RMB4,947,000), respectively.

During the years ended 31 December 2025, short-term borrowings on bills discounted with recourse of RMB57,604,000 (2024: RMB107,002,000) have been settled through bills receivables discounted to the relevant financial institutions.

42. PARTICULARS OF SUBSIDIARIES

The Company has direct and indirect interests in the following subsidiaries:

| Name of companies | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital RMB'000 | Equity interest attributable to the Group | | Legal form | Principal activities |
|--|--|--|---|------|---------------------------|---|
| | | | As at 31 December 2025 | 2024 | | |
| Directly hold: | | | | | | |
| 國民科技(深圳)有限公司 Nsing Technology (Shenzhen) Co., Ltd.* | Chinese Mainland 10 March 2009 | RMB542,000,000 | 100% | 100% | Limited liability company | Development and sales of chips products |
| 國民技術(香港)有限公司 Nsing Technologies (Hong Kong) Limited* | Hong Kong 25 March 2011 | US\$8,500,000 | 100% | 100% | Limited liability company | Investment holding |
| 深圳前海國民產業投資有限公司 Shenzhen Qianhai Nsing Industrial Investment Co., Ltd.* | Chinese Mainland 13 August 2015 | RMB276,826,400 | 100% | 100% | Limited liability company | Investment holding |
| NSING TECHNOLOGIES PTE. LTD, (formerly known as Nations Innovation Technologies Pte. Ltd.) | Singapore 1 February 2018 | US\$15,500,000 | 100% | 100% | Limited liability company | Development and sales of chip products |
| 廣東國民新能源科技有限公司 Guangdong Nsing New Energy Technology Co., Ltd.* | Chinese Mainland 24 December 2021 | RMB5,000,000 | 100% | 100% | Limited liability company | Inactive |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PARTICULARS OF SUBSIDIARIES (Continued)

| Name of companies | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital RMB'000 | Equity interest attributable to the Group | | Legal form | Principal activities |
|---|--|--|---|-------|---------------------------|--|
| | | | As at 31 December 2025 | 2024 | | |
| 深圳市斯諾實業發展有限公司 Shenzhen Sinuo* | Chinese Mainland 7 February 2002 | RMB53,333,333 | 95% | 95% | Limited liability company | Manufacturing and sales of lithium-ion battery anode material products |
| 內蒙古斯諾新材料科技有限公司 Inner Mongolia Sinuo* | Chinese Mainland 30 March 2016 | RMB116,776,253 | 95.6% | 82.8% | Limited liability company | Manufacturing and sales of lithium-ion battery anode material products |
| Indirectly hold: | | | | | | |
| 民昇智能(深圳)有限公司 Minsheng Intelligence (Shenzhen) Co., Ltd.* | Chinese Mainland 24 December 2020 | RMB5,000,000 | 100% | 100% | Limited liability company | Development and sales of chip products |
| Nsing Technologies USA Inc. | USA 12 August 2010 | US\$3,000,000 | 100% | 100% | Limited liability company | Inactive |
| Nsing Technologies Ltd. | Japan 28 March 2022 | JPY40,000,000 | 100% | 100% | Limited liability company | Research and development of chip products |
| 江西斯諾新能源有限公司 Jiangxi Sinuo New Energy Co., Ltd.* | Chinese Mainland 23 December 2014 | RMB50,000,000 | 95.6% | 82.8% | Limited liability company | Manufacturing and sales of lithium-ion battery anode material products |
| 湖北斯諾新材料科技有限公司 Hubei Sinuo New Material Technology Co., Ltd.* | Chinese Mainland 24 March 2022 | RMB500,000,000 | 95.6% | 82.8% | Limited liability company | Manufacturing and sales of lithium-ion battery anode material products |

Note: None of the subsidiaries had issued any debt securities at 31 December 2025 and 2024.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. PLEDGE OF ASSETS

Certain assets of the Group were pledged to issuance of bank acceptance bills and secure banking and other facilities granted to the Group at the end of the reporting period:

| | As at 31 December | |
|---------------------------------------|-------------------|------------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Property, plant and equipment | 779,164 | 805,155 |
| Right-of-use assets | 54,455 | 56,101 |
| Investment properties | 165,100 | 168,662 |
| Financial assets at FVTPL | 23,633 | – |
| Trade and bills receivables at FVTOCI | 115,641 | 71,771 |
| Restricted bank balances | 93,857 | 101,800 |
| | 1,231,850 | 1,203,489 |

44. OPERATING LEASES

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 1 to 8 years respectively. Minimum lease payments receivable on leases are as follows:

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Within one year | 6,318 | 6,229 |
| In the second year | 6,168 | 8,233 |
| In the third year | 5,062 | 8,215 |
| In the fourth year | 5,414 | 6,823 |
| In the fifth year | 4,060 | 7,298 |
| After five years | – | 5,474 |
| | 27,022 | 42,272 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. CAPITAL AND OTHER COMMITMENTS

| | As at 31 December | |
|---|-------------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 |
| Consideration committed in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements | 115,639 | 125,987 |
| Consideration committed in respect of equity investments contracted for but not provided in the consolidated financial statements | 7,500 | 13,525 |

46. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed elsewhere in the consolidated financial statements, there have been no material events subsequent to 31 December 2025, which require adjustment or disclosure in accordance with IFRS Accounting Standards.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, is set out below:

| | Year ended 31 December | | | |
|-------------------|------------------------|-----------------|-----------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| Revenue | 1,360,266 | 1,167,550 | 1,036,753 | 1,195,411 |
| Gross profit | 248,316 | 182,392 | 18,011 | 426,020 |
| Loss before tax | (130,078) | (269,084) | (603,920) | (7,809) |
| Loss for the year | (117,562) | (255,724) | (593,990) | (18,930) |

| | As at 31 December | | | |
|-------------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| Total non-current assets | 1,986,292 | 1,985,255 | 1,828,301 | 1,520,898 |
| Total current assets | 1,584,235 | 1,727,682 | 1,974,279 | 2,192,836 |
| Total current liabilities | 1,709,338 | 1,566,877 | 1,256,778 | 1,278,240 |
| Total non-current liabilities | 926,601 | 1,093,298 | 1,300,300 | 691,683 |
| Net assets | 934,588 | 1,052,762 | 1,245,502 | 1,743,811 |

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms have the meanings below:

| | |
|--|--|
| “2025 AGM” | the 2025 annual shareholders’ meeting of the Company to be convened and held on Friday, 15 May 2026 |
| “A Share(s)” | ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are listed for trading on the Shenzhen Stock Exchange ChiNext Market |
| “AI” | artificial intelligence, simulation of human intelligence processes by machines, especially computer systems |
| “Articles of Association” or “Articles” | the articles of association of the Company, as amended, supplemented or otherwise modified from time to time |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Board” or “Board of Directors” | the board of Directors |
| “China” or “PRC” | the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this annual report only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China |
| “Company” | NSING TECHNOLOGIES INC. (國民技術股份有限公司), a company established as a limited liability company in the PRC on 20 March 2000, the A Shares of which are listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300077) and the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 2701) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Corporate Governance Code” | the Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| “CSRC” | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Director(s)” | the director(s) of the Company |
| “ECL” | expected credit loss |

DEFINITIONS

| | |
|--|---|
| “ESG” | Environmental, Social and Governance |
| “FVTOCI” | fair value through other comprehensive income |
| “FVTPL” | fair value through profit or loss |
| “FY2024” | the year ended 31 December 2024 |
| “FY2025” | the year ended 31 December 2025 |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong dollar(s)” or “HKD” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “IC” | a small unit or package which is made as a single indivisible structure (such as a chip) and is electrically equivalent to a conventional circuit of many separate components |
| “IC Design Investee” | an IC design company headquartered in Texas, the United States |
| “Inner Mongolia Sinuo” | Inner Mongolia Sinuo New Material Technology Co., Ltd. (內蒙古斯諾新材料科技有限公司), a non-wholly owned subsidiary of the Company |
| “Listing” | the listing of the H Shares on the Main Board |
| “Listing Date” | 23 March 2026, the date on which dealings in the H Shares first commence on the Main Board of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

| | |
|--|---|
| “Main Board” | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange |
| “MCU” | microcontroller unit, a chip that integrates a microprocessor core, memory, and peripheral interfaces, which is typically used to control the operation of embedded systems and is widely used in electronic products |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |
| “MOF” | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| “Mr. Sun” | Mr. Sun Yingtong (孫迎彤), chairman of the Board, executive Director and general manager |
| “Nomination Committee” | the nomination committee of the Board |
| “Nsing Shenzhen” | Nsing Technology (Shenzhen) Co., Ltd. (國民科技(深圳)有限公司), a company established as a limited liability company in the PRC on 10 March 2009 and a direct wholly-owned subsidiary of the Company |
| “PE/VC Fund” | a private equity/venture capital fund in which the Group acted as a limited partner |
| “PRC Company Law” | the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time |
| “Prospectus” | the prospectus of the Company dated 13 March 2026 |
| “R&D” | research and development |
| “Remuneration and Appraisal Committee” | the remuneration and appraisal committee of the Board |
| “Renminbi” or “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

| | |
|---|--|
| “RF” | radio frequency, referring to the rate of oscillation of an alternating electric current or electromagnetic wave within the range that can be radiated as electromagnetic waves. It is widely used in wireless communication, radar, broadcasting and other fields |
| “SFO” | the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “STA” | State Taxation Administration of the PRC (國家稅務總局) |
| “Stock Exchange” or “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Strategic Committee” | the strategic committee of the Board |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “U.S.” or “United States” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “U.S. dollar(s)” or “USD” or “US\$” | United States dollar(s), the lawful currency of the United States |
| “VAT” | value-added tax; all amounts are exclusive of VAT in this annual report except where indicated otherwise |
| “%” | per cent |

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain subsidiaries of the Company) have been included in this annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

