



FUDAN
MICRO

上海復旦微電子集團股份有限公司

Shanghai Fudan Microelectronics Group Company Limited*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 1385)

2025 ANNUAL REPORT



* for identification only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wei (*Chairman and Managing Director*)
(appointed on 18 June 2025)
Mr. Shen Lei (*Deputy Managing Director*)
Mr. Jiang Guoxing (resigned on 18 June 2025)
Mr. Shi Lei (resigned on 18 June 2025)
Mr. Yu Jun (resigned on 18 June 2025)

Non-executive Directors

Ms. Yan Na
Mr. Zhuang Qifei
Ms. Zhang Rui
Mr. Song Jiale

Independent Non-executive Directors

Ms. Shi Yanling (appointed on 18 June 2025)
Ms. Wang Meijuan (appointed on 18 June 2025)
Mr. Hu Xue (appointed on 18 June 2025)
Mr. Zhang Yu Ming (appointed on 2 December 2025)
Mr. Cao Zhongyong (resigned on 18 June 2025)
Mr. Cai Minyong (resigned on 18 June 2025)
Mr. Wang Pin (resigned on 18 June 2025)
Ms. Zou Fuwen (resigned on 18 June 2025)

Employee Director

Mr. Shen Mingjie (appointed on 2 December 2025)

COMPANY SECRETARY

Mr. Chong Hing Cheong

AUTHORISED REPRESENTATIVES

Mr. Zhang Wei
Mr. Chong Hing Cheong

AUDIT COMMITTEE

Ms. Wang Meijuan (*Chairperson*) (appointed on 18 June 2025)
Ms. Shi Yanling (appointed on 18 June 2025)
Mr. Hu Xue (appointed on 18 June 2025)
Mr. Wang Pin (resigned on 18 June 2025)
Mr. Cai Minyong (resigned on 18 June 2025)
Mr. Cao Zhongyong (resigned on 18 June 2025)

NOMINATION COMMITTEE

Mr. Hu Xue (*Chairman*) (appointed on 18 June 2025)
Ms. Yan Na (appointed on 25 March 2025)
Ms. Shi Yanling (appointed on 18 June 2025)
Mr. Cai Minyong (resigned on 18 June 2025)
Mr. Wang Pin (resigned on 18 June 2025)
Ms. Zou Fuwen (resigned on 25 March 2025)

REMUNERATION AND EVALUATION COMMITTEE

Ms. Shi Yanling (*Chairperson*) (appointed on 18 June 2025)
Ms. Wang Meijuan (appointed on 18 June 2025)
Mr. Shen Mingjie (appointed on 2 December 2025)
Mr. Hu Xue (appointed on 18 June 2025 and resigned on 2 December 2025)
Mr. Cai Minyong (resigned on 18 June 2025)
Mr. Wang Pin (resigned on 18 June 2025)
Ms. Zou Fuwen (resigned on 18 June 2025)

STRATEGIC AND INVESTMENT COMMITTEE

Mr. Zhang Wei (*Chairman*) (appointed on 18 June 2025)
Mr. Shen Lei (appointed on 18 June 2025)
Ms. Zhang Rui (appointed on 18 June 2025)
Ms. Shi Yanling (appointed on 18 June 2025)
Mr. Zhang Yu Ming (appointed on 2 December 2025)
Mr. Jiang Guoxing (resigned on 18 June 2025)
Mr. Shi Lei (resigned on 18 June 2025)
Mr. Yu Jun (resigned on 18 June 2025)
Mr. Cai Minyong (resigned on 18 June 2025)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Zhang Wei (*Chairman*) (appointed on 18 June 2025)
Mr. Shen Lei (appointed on 25 March 2025)
Ms. Wang Meijuan (appointed on 18 June 2025)
Mr. Shen Mingjie (appointed on 2 December 2025)
Mr. Jiang Guoxing (resigned on 18 June 2025)
Mr. Cao Zhongyong (resigned on 18 June 2025)
Mr. Cai Minyong (resigned on 25 March 2025)

AUDITOR

Ernst & Young Hua Ming LLP

REGISTERED OFFICE

No. 220, Handan Road
Shanghai
People's Republic of China

PLACE OF BUSINESS IN HONG KONG

Flat 6, 5/F., East Ocean Centre
98 Granville Road, Tsimshatsui East
Kowloon, Hong Kong

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Shanghai branch

China Everbright Bank Co., Ltd. Shanghai branch

STOCK CODE

A shares: 688385
H shares: 01385

COMPANY'S WEBSITE

www.fmsh.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “Board”) of Shanghai Fudan Microelectronics Group Company Limited (the “Company”), I am pleased to present the results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2025 (the “Reporting Period”).

The Group is a domestic chips design enterprise with a wide range of products with four major product lines: security and identification chips, non-volatile memory, smart meter chips, and programmable gate array FPGA, and also provide chip testing services to customers through a subsidiary, Sino IC Technology Co., Ltd. (上海華嶺集成電路技術股份有限公司) (“Sino IC”). The products are widely used in numerous fields such as finance, social security, anti-counterfeiting and traceability, network communications, home appliances, automotive electronics, industrial control, signal processing, data centers, artificial intelligence, satellite communications and many other aspects.

2025 was a challenging year in the development of the integrated circuit industry globally. During the Reporting Period, the global macroeconomy showed signs of recovery, the semiconductor industry experienced an upward trend, and the downstream demand became mixed. The Group remained committed to ‘technological innovation’ as its core driving force, focused its efforts on the high-reliability, high-performance integrated circuit sector, and achieved significant breakthroughs in several core business areas. Whilst demand in certain segments of the chips market, particularly those serving the consumer and low-to-mid-range IoT sectors, has come under pressure, the Company has sought to expand its customer base in sectors such as automotive electronics, industrial control and smart home appliances actively, resulting in rapid growth in sales of related chips products. FPGAs and certain types of non-volatile memory used in high-reliability applications continue to lead the market in terms of technology, with new products being rolled out in increasing volumes and customer demand growing steadily. At the same time, the FPGA product series continue to expand into multiple sectors, with high-value products serving as the primary growth driver, resulting in revenue growth.

During the Reporting Period, the Group achieved revenue of approximately RMB3,982 million, representing an increase of 10.92% when compared with last year, and comprehensive gross profit margin was 56.19%. The growth in revenue was primarily driven by the Group’s continued expansion of its market share in the high-reliability FPGA and smart meter chips markets. To ensure its long-term competitiveness, the Group continues to maintain substantial research and development input in key areas such as advanced manufacturing processes and highly integrated system-on-chip solutions. During the Reporting Period, research and development input amounted to approximately RMB1,070 million in R&D for the year, representing 26.88% of revenue. The Company has always regarded technological innovation as the core driver of its development, focusing on domestic substitution and breakthroughs in cutting-edge technologies. The Group is simultaneously pursuing projects including but not limited to the New Generation FPGA Platform Development and Industrialization Project, the Intelligent and Reconfigurable SoC Platform Development and Industrialization Project, the New Technical Platform Storage Development and Industrialization Project, the New High-end Security Controller Development and Industrialization Project, and the Passive IoT Basic Chip Development and Industrialization Projects.

Chairman's Statement

Looking back to the previous year, each of the Group's product lines has demonstrated notable strengths in navigating market fluctuations, contributed by our deep technical expertise. FPGAs and other products, as the Group's core growth drivers, generated revenue of RMB1,420 million, representing a significant increase in their share of total revenue. The Group continues to drive the iterative development of high-reliable FPGAs, with a number of products based on advanced manufacturing processes entered commercial applications successfully, further consolidating our leading position in the domestic market for high-performance computing and communications. With fierce competition in the consumer-grade market for non-volatile memory, the Group proactively optimised its product portfolio, achieving revenue of RMB1,042 million. We have accelerated our transition to automotive-grade and high-reliability industrial-grade memory chips, successfully integrated into the supply chains of several leading automotive component manufacturers, and enhanced our resilience to risks. Revenue from security and identification products recorded as RMB855 million. In addition to maintaining our leading position in the financial IC card, social security card and public transport sectors, we are expanding actively into application areas such as electronic price tags, LED lighting, smart home solutions and 'tap-to-connect/pay' services. Benefited from the advantages of low-power MCUs and highly reliable automotive-grade technology, the Group's smart meter chips have secured its market share in the smart energy management sector, with this business generated revenue of RMB518 million. In addition, the Group's integrated circuit testing services generated revenue of RMB144 million which created strong vertical synergies with the design business and ensuring the efficiency and reliability of product development.

On 27 March 2026, the Board of Directors approved the profit distribution proposal for 2025 and proposed to distribute a cash dividend of RMB0.58 per 10 shares, totaling RMB47,775,368.50. If there is any changes to the Company's total share capital between the date of announcement and the record date for the payment of dividend, the proposed distribution amount per share will remain unchanged, whilst the total dividend amount will be adjusted accordingly and details of such adjustments will be announced separately. The proposed dividend distribution shall be submitted to the shareholders' general meeting for consideration and approval.

Looking ahead to 2026, the Group will focus on its core business of integrated circuit design. With platform-based operations as its framework, cutting-edge technology as its foundation, and continuous innovation as its driving force, the Group will deepen its involvement in the high-end general-purpose and specialised application-specific chip sectors, aiming to become a leading domestic chip design enterprise that possesses a technological moat, market and industry influence. The Group will continue to consolidate and enhance its comprehensive competitive advantages in areas such as technology, service, quality and branding, drive forward institutional reforms, stimulate innovation, and achieve sustained, rapid and high-quality development.

2026 will be a year of opportunities and challenges. The Company will take technology as the core, market as the guideline, and stable management as the basis, and strive to stand out in the industry changes. At the same time, the Company will strive to enhance profitability and returns through refined management and efficient operations. We will also fulfil our social responsibilities actively, promote the harmonious development of technology and society, and create more value for our employees, customers and the community.

On behalf of the Board and the management team, I would like to express my sincere gratitude to all shareholders, clients and business partners. My heartfelt appreciation also goes to all the Directors for their contributions, and all the staff members for their hard work and collective efforts. The Company will continue to grow and strive to deliver ideal investment returns and income to shareholders.

Mr. Zhang Wei
Chairman

Shanghai, the PRC, 27 March 2026

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING

For the year ended 31 December 2025 (the “Reporting Period”), the global macroeconomy showed signs of recovery, the semiconductor industry experienced an upward trend, and the downstream demand became mixed. Whilst demand in certain segments of the chips market, particularly those serving the consumer and low-to-mid-range IoT sectors, has come under pressure, the Company has sought to expand its customer base in sectors such as automotive electronics, industrial control and smart home appliances actively, resulting in rapid growth in sales of related chips products. FPGAs and certain types of non-volatile memory used in high-reliability applications continue to lead the market in terms of technology, with new products being rolled out in increasing volumes and customer demand growing steadily. At the same time, the FPGA product series continue to expand into multiple sectors, with high-value products serving as the primary growth driver, resulting in revenue growth.

During the year 2025, the Group achieved revenue of approximately RMB3,982 million, representing an increase of 10.92% when compared with last year; comprehensive gross profit margin was 56.19%; net profit attributable to shareholders of the parent company of approximately RMB232 million. The report on the business situation in 2025 is as follows:

(1) Business situation for each product line

The Group is a domestic chips design enterprise with a wide range of products with four major product lines: field programmable gate array (“FPGA”), security and identification chips, non-volatile memory and smart meter chips. We also provide chip testing services to customers through a subsidiary, Sino IC Technology Co., Ltd. (上海華嶺集成電路技術股份有限公司) (“Sino IC”).

1. Product line of FPGA and other products

This product line comprises three sub-series: Field-Programmable Gate Array (FPGA) chips, Programmable Silicon on Chip (PSoC) chips, and Field-Programmable Artificial Intelligence (FPAI) chips, and includes dedicated EDA development tools. The Company is a leading domestic supplier of FPGA-related products, and FPGA and other products achieved revenue of approximately RMB1,420 million in 2025.

During the Reporting Period, the product line maintained high standards of product quality and service, and built an ecosystem comprising ‘chips, software and solutions’. The product line series features 100-million-gate-level FPGAs and PSoC chips as its core products, which are widely used in industrial control, test and measurement, power and energy, consumer electronics, audio and video, artificial intelligence, satellite communications, and high-reliability applications. The FPGA product sub-series has maintained a growth trajectory, with sales growing steadily; the PSoC product sub-series has seen a significant increase in sales, driven by rising demand in downstream markets; and the FPAI product sub-series has successfully expanded its product portfolio, actively promoting and onboarding new customers in relevant sectors.

The FPGA product line is actively advancing the development and commercialisation of high-end, ultra-large-scale FPGA products based on 1x nm FinFET advanced processes and 2.5D advanced packaging. It aims to strengthen technological barriers, build a diversified product portfolio, and expand its range to include various product types such as FPGA, RF-FPGA, PSoC, RFSoc and FPAI, and has completed the development of a product portfolio ranging from 50K to 4,000K logic resources and 4TOPS to 128TOPS of computational power. The new product has been successfully introduced to customers, with rapid growth in both the scope of its applications and the size of the customer base. Widespread market recognition has driven a sharp rise in sales, and the product’s penetration and influence in key sectors have increased significantly.

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING *(Continued)*

(1) Business situation for each product line *(Continued)*

2. Product line of security and identification chips

The product line has several sub-products including radio frequency identification (“RFID”) and sensor chips, smart card and security chips, and smart identification device chips, etc. In 2025, it achieved revenue of approximately RMB855 million.

Radio Frequency Identification (“RFID”) and sensor chips, including high-frequency and ultra-high-frequency RFID (“UHF RFID”) chips, as well as sensor chips. High-frequency RFID is widely used in various types of IoT devices. Our products continue to become increasingly competitive and maintain a high market share, with our NFC chips and tags in particular undergoing continuous innovation and leading the market in terms of shipment volumes across sectors such as consumer electronics, industry and automotive. UHF RFID is primarily used in sectors such as footwear and apparel management, supermarkets and retail outlets, and airline baggage tags. The Company has been actively expanding its market presence and has achieved significant success.

Smart cards and security chips: The smart card market as a whole has entered a mature phase, with market size remaining stable. Domestic competition is relatively intense, whilst the Company’s market share remains stable. With the development of the Internet of Things, security requirements are gradually increasing, and demand for security chips continues to rise. The Company has actively expanded into various market segments and achieved commendable results. The Company is the first domestic security chip supplier to obtain WPC certification, and sales of our wireless charging security modules are steadily increasing, with widespread shipments across consumer, automotive and industrial sectors.

Smart identification device chips and NFC readers are widely used in areas such as mobile payments, public transport, smart access control and smart homes. With the continued development of the digital economy and the ongoing expansion of the Internet of Things, the scope of applications for NFC technology is set to broaden further. The Company’s NFC products are widely used in markets such as financial POS systems, smart locks and access control systems. Whilst driving market share growth, our product series are actively expanding into high-value applications; our products are highly competitive and have earned strong recognition from customers.

3. Product line of non-volatile memory

The product line has products including EEPROM memory, NOR Flash memory and SLC NAND Flash memory in a variety of capacities, interfaces and packages. In 2025, it achieved revenue of approximately RMB1,042 million, of which, revenue from high-reliability memory amounted to approximately RMB681 million.

During the Reporting Period, sales of EEPROM products grew steadily in sectors such as electricity meters, mobile phone camera modules and household appliances, whilst automotive-grade EEPROM products have commenced volume shipments and have successfully been included on the AVL lists of several car manufacturers. Sales of NOR Flash products have declined in the three core sectors of displays, wafer-level packaging and security surveillance, whilst expansion into the industrial control, medical and PC markets has proceeded smoothly; new low-voltage product series are gradually being adopted by customers in the display and PC sectors. The storage capacity of NAND Flash chips in downstream devices continues to increase; the product series are being prioritised for deployment in the networking, security surveillance and wearable technology sectors, and the products are being adopted on a large scale by key customers. Sales of high-reliability memory have been growing steadily and form a key component of the Company’s non-volatile memory product series.

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING *(Continued)*

(1) Business situation for each product line *(Continued)*

4. *Product line of smart meter chips*

The Group's smart meter product line covers smart meter MCUs, general-purpose MCUs and automotive MCUs. The smart meter MCUs is the core component of a smart meter, enabling functions such as metering, automatic reading and data transmission for both industrial and domestic electricity consumers. General-purpose MCUs are widely used in smart water, gas and heating meters, smart home appliances, and industrial applications. Automotive MCUs can be applied to vehicle body control and comfort systems. In 2025, it achieved revenue of approximately RMB518 million.

During the Reporting Period, revenue from this product line continued to grow rapidly. Due to the replacement cycle for smart meters, both State Grid and China Southern Power Grid saw a decline in meter tenders in 2025, however, sales of smart meter MCUs continued to grow steadily. This was primarily because the Company maintained its leading position in the single-phase smart meter MCU sector and actively collaborated with clients to complete the research, development and fine-tuning of new specification schemes for State Grid and China Southern Power Grid, and our market share remains at the forefront. In terms of general-purpose MCUs and automotive MCUs, the Company has achieved rapid growth in sales across sectors such as automotive electronics, smart home appliances and industrial control. Annual sales have exceeded 20 million units in the automotive electronics sector alone, representing a significant increase when compared with the previous year.

5. *Other business*

(1) *Other products*

Other products primarily consist of smart appliance chips, which are widely used in new energy sectors such as residual current devices, charging stations for new energy electric vehicles, photovoltaic systems and electrical fire prevention. During the Reporting Period, sales in the traditional residual current protection market declined due to the downturn in the property sector; however, the market for residual current protection in the new energy and electric vehicle charging station sectors continued to expand; furthermore, fault arc protection chips gained recognition from leading overseas clients, resulting in rapid growth in sales.

(2) *Testing services business of Sino IC*

The Company's subsidiary, Sino IC, is one of the earliest companies in China to be involved in the research and development of IC testing technology and professional services. It has accumulated a wealth of technical experience in high-end product testing solutions, mass production automation, testing information technology and other areas, and has achieved significant results in technological innovation. Sino IC has undertaken a number of major national science and technology projects and provincial and ministerial-level research projects, developed more than 1,000 high-end chip testing solutions independently, and achieved mass production breakthroughs in high-speed wafer KGD testing and ultra-high density wafer testing. In addition, Sino IC continues to carry out R&D and innovative applications in the areas of artificial intelligence chips, high-performance computing chips, automotive chip testing solutions and complete sets of engineering technologies.

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING *(Continued)*

(1) Business situation for each product line *(Continued)*

5. Other business *(Continued)*

(3) Business of Fuwei Xunjie

The business of Shanghai Fuwei Xunjie Digital Technology Co., Ltd.* (上海復微迅捷數字科技股份有限公司) (“Fuwei Xunjie”) leverages NFC technology and cloud services as the cornerstones of its business, striving to develop distinctive services. During the Reporting Period, Fuwei Xunjie collaborated with major internet platforms to empower the public transport sector in enhancing the consumer experience; it also partnered with leading global IP providers to launch transport card products featuring cultural and creative elements, thereby actively participating in the Goods Economy/IP Merchandise Economy; Achieve mass production of automotive-grade IC card car keys for the automotive industry. At the same time, the Short-Range Communication Testing Laboratory provides professional testing services to automotive manufacturers, mobile phone manufacturers and chip manufacturers; it is also expanding the use cases for physical cards and continuing to promote mobile NFC applications in areas such as university campus cards and access control systems across PRC.

(2) Research and development and Talent team building

During the Reporting Period, the Group highly valued research and development (“R&D”) and invested approximately RMB1,070 million in R&D for the year, representing 26.88% of revenue. The Group has 993 research and development staff. The Group is simultaneously pursuing projects including but not limited to the New Generation FPGA Platform Development and Industrialization Project, the Intelligent and Reconfigurable SoC Platform Development and Industrialization Project, the New Technical Platform Storage Development and Industrialization Project, the New High-end Security Controller Development and Industrialization Project, and the Passive IoT Basic Chip Development and Industrialization Projects.

(3) Core Technologies and Research and development Progress

1. FPGA and other products

The Company is a leading supplier of FPGA-related products in China. The Company’s FPGA product line has successfully overcome key technical challenges, including ultra-large-scale FPGA architecture, programmable device compilers, multi-protocol ultra-high-speed serial transceivers, heterogeneous intelligent computing architectures, high-reliability programmable devices, and end-to-end EDA support for ultra-large-scale programmable devices. We have established a distinct technological cluster advantage in our FPGA and PSoC products, built core technological barriers, and consolidated our competitive edge. The Company currently offers 1xnm FPGA products, RF-FPGA products, PSoC products, RFSoc products and FPAI products, along with a full suite of EDA tools developed entirely in-house. We have established a comprehensive series of FPGA and PSoC products, which are widely used in the telecommunications, industrial control and high-reliability sectors. The Company offers the largest series of FPGA products currently available in China. Furthermore, the Company was the first to develop a monolithic RF-FPGA architecture and is currently the major supplier of such products in China.

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING *(Continued)*

(3) Core Technologies and Research and development Progress *(Continued)*

1. *FPGA and other products (Continued)*

The Company's FPAI heterogeneous converged architecture chip integrates an SoC, FPGA and NPU into a single unit, serving as a reconfigurable intelligent chip designed for customised edge and converged inference applications. We have established a chip design platform and application development software platform for this heterogeneous converged intelligent chip, and have mapped out a product portfolio ranging from 4 TOPS to 128 TOPS. The commercialisation of our first 32 TOPS chip is progressing well, the 8 TOPS and 128 TOPS chips have completed tape-out and testing respectively and are ready for commercialisation. The Company pioneered the FPAI architecture and is currently the sole supplier of such products in China.

During the Reporting Period, the Company successfully completed the tape-out, testing and reliability verification of a 1xnm FPGA, a 1xnm RF-FPGA and a 1xnm RFSoc chip, and is currently actively pursuing their implementation by customers. The Company has completed the tape-out and testing of two FPAI products and is currently conducting reliability verification, with a view to launching them on the market and implementing them with customers as soon as possible. In addition, the Company has developed new 1xnm RF-FPGA and 1xnm RFSoc chips, the design of which has been finalised and is now ready for tape-out. During the Reporting Period, the Company was awarded the title of 'Shanghai Manufacturing Single-Champion Enterprise 2025' in recognition of its leading technological achievements and market influence.

2. *Security and identification chips*

Following years of continuous research and development and the accumulation of technical expertise, the security and identification product line has established a distinct technical and R&D advantage in the two key technological fields of radio frequency and security. Building on years of experience in Radio Frequency chip design, we have conducted further research to develop a new generation of NFC technology capable of supporting a wider range of NFC devices. At the same time, the Company has achieved technological breakthroughs in UHF RFID tag chips and reader chips, building up technical expertise in areas such as high-sensitivity design, low-power design and high-reliability design.

During the Reporting Period, the Company successfully launched the UHF FM13UF series of tag chips, which feature high sensitivity, exceptional reliability, and rapid data writing and reading capabilities. It also introduced a UHF reader chip, these two products can effectively improve the success rate of tag inventory checks when used in conjunction and significantly extend the reading range. The NFC module and tag product range is widely used in electronic price tags, LED lighting, smart home systems, and 'tap-to-connect/pay' applications. Its excellent mobile phone compatibility and reliable performance have earned consistent praise from customers. The NFC reader chip series has been successfully deployed in automotive digital keys, in-car ignition systems, in-vehicle wireless charging and in-car fragrance systems, providing automotive OEMs and Tier 1 suppliers with cost-effective, automotive-grade solutions.

Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS OF OPERATING *(Continued)*

(3) Core Technologies and Research and development Progress *(Continued)*

3. *Non-volatile memory*

The Company's non-volatile memory product portfolio boasts one of the most comprehensive ranges in the industry. We remain committed to enhancing performance and reliability, expanding applications and optimising costs, whilst pursuing breakthroughs in key technologies, the coordinated development of multi-device process platforms and product upgrades, and have made significant progress in core areas.

During the Reporting Period, EEPROM products overcame technical bottlenecks in automotive-grade wide-temperature, ultra-wide-voltage and low-power applications, achieving industry-leading performance in key characteristics such as data write/erase endurance, data retention time and product robustness, and completed the iteration of several small- and medium-capacity products. A range of medium- to high-capacity products have obtained AEC-Q100 Grade 1 certification and have been successfully integrated into the supply chains of several Tier 1 suppliers and vehicle manufacturers; SPD5 Hub products compatible with DDR5 are now in mass production. NOR products continue to advance towards finer process nodes, with R&D on the 4xnm platform progressing steadily. Mass production of the ETOX 5xnm low-voltage, high-performance, low-power series has commenced, and the automotive qualification testing for the same series is progressing smoothly. Product development on the NORD process platform is progressing on schedule. Mass production of products based on the new 2xnm SLC NAND process has been successfully achieved, and new products in the 2xnm platform series are currently undergoing validation and optimisation within the domestic supply chain to meet customers' supply chain security requirements.

4. *Smart meter chips*

During the Reporting Period, the Company's MCU product line actively expanded its domestic supply chain and completed the research and development of several products based on a domestically produced e-flash process platform. The target markets encompass the utilities, white goods, automotive electronics and industrial control sectors. The Company has established a comprehensive portfolio of 12-inch and 8-inch process platforms, further expanding its product range, and is actively pursuing customer onboarding and mass production. The product series build upon industry applications to establish ultra-low-power and highly reliable automotive-grade technology platforms, and actively expands the scope of its technologies and products by delving deeper into industry applications. Whilst continuously expanding its range of 32-bit MCUs, the Company has also launched a number of mid to high-performance MCU products, as well as a variety of specialised integrated MCU products tailored to specific application scenarios such as metering, touch control and fully integrated high-voltage automotive applications. In particular, low-power MCUs for utility applications continue to hold the leading market share in the industry, whilst shipments of MCUs for white goods and automotive applications have grown rapidly, with sales increasing by over 100% annually.

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD

1. Principal activities

The Group engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. The Group has established and improved product lines such as FPGA chips, security and identification IC chips, non-volatile memory, smart meter chips, and testing services for IC products, and the products are widely used in numerous fields such as finance, social security, anti-counterfeiting and traceability, network communications, home appliances, automotive electronics, industrial control, signal processing, data centers, artificial intelligence, satellite communications and many other aspects.

2. Main products and services

2.1 FPGA chips

FPGA is a hardware reconfigurable integrated circuit chip. FPGA has the programmability and flexibility of software, which is an ideal solution in 5G communication, artificial intelligence and other fields with fast upgrading cycles and large technical uncertainty. The Company is one of the leading companies in the field of FPGA technology in China.

Description and application fields of FPGA chip product series of the Company are as follows:

Product type	Product description	Application fields
FPGA chips	The Company offers a diverse product portfolio of SRAM-based FPGA chips, ranging from 1xnm FinFET advanced processes to mature processes, with logic resources ranging from 50K to 4000K and high-speed serial interfaces capable of speeds up to 32Gbps.	Applicable to high-performance and intelligent applications across sectors such as 5G communications, artificial intelligence, data centres, computer vision, machine learning, high-speed digital processing, test and measurement, industrial control, and high-reliability systems, as well as in fields including smart cockpits, video surveillance, medical imaging, network communications and cybersecurity, delivering high-performance, high-bandwidth solutions.
RF-FPGA chips	The Company offers a product portfolio of RF programmable chips manufactured using 1xnm FinFET advanced process technology, with RFADCs capable of sampling rates up to 5 Gbps.	Applicable to sectors such as smart communications, test and measurement, and high-reliability applications, we provide high-performance, highly integrated, secure and reliable products.

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD *(Continued)*

2. Main products and services *(Continued)*

2.1 FPGA chips *(Continued)*

Product type	Product description	Application fields
PSoC chips	The Company offers a product portfolio of programmable mixed-signal chips, ranging from advanced 1xnm FinFET processes to mature processes, with each chip integrating a processing system based on a feature-rich quad-core processor alongside programmable logic.	Applicable to sectors such as audio-visual, industrial control, security and high-reliability applications, which provide high-performance, highly integrated, secure and reliable products.
RFSoc chips	The Company offers a product portfolio of RF programmable converged chips based on 1xnm FinFET advanced process technology, primarily comprising the FMZQ series of broadband reconfigurable software-defined radio integrated chips, which integrate a quad-core high-performance SoC, a programmable logic FPGA, and a broadband RF direct-to-converter high-speed ADC/DAC on a single chip.	Applicable to applications in test and measurement, industrial control, high-reliability systems, satellite communications and other sectors, which provide high-performance, highly integrated, secure and reliable products.
FPAI chips	The Company offers a product portfolio of programmable AI chips covering both advanced 1xnm FinFET processes and mature processes, primarily comprising the FMZQAI series. These single-chip solutions integrate a processing system based on a quad-core processor, programmable logic and AI acceleration modules. The AI acceleration engine supports accelerated forward inference for convolutional neural networks, incorporating MAC computing units and internal memory hard cores, and works in conjunction with AI acceleration soft cores to handle scheduling.	Designed for edge AI applications, it offers an FPGA+SoC+NPU architecture and a comprehensive suite of edge AI solutions.

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD *(Continued)*

2. Main products and services *(Continued)*

2.2 Security and identification IC chips

The security and identification products rely on self-developed radio-frequency, memory chips and security anti-attack technologies, and has formed a number of product series, such as RFID and sensor chips, smart card and security chips, smart identification device chips, etc. The products include memory card, HF/UHF tag chips, NFC TAG, contact/contactless/dual interface smart card, security SE chips, security MCU chips, contactless reader equipment and mobile payment and dozens of other products. The Company is one of the suppliers with a complete series of domestic security and identification chip products.

Description and application fields of the security and identification chip product line of the Group are as follows:

Product type	Product description	Application fields
RFID and sensor chip series	It is mainly composed of FM11, FM13 and FM44 series products, including contactless logic encryption chips, NFC tag and access chips, high-frequency RFID chips, UHF RFID tag chips, reader chips, sensor chips, etc.	Identity identification, electronic shelf, smart household electrical appliances, logistics management, anti-counterfeiting and traceability, vehicle management, etc.
Smart card and security chip series	It is mainly composed of FM12, FM15 and other series products, including contactless CPU card chips, dual interface CPU card chips and security chips	Banking, social security, electronic documents, transportation, campus, health, telecommunications, anti-counterfeiting, etc.
Smart identification device chip series	It is mainly composed of FM17 series, and the product is of contactless reader chip type	Door lock, access control, contactless card reader, OBU, financial POS, subway gate, smart home appliances, e-bikes etc.

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD (Continued)

2. Main products and services (Continued)

2.3 Non-volatile memory

The memory chip product line of the Group provides a variety of non-volatile memory products with multiple interfaces, packages, comprehensive capacity and cost-effectiveness. At present, the main products are EEPROM memory chips, NOR flash memory chips and SLC NAND Flash memory, with a variety of capacity, interfaces and packaging forms, which representing a leading market share in China.

Description and application fields of non-volatile memory products of the Group are as follows:

Product type	Product description	Application fields
EEPROM memory	It is mainly composed of FM24/FM25/FM93/FMSPD5118 series, supporting I ² C, I ³ C, SPI and MicroWire interfaces, with storage capacities ranging from 1 Kbit to 2 Mbit.	Mobile phone module, smart meter, communication, home appliances, display, LCD panel, automotive electronics, computer memory strip, medical instruments, industrial control instruments, password lock, etc.
NOR Flash memory	It is mainly composed of FM25/FM29 series, supports SPI and general parallel interface with storage capacity of 1Mbit-2Gbit	Network communication, IoT module, computer and peripheral products, mobile phone module, display and screen module, smart meter, security monitoring, on-board box, Ukey, automotive electronic, medical instruments, industrial control instruments, WiFi/Bluetooth module, high reliability application, etc.
SLC NAND Flash memory	It is mainly composed of FM25/FM29 series, supports SPI and ONFI parallel interfaces with storage capacity of 1Gbit-8Gbit	Network communication, security monitoring, wearable device, on-board box, automotive electronics, medical instruments, etc.

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD *(Continued)*

2. Main products and services *(Continued)*

2.4 Smart meter chips

Smart meter MCU is the core component of smart meter, which can realize the functions, such as, power consumption information measurement, automatic reading, information transmission of industrial and household users; general low-power MCU products can be applied to many fields including smart meter, smart water, gas and heat meter, smart home appliances, industrial controls etc. Automotive MCUs are available for vehicle body control and comfort systems.

Description and application fields of MCU chip product series of the Group are as follows:

Product type	Product description	Application fields
Smart meter MCU	It is mainly composed of FM33A0xx series, comprising smart meter MCUs and SoC chips based on the 32-bit ARM Cortex-M0 \ ARM China-star cores.	State Grid single-phase/three-phase smart energy meter, Southern Power Grid single-phase/three-phase smart energy meter, overseas single-phase/three-phase smart energy meter, etc.
General low-power MCU	It is mainly composed of FM33LC0xx, FM33L0xxD, FM33LG0xx, FM33LE0xx, FM33FR0xx, FM33LF0xx, FM33LR0xx, FM33FH0xx, FM33LH0xx, FM33FK5xx, FM33LD5xx, FM33FC5xx and other series of MCU products, comprising low-power MCU chips based on the 32-bit ARM Cortex-M0 \ ARM China-star cores	Smart water, gas and heat meters, smart home appliances, industrial control etc.
Automotive MCU	It is mainly composed of automotive-grade MCUs from the FM33LG0xxA, FM33LE0xxA, FM33FT0xxA, FM33FG0xxA, FM33LF0xxA, FM33HT0xxA, FM33CT0xxA, FM33FG5xxA and other series of automotive-grade MCU products, with product types comprising 32-bit ARM Cortex-M0 \ ARM China-star core-based automotive-grade MCU chips	Vehicle body control and comfort systems

Management Discussion and Analysis

II. PRINCIPAL BUSINESSES, PRODUCTS OR SERVICES DURING THE REPORTING PERIOD *(Continued)*

2. Main products and services *(Continued)*

2.5 Testing services for IC products

The subsidiary of the Company, Sino IC, an independent and professional IC testing company, which is dedicated to provide high-quality, cost-effective and efficient testing solutions and a variety of value-added services for all kinds of IC enterprises. Its principal business includes testing of technology research, testing of hardware and software development, testing of equipment research and development, testing of verification and analysis, wafer testing, finished product testing, reliability testing, and leasing of equipment.

Sino IC provides customers with a total solution of IC testing services from chip verification and analysis, wafer testing to finished product testing. Its testing capabilities cover a wide range of products such as processors, 5G communications, artificial intelligence, wireless connectivity, memory, automotive MCUs, analogue chips etc.

MAIN BUSINESS ANALYSIS

1. Analysis of changes in income statement and cash flow statement related items

Item	RMB '0,000		
	2025	2024	Change (%)
Revenue	398,226.11	359,022.38	10.92
Cost of sales	174,480.71	158,160.09	10.32
Selling expenses	23,879.36	24,213.38	(1.38)
Administrative expenses	18,412.72	15,844.36	16.21
Finance expenses	3,187.62	2,866.68	11.20
Research and development expenses	122,274.21	103,065.15	18.64
Other income	14,299.51	23,359.92	(38.79)
Credit impairment losses	(3,328.41)	(4,567.63)	N/A
Assets impairment losses	(43,927.63)	(16,876.80)	N/A
Net cash flows from operating activities	78,416.32	73,246.56	7.06
Net cash flows from investing activities	(27,934.62)	(75,400.39)	N/A
Net cash flows from financing activities	(26,813.36)	8,863.14	N/A

Management Discussion and Analysis

MAIN BUSINESS ANALYSIS *(Continued)*

1. Analysis of changes in income statement and cash flow statement related items *(Continued)*

During the Reporting Period, the Group achieved revenue of approximately RMB3,982 million, representing an increase of 10.92% when compared with last year; net profit attributable to shareholders of the parent company of approximately RMB232 million, representing a decrease of 59.42% when compared with last year; net profits attributable to the shareholders of the parent company after deducting non-recurring profit or loss of approximately RMB142 million, representing a decrease of 69.30% when compared with last year.

As at 31 December 2025, the total assets of the Group were approximately RMB9,205 million, representing an increase of 1.81% when compared with last year; and the net assets attributable to shareholders of the parent company were approximately RMB6,135 million, representing an increase of 4.08% when compared with last year.

The change of the above major accounting data and financial indicators is mainly due to the following:

(1) *Effect of revenue and gross profit on net profit*

In Year 2025, the semiconductor industry exhibited obvious structural divergence in market conditions, with significant variations in downstream application demand. FPGA products demonstrate strong applicability across wired and wireless communications, satellite communications, industrial control, artificial intelligence, and high-reliability sectors. The Company achieved revenue growth with the competitive strength of the Company's FPGA products. Performance varied across sub-segments of the security and identification chips market, with overall revenue showing modest growth driven by RFID and sensor chips. The non-volatile memory market was fiercely competitive, with revenue declined during the year. Benefited from sound market positioning and consistent product quality, sales of MCU chips experienced rapid growth by year across the automotive and white goods sectors. The Company achieved overall revenue growth, maintained stable gross profit margins, and recorded an increase of gross profit of approximately RMB229 million when compared to last year;

(2) *Effect of expenses on net profit*

Increase in R&D expenses. To enhance product competitiveness and supply chain resilience, the Company continued to strengthen its diversified supply system and intensify efforts in developing new processes and products. Concurrently, influenced by shifts in the international trade environment, changes have occurred in supply chains and customer demand. Certain capitalised research and development projects are unlikely to achieve anticipated economic benefits in the future, therefore, some development expenditure was written off. During the reporting period, R&D expenses amounted to approximately RMB1,223 million, representing an increase of approximately RMB192 million when compared to last year.

Increase in provision of asset impairment loss. Against a background of heightened uncertainty in the international environment and volatility within the integrated circuit supply chain, the Company implemented a strategic stockpiling strategy in recent years to ensure continuous and stable deliveries to customers, with particular emphasis on increasing inventory levels for critical materials constrained by overseas production. On one hand, amid increasingly strained international trade conditions, the Company's inventory enhanced supply chain security and resilience effectively, supported the favourable market performance of relevant products, and ensured stable operating revenue. On the other hand, structural shifts in downstream demand for certain stockpiled products led to the sales of some inventory being lower than expected. The provision for inventory impairment losses increased during the current period. Concurrently, impairment losses were recognized for certain intangible assets due to failure to achieve expected returns. During the Reporting Period, provision of asset impairment loss amounted to approximately RMB439 million, representing an increase of approximately RMB271 million when compared to last year.

Management Discussion and Analysis

MAIN BUSINESS ANALYSIS *(Continued)*

1. Analysis of changes in income statement and cash flow statement related items *(Continued)*

Decrease in other income. There are reductions of the VAT deduction for integrated circuit design enterprises and special government subsidies for R&D projects, resulting in a decrease in other income. During the reporting period, other income amounted to approximately RMB143 million, representing a decrease of approximately RMB91 million when compared to last year.

Reasons for changes in revenue: Mainly attributable to the increase in the Company's sales of security and identification chips, smart meter chips and FPGAs during the Reporting Period.

Reasons for changes in cost of sales: Mainly attributable to the increase revenue during the Reporting Period, which led to a corresponding rise in costs of sales.

Reasons for changes in administrative expenses: Mainly attributable to the increase in severance pay for the Company's employees during the Reporting Period.

Reasons for changes in finance expenses: Mainly attributable to the increase in foreign exchange losses resulting from fluctuations in the US dollar exchange rate during the Reporting Period.

Reasons for changes in research and development expenses: Mainly attributable to certain R&D projects that were partially capitalised during the Reporting Period are unlikely to generate the expected economic benefits in the future and have therefore been written off and recognised as R&D expenses. At the same time, the Company has maintained a high level of R&D investment to facilitate product iteration and the expansion of its product portfolio, whilst also strengthening product development based on processes from a diverse range of suppliers.

Reasons for changes in other income: Mainly attributable to the reductions of the VAT deduction for integrated circuit design enterprises and special government subsidies for R&D projects.

Reasons for changes in assets impairment losses: Mainly attributable to the changes in the structure of downstream demand for certain products held in stock during the Reporting Period, with sales falling short of expectations, resulting in an increase in the provision for impairment of inventories for the period. For the year ended 31 December 2025, the Group recorded provision for write-down of inventories of RMB419,977,115.07. Inventories are stated at the lower of cost and net realisable value, which are written down below cost to net realisable value if the cost is higher than the net realisable value. At the same time, impairment losses on certain intangible assets increased as they failed to generate the expected returns.

Reasons for changes in net cash flow from operating activities: Mainly attributable to the increase in cash received from the sale of goods by the Company.

Reasons for changes in net cash flow from investing activities: Mainly attributable to the decrease in cash paid out by the Company for the acquisition and construction of fixed assets and intangible assets during the Reporting Period.

Reasons for changes in net cash flows from financing activities: Mainly attributable to the decrease in cash received from loans obtained by the Company. At the same time, there was increase in cash paid out for the repayment of bank loans.

Management Discussion and Analysis

MAIN BUSINESS ANALYSIS (Continued)

2. Status of assets and liabilities

RMB '0,000

Item	As at 31 December 2025	Balance as at the end of the Reporting Period as a percentage of total assets (%)	As at 31 December 2024	Balance as at the end of last year as a percentage of total asset (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last year (%)
Accounts receivable	187,689.92	20.39	149,380.56	16.52	25.65
Prepayments	34,645.52	3.76	11,364.43	1.26	204.86
Inventories	263,659.43	28.64	313,445.69	34.67	(15.88)
Intangible assets	31,012.39	3.37	19,749.52	2.18	57.03
Development costs	20,436.26	2.22	50,227.22	5.56	(59.31)
Short-term borrowings	67,589.67	7.34	107,187.20	11.86	(36.94)
Employee benefits payable	21,215.84	2.30	16,431.90	1.82	29.11
Current portion of non-current liabilities	17,577.28	1.91	36,820.32	4.07	(52.26)
Long-term borrowings	63,712.67	6.92	23,986.35	2.65	165.62

Management Discussion and Analysis

MAIN BUSINESS ANALYSIS *(Continued)*

2. Status of assets and liabilities *(Continued)*

Reasons for changes in accounts receivable: Mainly attributable to the longer payment settlement cycles for customers of high-reliability products, as well as an increase in trade receivables resulting from sales growth.

Reasons for changes in prepayments: Mainly attributable to the needs of daily operations, resulting in an increase in prepayments to suppliers for the purchase of materials.

Reasons for changes in inventories: Mainly attributable to the increase in sales of the Company's products, which led to a decrease in inventory balances. At the same time, there was increase in provisions for impairment of inventory resulted in a decrease in the carrying value of inventory.

Reasons for changes in intangible assets: Mainly attributable to certain capitalised projects of the Company reaching their intended state of readiness for use and being reclassified as intangible assets.

Reasons for changes in development costs: Mainly attributable to the transfer of certain projects within the Company that have reached their intended operational status. It is also attributable to the write-off of projects that are unlikely to achieve the expected economic benefits in the future.

Reasons for changes in short-term borrowings: Mainly attributable to restructure of debt, reducing short-term loans and increasing long-term borrowings.

Reasons for changes in employee benefits payable: Mainly attributable to a larger provision for year-end bonuses when compared with the previous period.

Reasons for changes in current portion of non-current liabilities: Mainly attributable to the decrease in long-term loans due within one year.

Reasons for changes in long-term borrowings: Mainly attributable to the restructure of debt reducing short-term loans and increasing long-term borrowings.

Management Discussion and Analysis

MAIN BUSINESS ANALYSIS (Continued)

3. Analysis of production and sales

Products	Unit	Production volume	Sales volume	Inventory	Change in production volume compared with last year (%)	Change in sales volume compared with last year (%)	Change in inventory compared with last year (%)
Security and Identification Chips	'0,000	334,659.62	331,469.80	19,709.38	30.86	32.88	9.41
Non-Volatile Memory	'0,000	92,326.36	92,687.95	19,844.25	10.11	10.61	(6.04)
Smart Meter Chips	'0,000	20,171.96	18,662.94	3,866.60	35.33	38.43	34.18
FPGA and Other products	'0,000	4,853.64	6,289.44	1,749.05	(46.16)	(20.92)	(45.06)

Overview of Production and Sales

1. The increase in sales of security and identification chips was primarily driven by RFID and sensor chips. The Company remains strong product competitiveness in this sector, continues to launch new products, increases its market share, and achieved growth in both production and sales volume.
2. The increase in sales of smart meter chips was primarily attributable to the continuous expansion of the application areas for the Company's products, there was increase in market share, and rise in production volume and inventory levels.
3. Sales and production volume of FPGAs and other chips declined annually, primarily due to a fall in downstream demand for smart appliance chips, which led to lower sales volume. Furthermore, the Company reduced production to consume inventory, resulting in a decrease in inventory level.

Management Discussion and Analysis

CAPITAL MANAGEMENT

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. The capital structure of the Group consists of equity attributable to owners of the Company (comprising issued share capital and various reserves) and bank borrowings. There was no change in the Group's capital management objectives, policies or procedures in 2025 and 2024.

The Group manages its capital with the gearing ratio. The gearing ratio of the Group, which is the total liabilities divided by the total liabilities and owner's equity as at 31 December 2025 is approximately 26.63% (2024: 27.62%).

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that developing and implementing rigorous risk management practices can efficiently and effectively reduce operational risks. The Board has delegated the responsibilities to relevant departments and will monitor, review and improve the practices from time to time.

The Directors believe that the Group is not exposed to risks associated with business regulations in view that there is no specific legislative control over the design, development and sales of integrated circuit where Group focuses its business at present, and national policies are all advantageous to the development of the industry. In addition, the Group's business maintained a stable and healthy growth over the years. With the Group's existing customers and suppliers are all long-term partners, and business of the industry is still in the growth phase driven by national policies and huge market demands in most of its products, the Directors believe there will be no uncertainties.

The Group is exposed to various risks as analysed below:

1. Risk of a significant decline in performance

The Group recorded a revenue growth in 2025, however, net profit attributable to owners of the parent company declined due to factors such as the recognition of an impairment loss on inventories and the write-off of certain capitalised R&D expenditure.

In 2026, in order to mitigate supply chain risks and enhance the competitiveness of its products, the Group will still need to invest in supply chain development and research and development. Should future market demand fall short of expectations or the competitive landscape in the industry deteriorate, and should there be a mismatch between the timing of changes in the Group's revenue and its capital expenditure, this may result in a decline in the Group's performance for that period.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

2. Core competitiveness risks

(1) *New product research and development and technical repetitive computing risks*

The integrated circuit design industry in which the Group operated in is a typical technology intensive industry. Technology upgrades and product iterations at a high speed, while chip products have higher technical barriers and obvious advantages of first-mover. If the Group makes mistakes in its judgment of market demand or slow development progress in the follow-up R&D process, it will face the risk of being grabbed for market share by competitors. In addition, the R&D of high-end chips has the characteristics of long development cycle, large capital investment, and high R&D risk. During the research and development process, there is a risk that certain key technologies cannot be broken through or product performance, parameters, and yield rates cannot meet market needs, leading to R&D failure and falling behind the new generation of technology.

(2) *Risks of attracting talents and maintaining innovative capabilities*

At present, the domestic chip design industry is developing rapidly, and the competition among enterprises for R&D talents is very fierce. The Group needs to formulate effective staff incentive policies and continuously enhance its human resources management capabilities to meet the demands of rapid development, otherwise it will face the risk of core talent loss, and it may also fall into a situation where it is difficult to attract talents to join, resulting in the Group's failure to maintain continuous innovation ability.

3. Operational risks

Risk of decrease in product selling price and gross profit margin. In the international market, compared with the leading enterprises in the industry, there are shortfalls in the richness of the Group's product layout, the advancement of technical indicators such as technological process and performance, and the scale of operation or market share of certain products of the Group. In the domestic market, there was increasing attention from the society, market and capital for the IC design industry. The Group is also facing an increasing number of competitors in each of its product lines and the competition is keen.

In recent years, the supply and demand relationship for some products has changed, and the overall gross profit margin level of the industry has been significantly impacted. At the same time, the performance of the Group's existing high-reliability mature products are subject to certain downward risks due to factors such as market competition and lower gross profit margins in newly expanded areas.

If the Group is unable to take effective measures to consolidate and enhance the competitiveness of its products in the future as a result of advancement in technology standards, increase in labour and raw material costs as well as decrease in the bargaining power of the Group's products, the Group's comprehensive gross profit margins will be subject to the risk of decline, which will put the Group in an unfavourable position in the keenly competitive marketplace and reduce its sustainable profitability.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

4. Financial risks

(1) *Risk of impairment of inventories*

The inventories of the Group mainly include chips and wafers. To safeguard the supply chain, the Group has invested more resources in inventories. At the end of the Reporting Period, the carrying amount of the inventories of the Group was approximately RMB2,636.5943 million, accounting for 38.44% of the corresponding total current assets at the end of the period. The Group makes corresponding impairment provisions every year according to the amount of the net realizable value of inventories lower than the cost. At the end of the Reporting Period, the balance of inventory impairment provisions of the Group was approximately RMB796.0269 million, and the proportion of inventory impairment provisions was 23.19%. If the market accelerates to go down in the future or the product replacement is accelerated due to technical repetitive computing, the risk of impairment of inventories may increase, which will have an adverse impact on the operating results of the Group.

(2) *Financial risks associated with R&D investment*

The Group attaches great importance to the independent research and development of core technologies. During the Reporting Period, the R&D investment was approximately RMB1,070 million, accounting for 26.88% of the revenue during the Reporting Period. The R&D investment intensity was relatively high. The amortization provided for the intangible assets formed by development expenditure or write-off of the development expenditure and impairment of the intangible assets may have a significant impact on the profits of the Group.

(3) *Risks of policy changes such as government subsidies and tax incentives*

The Group's integrated circuit design and integrated circuit testing related businesses are encouraged and supported by national industrial policies. The Group has strong scientific research capabilities and obtained more subsidies for scientific research projects during the Reporting Period, which can make up for the Group's R&D investment to a certain extent. As a high and new technology enterprise, the Group enjoys preferential tax policy support. If the national incentive policy changes, it may cause the risk of fluctuations in the profitability of the Group.

(4) *Risk of collection of accounts receivable and notes receivable*

At the end of the Reporting Period, the book balance of the accounts receivable of the Group was approximately RMB1,970.9164 million, and the book balance of notes receivable was approximately RMB310.6689 million. The total book balance of accounts receivable and notes receivable accounted for 57.29% of the revenue. If the macroeconomic situation, industry development prospects and other factors adversely change in the future, and the operating conditions of customers experience major difficulties, the Group may face the risk of increasing bad debt losses due to uncollectible accounts receivable and notes receivable.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

5. Industry risks

(1) *Risk of changes in industry conditions*

During the Reporting Period, changes in the supply and demand of chips and intensified competition in the industry brought challenges to the Group's gross profit margin. Although the Group's product lines cover industrial grade products, consumer and high reliability applications and are more resilient to volatility, an industry-wide slowdown in growth or a prolonged economic downturn could adversely affect the Group's results.

(2) *Risks of supply chain adjustments or changes*

With trade controls and technological restrictions in the global semiconductor industry continuing to intensify, domestic chip design companies are facing external pressure to adapt to changes in overseas supply chains. There is uncertainty surrounding overseas supply channels for key raw materials, core design tools and manufacturing processes. Companies need to press ahead with diversifying and restructuring their supply chains, and in doing so will face operational challenges such as increased switching costs and longer lead times for adapting key processes. At the same time, due to external regulatory policies, some domestic and overseas clients may adjust their cooperation intentions or transfer orders for reasons of supply chain stability and compliance. This could expose the Group to market risks such as customer attrition and impeded market expansion, which in turn may have a certain adverse impact on the Group's operating performance, market share and competitive position within the industry.

6. Macro-environmental risks

In recent years, the uncertainty of the international trade environment has increased, and antiglobalization trade has further spread. Some countries have adopted trade protection measures and have repeatedly taken longarm jurisdictional measures, which have had an impact on China's integrated circuit industry. The integrated circuit industry has typical characteristics of global division of labor and cooperation. If there are major adverse changes in the international trade environment, the trade friction between countries and regions further escalates, and global trade protectionism continues to heat up, the production and operation of upstream and downstream companies in the integrated circuit industry chain may be adversely affected, resulting in an increase in upstream and downstream transaction costs in the industry chain or influence on the security of supply chain of the Group, which may adversely affect the operation of the Group.

FUTURE OUTLOOK

In 2026, the Group will focus on its core business of integrated circuit design. With platform-based operations as its framework, cutting-edge technology as its foundation, and continuous innovation as its driving force, the Group will concentrate on the high-end general-purpose and specialised application-specific chip sectors, aiming to establish itself as a leading domestic chip design enterprise with a technological moat, market and industry influence. The Group will continue to consolidate and enhance its comprehensive competitive advantages in areas such as technology, service, quality and branding, drive forward institutional reforms, stimulate innovation, and achieve sustained, rapid and high-quality development.

Management Discussion and Analysis

FUTURE OUTLOOK *(Continued)*

Product technology

Research and development (“R&D”) efforts of 2026 will define a clear path towards the domestic production of high-performance products, whilst upholding independent innovation and fully incorporating evolving market demands. The Group will continue to consolidate its technological edge, transforming the technical capabilities of ‘reliability, low latency and high stability’ that the Company has cultivated over many years into ‘differentiated value’ that the market can clearly recognise and urgently requires. The Company will simultaneously strengthen the development of its R&D system and collaborative mechanisms, with a focus on enhancing innovation efficiency and market responsiveness.

The Company will continue to safeguard strategic investment in R&D, steadily refine its technological portfolio, and systematically advance the commercialisation of its products. By deepening collaboration within the industry-academia-research ecosystem, the Company will attract and nurture high-calibre talent from the sector, forge a high-performing R&D team, and strengthen its in-house design capabilities continuously.

Marketing

The Company will deliver high-quality service to key clients, strengthen its strategic partnerships with them, and enhance its capabilities continuously in providing integrated solutions and end-to-end services. The Company will focus on strategic key markets, avoid homogeneous competition, and concentrate its resources on increasing the market share in key sectors.

The Company will advance market penetration and strategic positioning systematically; strengthen customer acquisition, retention and in-depth collaboration; upgrade cooperation models; and establish mutually beneficial partnerships. The Company built a strong reputation in the industry through precise product definition and high-quality delivery services, whilst deepening its collaboration with domestic upstream and downstream supply chains and local clients. At the same time, the Company will leverage agile market insight to drive the iteration of its products and solutions.

Internal management

The Company must strike a dynamic balance between ambition and prudence when facing with multiple challenges in the external environment. It will focus on specific tasks that will help improve operational efficiency.

The Company will strengthen end-to-end project management and accelerate the pace of research and development, and will optimise inventory structure to improve asset turnover efficiency and overall operational quality. The Company will also strengthen comprehensive supply chain management capabilities, enhance supply chain resilience, promote diversified platforms, coordinate planning, focus on processes and pool resources. We will promote collaboration with research institutions and universities actively, focus on tackling key platform-level technologies, and refine our innovation strategy.

The Company will strengthen the development of its compliance and risk management framework systematically, enabling the organisation to respond swiftly to market changes whilst maintaining the resilience required for long-term development, thereby providing a fundamental safeguard for the Company to secure a sustainable competitive advantage in a complex environment.

Grouping operation

We will harness collective strength through unified strategic decision-making and standardised governance, develop talent recruitment and development plans tailored to business needs, build a robust and efficient core team, and implement an incentive scheme to stimulate operational vitality and innovative drive across all units within the compliance framework. Through the systematic communication of our mission, vision and values, and by guiding our actions, we ensure that our corporate culture serves as the core engine driving collaboration, inspiring innovation and strengthening resilience.

Management Discussion and Analysis

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

Save as disclosed in this annual report, the Group had no other material investments and acquisitions and disposals of subsidiaries, associates and joint ventures during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as mentioned in this annual report, there was no other specific plan for material investments or capital assets as at 31 December 2025.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2025, net assets of the Group amounted to RMB6,754,182,753.81 (2024: RMB6,544,120,922.79), representing an increase of approximately 3.21% over last year; of which current assets amounted to RMB6,859,496,080.33 (2024: RMB6,480,978,592.52), representing an increase of approximately 5.84% over last year, of which included cash at bank and on hand which were RMB1,298,621,710.02 (2024: RMB1,087,494,485.36), representing an increase of approximately 19.41% over last year.

The Group kept earning profit for the past years, and thus profit, placement of shares, bank borrowings and cash flows generated internally have been used to meet the operations and business development needs. With the cautious treasury policy adopted by the Group, the current cashflow is sufficient to cope with daily operation and future development. The Group may also obtain appropriate credit facilities from financial institutions when there is additional funding requirement for its business development in the future, including but not limited to bank borrowings, acceptance bills, discounted bills, trade finance and letters of credit, depending on the scale and duration of the funding requirements. The Group does not use any financial instruments for hedging purposes and does not have foreign currency net investments hedged by currency borrowings and other hedging instruments.

The Group's exposure to currency exchange rate risk is relatively low as most of the Group's operations are carried out in the PRC and most of the transactions conducted are denominated and settled in Renminbi. The Group has not entered into any foreign exchange hedging arrangements. The Directors are of the opinion that the fluctuation of exchange rate has no material impact on the financial performance of the Group.

As at 31 December 2025, the Group had bank borrowings amounted to RMB1,475,521,935.85, which are repayable in 1 to 7 years with interest rate 2.10% to 2.66% per annual (2024: RMB1,665,513,184.63).

An analysis of the Group's borrowings at 31 December 2025 is set out below:

Repayable in	RMB
Within 1 year	838,395,250.85
1 – 2 years	509,180,400.00
2 – 5 years	118,000,000.00
Over 5 years	9,946,285.00
	1,475,521,935.85

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2025, the Group did not have any assets pledged as security. (2024: Nil).

COMMITMENTS AND CONTINGENCIES

1. Major Commitments

	2025	2024
Contracted but not provided Capital commitment	11,779,295.64	9,619,477.16

2. Contingencies

As at the balance sheet date, the Group has no contingent that need to be disclosed.

EMPLOYEES

1. Employees status

Number of employees in the parent company	1,375
Number of employees in major subsidiaries	583
Total number of employees	1,958
Number of retired employees whose expenses are to be paid by the parent company and the subsidiaries	1

Profession Class of Profession	Number (person)
Production personnel	399
Sales personnel	333
Technical personnel	1,000
Financial personnel	20
Administrative personnel	206
Total	1,958

Educational Background Class of education	Number (person)
Doctor's degree	19
Master's degree	724
Undergraduate	700
College and below	515
Total	1,958

Management Discussion and Analysis

EMPLOYEES *(Continued)*

2. Remuneration policy

The Group provides employees with competitive compensation and benefits, including salary, bonus, social insurance, housing provident fund, health examination, supplementary commercial medical insurance and other welfare systems. Staff costs (including directors' emoluments) incurred for the year ended 31 December 2025 were approximately RMB1,103,702,112.04 (2024: RMB1,045,784,443.25). The Group provides employees with various leave in accordance with the law, including personal leave, sick leave, marriage leave, work injury leave, bereavement leave, annual leave, maternity leave, paternity leave and others.

The Group has established a complete performance appraisal system, and evaluates each employee according to the targeted appraisal objectives. At the end of each year, the Group formulates a salary adjustment plan based on the results of employee performance evaluation, and with reference to the market salary situation and the Group's current operating conditions. Besides, the Group optimizes the talent team through comprehensive talent evaluation mechanisms such as performance appraisal and talent promotion channels to achieve the development goal of building and developing a first-class talent team.

Retirement benefits scheme

The employees of the Company's subsidiaries in Hong Kong participate in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees in Hong Kong joining the Group are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK\$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the Company's subsidiaries in PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution under the Mainland retirement benefit scheme is available to reduce the contribution payable in future years.

Retirement Benefit Costs Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions. At 31 December 2025, there were no forfeited contributions available to offset future employers' contributions to the schemes.

The total expense recognised in profit or loss for the year ended 31 December 2025 of RMB94,424,090.32 (2024: RMB93,486,050.09) represents contributions paid or payable to the above schemes by the Group.

Management Discussion and Analysis

EMPLOYEES *(Continued)*

3. Training plan

The Human Resources Department has set up a human resource management process, based on an annual performance appraisal and assessment of the prior year and the development objectives of all departments, formulated the annual training plan. The implementation of training plan adopts two types of training being outsourcing and in-house. The effectiveness of the training plan will be assessed by examinations, feedbacks and performance appraisals with recommendations for the further improvements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors deem the compliance with laws and regulations as the cornerstone of a business and attach considerable importance to it. The Group strictly complies with relevant laws and regulations of each country and region where the subsidiary companies perform business activities. Furthermore, as the A shares of the Company are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and H shares of the Company are listed on the main board of Stock Exchange of Hong Kong Limited (“The Stock Exchange”), the Company shall be bound by the rules governing the listing of securities on the Shanghai Stock Exchange and The Stock Exchange, relevant regulatory rules of the China Securities Regulatory Commission and the Securities and Futures Ordinance on Chapter 571 of the Laws of Hong Kong respectively. The Group’s operating business is not subject to any specific regulation at the time being.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

Understanding that customer is the key factor for generating revenue and business development, the Group actively maintains close and long term partnerships with customers. With more than twenty years of business experience and expertise, the Group strives to fulfill the requirements of customers. All the Group’s five largest customers were manufacturers of security IC chips, non-volatile memory, smart meter and FPGA and other products, which are renowned enterprises in the industry with business relationship with the Group for long years. These customers are traded with 0 day to 90 days credit that is the same credit term given by the Group to other customers. For the year ended 31 December 2025, the above-mentioned 5 customers have no indication of doubtful debt. In accordance with the risk management policies adopted by the Group, its customers and products are managed in well-balanced portfolios, there is no exposure on heavy reliance on individual products nor these major customers’ orders.

The Group sees the suppliers as valued business partners, and is committed to maintain long term relationships with them and protect interests of both sides to ensure reasonable prices and stable supply of the Group.

Management Discussion and Analysis

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS (Continued)

Information in respect of the Group's sales and purchases attributable to major customers and suppliers respectively for the year ended 31 December 2025 is as follows:

Major customers

Customer	Revenue (RMB'0,000)	Percentage of annual revenue (%)	Interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors own more than 5% of the number of issued shares of the Company)
1 The first customer	51,927.33	13.04	Nil
2 Shanghai Fudan Communication Co., Ltd.	35,127.48	8.82	Shanghai Fudan Fukong Technology Enterprise Holdings Limited* (上 海復旦復控科技產業控股有限公 司), a substantial shareholder of the Company, holds approximately 33.84% of its equity interest
3 The third customer	10,819.93	2.72	Nil
4 The fourth customer	10,172.44	2.55	Nil
5 The fifth customer	9,114.39	2.29	Nil
Total	117,161.57	29.42	

Major suppliers

Supplier	Cost of purchase (RMB'0,000)	Percentage of annual cost of purchase (%)	Interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors own more than 5% of the number of issued shares of the Company)
1 The first supplier	26,652.10	17.84	Nil
2 The second supplier	16,524.07	11.06	Nil
3 The third supplier	13,472.63	9.02	Nil
4 The fourth supplier	12,367.56	8.28	Nil
5 The fifth supplier	11,929.16	7.98	Nil
Total	80,945.52	54.18	

Directors and Senior Management Biographies

Biographical details of the directors and the senior management of the Company are set out below:

DIRECTORS

Executive directors

Mr. Zhang Wei, born in 1968, aged 57, Chinese nationality, with no permanent residency outside China. He joined the Company in June 2025, is the chairman of the Board and managing director of the Company. He is also the chairman of the strategy and investment committee and environmental, social and governance committee of the Company. He is currently the Dean of the School of Microelectronics of Fudan University, a professor and a doctoral supervisor. From June 1995 to May 1997, He was Postdoctoral Fellow of Fudan University, China. He was the Associate Professor of Fudan University from June 1997 to April 1999. From May 1999 upon now, he is a Professor of Fudan University. Mr. Zhang Wei has long been engaged in the research of semiconductor devices, IC technology and semiconductor materials.

Mr. Shen Lei, born in 1966, aged 59, Chinese nationality, with no permanent residency outside China. He graduated majoring in semiconductor physics and devices and he holds a master's degree in microelectronics and solid electronics from Fudan University, he is a senior engineer (professor-level senior engineer). He joined the State Key Laboratory of Dedicated Integrated Circuits and Systems, School of Information Science and Engineering and School of Microelectronics in Fudan University in 1995 to conduct research on integrated circuit design and process correlation, and served as an engineer, senior engineer, professorate senior engineer, master's degree instructor and doctoral candidate instructor. He joined the Company in March 2001, he is currently the Executive Director and the Deputy Managing Director of the Company and is the core technical staff of the Company. He is the member of the strategy and investment committee and environmental, social and governance committee of the Company. Since September 2023, Mr. Shen Lei has been served as a director in Sino IC Technology Co., Ltd.* (上海華嶺集成電路技術股份有限公司), a subsidiary of the Company listed on Beijing Stock Exchange (stock code: 920139). Mr. Shen Lei holds 481,950 shares of Sino IC, a subsidiary of the Company, which represent 0.18% equity interest of its shares issued. Mr. Shen Lei indirectly holds 156,830 shares of Shanghai Fuwei Xunjie Digital Technology Co., Ltd. (上海復微迅捷數字科技股份有限公司), a subsidiary of the Company, through Shanghai Fuwei Xinxun Enterprise Management Consulting Partnership (Limited partnership) (上海復微芯訊企業管理諮詢合夥企業(有限合夥)), which represent 0.31% equity interest of its shares issued. He also indirectly holds 150,000 shares in Shanghai Fukong Hualong Microsystem Technology Co., Ltd., an associate of the Company, through Zhoushanshi Kangxin Investment Partners Enterprise (Limited partnership), which represent 0.21% equity interest of its shares issued.

Directors and Senior Management Biographies

DIRECTORS (Continued)

Non-executive directors

Ms. Yan Na, born in 1979, aged 46, Chinese nationality, with no permanent residency outside China. She joined the Company in August 2024, is the member of Nomination Committee of the Company. She holds a Bachelor's degree in electronic and a PhD in microelectronics and solid electronics from Fudan University and is a professor and doctoral candidate instructor, an excellent academic leader in Shanghai, a chief scientist of the National Innovation Centre for Integrated Circuits (國家集成電路創新中心), and a senior member of the Chinese Institute of Electronics. Since 2007, she has been a lecturer at the Department of Microelectronics, and an associate professor, professor, and associate dean at the School of Microelectronics of Fudan University. From July 2011 to July 2012, she was a visiting scholar at the University of California, Los Angeles (UCLA).

Mr. Zhuang Qifei, born in 1972, aged 53, Chinese nationality, with no permanent residency outside China. He joined the Company in August 2024. He has postgraduate qualifications and holds a master degree in economics and EMBA. He once served as a treasury manager of investment banking department of Shanghai Wanguo Securities Co., Ltd. (上海萬國證券公司), assistant to the general manager of investment banking headquarter of Southern Securities Co., Ltd. (南方證券有限公司), deputy general manager of investment banking headquarter of Tiantong Securities Co., Ltd. (天同證券有限責任公司), deputy general manager of Shanghai headquarter and investment banking headquarter of Huatai Securities Co., Ltd. (華泰證券股份有限公司), general manager of securities investment headquarter of Central China Securities Co., Ltd. (中原證券股份有限公司), general manager of Shanghai Richen Asset Management Co., Ltd. (上海融昌資產管理有限公司), president of Shanghai Chengtou Holding Investment Co., Ltd. (上海城投控股投資有限公司) as well as investment controller, vice president of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司), director of Western Securities Co., Ltd. (西部證券股份有限公司), deputy general manager of Tianjin Jinlian Investment Holdings Limited (天津津聯投資控股有限公司) and Tsinlien Group Company Limited in Hong Kong (香港津聯集團有限公司), the chairman of Tianjin TEDA International Holding (Group) Co., Ltd. (天津市泰達國際控股(集團)有限公司) and Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司). During the period from August 2019 to March 2023, Mr. Zhuang Qifei served as a director in Tianjin Development Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 882). During the period from September 2023 to June 2024, Mr. Zhuang Qifei also served as a director in Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司), a company listed on the main board of Shanghai Stock Exchange (stock code: 600827). He is currently the chief investment and finance officer of Bailian Group Co., Ltd. (百聯集團有限公司), the chairman of supervision committee of Shanghai Securities Company Limited, and the chairman of Shanghai Commerce and Invest (Group) Corporation (上海市商業投資(集團)有限公司), Bailian Financial Services Co., Ltd. (百聯金融服務有限公司) and vice chairman of the Bank of Consumer Finance Company Limited (中銀消費金融有限公司).

Ms. Zhang Rui, born in 1977, aged 48, Chinese nationality, with no permanent residency outside China. She joined the Company in August 2024, she is the member of the strategy and investment committee of the Company. She holds a master degree in Management from Xi'an Jiaotong University and an EMBA from China Europe International Business School. She served as the project manager and business director of the investment banking department of Minfa Securities Co., Ltd. (閩發證券有限責任公司) from 2000 to June 2005, the general manager of the investment banking department (division II), director of corporate business and general manager of investment banking headquarters of Nanjing Securities Co., Ltd. (南京證券股份有限公司) from June 2005 to May 2020, and the secretary of the party committee and chairlady of the board of directors of Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司) from May 2020 to August 2023. She has served as the general manager of Shanghai Commercial Invest (Group) Corporation (上海市商業投資(集團)有限公司) since August 2023. Besides, since April 2024, Ms. Zhang Rui has been a director of Shanghai First Pharmaceutical Co., Ltd. (上海第一醫藥股份有限公司), a company listed on the mainboard of Shanghai Stock Exchange (stock code: 600833).

Directors and Senior Management Biographies

DIRECTORS *(Continued)*

Non-executive directors *(Continued)*

Mr. Song Jiale, born in 1980, aged 45, Chinese nationality, with no permanent residency outside China. He joined the Company in August 2024. He graduated from Shanghai International Studies University majoring in English language and literature. He served as the head of the Lebanese Affairs of the Ministry of Foreign Affairs from August 2003 to April 2007, an auditor at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) from May 2007 to July 2009, the investment manager of Maryland Business Center (Shanghai) Co., Ltd. (馬里蘭商務中心(上海)有限公司) from August 2009 to December 2010, the deputy general manager of Chengding Fund (誠鼎基金) and the general manager of Hangzhou Chengding (杭州誠鼎) from January 2011 to February 2018, the deputy general manager of Shanghai Junhe Licheng Investment Management Center (L.P.) (上海君和立成投資管理中心(有限合夥)) from March 2018 to July 2020, and the general manager of Shanghai Jiushi Private Equity Fund Management Co., Ltd. (上海久事私募基金管理有限公同) from August 2020 to August 2023. He has served as the deputy general manager of Shanghai Commercial Invest (Group) Corporation (上海市商業投資(集團)有限公司) since September 2023.

Independent non-executive directors

Ms. Shi Yanling, born in 1969, aged 56, Chinese nationality, with no permanent residency outside China. She joined the Company in June 2025, is the chairperson of the remuneration and evaluation committee, the member of audit committee, nomination committee and strategy and investment committee of the Company. She is a doctor of science, a professor and a doctoral supervisor of East China Normal University. She is a member of the Shanghai Municipal Association for Science and Technology Integrated Circuit Professional Committee, a commissioner of the Ministry of Science and Technology of China's major scientific and technological projects, an assessment expert, and a former deputy dean of the School of Information Science and Technology of the East China Normal University. From July 1993 to February 2024, she taught at the East China Normal University, where she has been engaged in education and research in the field of integrated circuits.

Ms. Wang Meijuan, born in 1964, aged 61, Chinese nationality, with no permanent residency outside China. She joined the Company in June 2025, is the chairperson of the audit committee, the member of the remuneration and evaluation committee and the environmental, social and governance committee of the Company. She holds a master's degree in financial management from Shanghai University of Finance and Economics. From January 1988 to October 1994, she was a lecturer in the Management Engineering Department of Shanghai Institute of Building Materials; From May 1992 to May 2001, she was the Senior Manager of Grand Cathay CPA Limited and a Certified Public Accountant (CPA) in China; From May 2001 to May 2020, she was the General Manager of the Audit Department at Haitong Securities Co., Ltd., Supervisor at Haitong Securities Co., Ltd., chairperson of the Board of Supervisors at Haitong Futures Co., Ltd., Director at Haitong Kaiyuan Investment Co., Ltd., Supervisor at Haitong Innovation Securities Investment Co., Ltd., and chairperson of the Board of Supervisors at Haitong Hengxin International Leasing Co., Ltd. She is currently an adjunct faculty member at the National Accounting Institute of Shanghai.

Mr. Hu Xue, born in 1973, aged 53, Chinese nationality, with no permanent residency outside China. He joined the Company in June 2025, is the chairman of the nomination committee and the member of the audit committee of the Company. He graduated from the Law Department of East China University of Political Science and Law. Since July 1994 to June 2000, he was an officer and prosecutor of the Railway Transportation Branch of Shanghai Municipal People's Procuratorate, and from June 2000 to present, he is a solicitor and a partner of Shanghai United Law Firm.

Directors and Senior Management Biographies

DIRECTORS *(Continued)*

Independent non-executive directors *(Continued)*

Mr. Zhang Yu Ming, born in 1965, aged 60, Chinese nationality, with no permanent residency outside China. He joined the Company in December 2025, is the member of the Strategy and Investment Committee of the Company. He holds a Doctor of Philosophy degree in Microelectronics and Solid-State Electronics from Xi'an Jiaotong University. He is a Professor and Doctoral Supervisor. Since April 1992, he has been the Lecturer, Associate Professor, Professor and Doctoral Supervisor at Xi'an University of Electronic Science and Technology. From July 2005 to December 2023, he served as Deputy Dean and Dean of the School of Microelectronics at Xi'an University of Electronic Science and Technology. Since July 2022, he has been the Deputy Chairperson, Standing Committee Member and Committee Member of the 13th Provincial Committee of the Revolutionary Committee of the Shaanxi Province. Since January 2023, he has been a member of the Standing Committee of the 14th People's Congress of Shaanxi Province.

Employee Director

Mr. Shen Mingjie, born in 1979, aged 46, Chinese nationality, with no permanent residency outside China. He currently serves as a Fellow Engineer at the Company. Having joined the Company in July 2006, he has held positions including Front-end Engineer, Senior Engineer and Fellow Engineer. He is the member of the remuneration and evaluation committee and environmental, social and governance committee of the Company. Mr. Shen has extensive experience in integrated circuit design, possessing comprehensive expertise in product development and industrialisation.

SENIOR MANAGEMENT

Mr. Xu Liewei, born in 1978, Chinese nationality, with no permanent residency outside China. He holds a Bachelor's, Master's and Doctorate in Microelectronics from Fudan University. From January 2008 to January 2016, he served as Manager of the Company's Design Division II; from January 2016 to June 2025, he served as Manager of the Company's FPGA Business Division; from June 2025 to October 2025, he served as Assistant to the Managing Director of the Company; he currently serves as Deputy Managing Director of the Company.

Mr. Yu Jian, born in 1988, Chinese nationality, with no permanent residency outside China. He holds a Bachelor's degree in Microelectronics from Fudan University and a Master's degree in Microelectronics and Solid-State Electronics from Fudan University. He has been employed by the Company since June 2012, having held the positions of Front-end Design Engineer, Team Leader of the FPGA Development Team within the FPGA Business Division, Technical Director of the FPGA Business Division, and Assistant to the Managing Director; he currently serves as Deputy Managing Director of the Company.

Mr. Meng Xiangwang, born in 1976, Chinese nationality, with no permanent residency outside China. He holds a Master's degree in Optical Engineering from Tsinghua University and is a key technical member of the Company. He joined the Company in March 2002, serving successively as a hardware engineer and project manager. In 2004, he established the Power Electronics Division and served as its manager; since 2016, he has also served as the division's Product Director. He is currently the Company's Deputy Managing Director.

Directors and Senior Management Biographies

SENIOR MANAGEMENT *(Continued)*

Mr. Jin Jianwei, born in 1979, Chinese nationality, with no permanent residency outside China. He holds a bachelor's degree and is a Certified Intermediate Accountant and a Certified Public Accountant (non-practising member). He previously served as a General Ledger Accountant in the Finance Department of Shanghai Hualong Information Technology Development Centre and as Finance Manager at Shanghai Fuhong Hualong Micro-system Technology Co., Ltd. He has been working in the Company's Finance Department since 2014. He currently serves as the Company's Chief Financial Officer.

Mr. Zheng Kezhen, born in 1986, is a Chinese national with no permanent residency abroad. He holds a Bachelor's degree in Management from the China Youth Political College and a Master's degree in Business Administration from Soochow University. He is a Senior Economist and has passed the National Legal Professional Qualification Examination. He has previously served as Deputy Director of the Planning and Development Department at China Emerging Mining and Chemical Industry Corporation; Assistant General Manager at Jiangsu Jinlong Technology Co., Ltd.; Securities Affairs Representative and Head of the Strategic Investment Department at Suzhou Tianwo Technology Co., Ltd.; Head of the Investment and Operations Department at China Energy Engineering Group Co., Ltd.; Assistant General Manager and Securities Affairs Representative at Gansu Lanke Petrochemical High-Tech Equipment Co., Ltd.; and Deputy General Manager at Beijing Suwei System Technology Co., Ltd. Joined the Company in June 2021. Currently he serves as Secretary of the Board and Secretary of the Company's General Party Branch.

Mr. Yu Jun, born in 1968, is a Chinese national with no permanent residency abroad. He holds a Bachelor's degree in Radio Electronics and a Master's degree in Circuits and Systems from Fudan University, and is a Professor-level Senior Engineer. Since 1990, he has held the positions of Teaching Assistant, Lecturer, Associate Professor, Professor-level Senior Engineer and Deputy Dean at the School of Microelectronics, Fudan University. He joined the Company in July 1998 and has served as an Executive Director and Deputy Managing Director of the Company, whilst concurrently serving as a Director of Fuxin Fangao IC Technology Co. Ltd and a Director of Fukong Hualong. From September 2016 to August 2023, he concurrently served as a Director of Sino IC. He is currently a core technical staff member of the Company.

Note:

- (1) Shanghai Fudan Fukong Technology Enterprise Holdings Co., Ltd.* ("Fudan Fukong") held 101,732,384 A Shares of the Company which represent 12.38% equity interest of Shares issued of the Company. Bailian Group Co., Ltd.* ("Bailian Group") is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned Shanghai Commercial Invest (Group) Corporation* ("SCI"), and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong's interest in the Company.
- (2) Shanghai Fuxin Fangao IC Technology Co. Ltd.* (上海復芯凡高集成電路技術有限公司) ("Fuxin Fangao") holds 106,730,000 A Shares of the Company, representing 12.99% of the issued shares of the Company. Fuxin Fangao is a state-owned enterprise wholly owned by Shanghai Fudan Asset Management Co., Ltd.* (上海復旦資產經營有限公司) ("Fudan Asset"), which in turn is wholly owned by Fudan University.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The directors of the Company (the "Directors") acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditor on the financial statements are set out in the Auditors' Report on pages 80 to 85.

CORPORATE CULTURE

The Company has adopted, promoted and preserved a healthy corporate culture by which our directors, management and employees are bounded to strike for a sustainable development of the Company in a lawfully, ethically, and responsibly manner. Our culture is also about reaching a balance of benefits and risks of short terms goals with our long-term strategy.

The Board of the Directors has a collective responsibility for promoting robust corporate governance, at heart of which embedded with our corporate culture which has the following features.

- **Transparency**
Our directors and management shall be moulded to make decisions and to conduct our business based on the best information available to them and shared among them.
- **Integrity and Objectivity**
Our directors and management shall undertake to make decisions and to conduct our business with integrity and objectivity in the best interests of the Company and its shareholders.
- **Accountability**
Our directors and management shall be rewarded commensurately by the performance of the Company under their decisions and actions.

The Board is satisfied that our corporate culture has been well promoted and preserved based on its review of a set of culture-related factors, such as compliance history, staff turnover rate, numbers of stakeholders' complaints and performance of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company strives to attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of shareholders, clients and other stakeholders. The Group adopts sound corporate governance principles that emphasize a quality Board, effective risk management and internal control, stringent compliance practices and transparency and accountability to all stakeholders. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules.

Throughout the year ended 31 December 2025, the Company had complied with the CG Code with the exception from the deviation from the code provisions C.2.1 (relating to segregation of chairman role) as explained below:

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Under the code provision C.2.1, the roles of chairman and Managing Director (“chief executive officer”) should be separate and should not be performed by the same individual. However, the roles of the Company’s chairman and Managing Director are both performed by Mr. Zhang Wei (“Mr. Zhang”). Although the responsibilities of the chairman and the Managing Director are vested in one person, the Company has established detailed rules of procedure for the Board of Directors and the Managing Director, which clearly define their respective powers. Any matters requiring a decision by the Board of Directors will be discussed with the directors and submitted to the Board for a decision. There are two executive Directors, four non-executive Directors, four independent non-executive Directors and one employee Director in the Board. The Board considers that there is sufficient balance of power and the current management maintains a strong management position of the Company. The Board also considers that the current structure can promote efficient formulation and implementation of the Company’s strategies and explore business opportunities efficiently and promptly.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted a code of conduct on terms no less exacting than the model code for securities transactions by directors of listed issuers as set out in Appendix C3 of the Listing Rules. Having made specific enquiry to all directors, the directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2025.

BOARD OF DIRECTORS AND BOARD MEETING

Composition and role

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhang Wei (*Chairman and Managing Director*) (appointed on 18 June 2025)

Mr. Shen Lei (*Deputy Managing Director*)

Mr. Jiang Guoxing (resigned on 18 June 2025)

Mr. Shi Lei (resigned on 18 June 2025)

Mr. Yu Jun (resigned on 18 June 2025)

Non-executive Directors

Ms. Yan Na

Mr. Zhuang Qifei

Ms. Zhang Rui

Mr. Song Jiale

Independent Non-executive Directors

Ms. Shi Yanling (appointed on 18 June 2025)

Ms. Wang Meijuan (appointed on 18 June 2025)

Mr. Hu Xue (appointed on 18 June 2025)

Mr. Zhang Yu Ming (appointed on 2 December 2025)

Mr. Cao Zhongyong (resigned on 18 June 2025)

Mr. Cai Minyong (resigned on 18 June 2025)

Mr. Wang Pin (resigned on 18 June 2025)

Ms. Zou Fuwen (resigned on 18 June 2025)

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Composition and role *(Continued)*

Employee Director

Mr. Shen Mingjie (appointed on 2 December 2025)

The Company has received written annual confirmations from the four independent non-executive Directors of their independence according to Rule 3.13 under the Listing Rules and recognized their independence.

Changes in the Board members during the year were as followings:

Mr. Jiang Guoxing, Mr. Shi Lei and Mr. Yu Jun retired as executive directors, effective from 18 June 2025.

Mr. Cao Zhongyong, Mr. Cai Minyong, Mr. Wang Pin and Ms. Zou Fuwen retired as independent non-executive directors, effective from 18 June 2025.

Mr. Zhang Wei was appointed as non-executive director and redesignated from non-executive director to an executive Director, effective from 18 June 2025.

Ms. Shi Yanling, Ms. Wang Meijuan and Mr. Hu Xue were appointed as independent non-executive directors, effective from 18 June 2025.

Mr. Zhang Yu Ming was appointed as independent non-executive director, effective from 2 December 2025.

Mr. Shen Mingjie was appointed as employee director, effective from 2 December 2025.

The changes of the composition of the Board committees during the year are as follows:

- (a) Ms. Zou Fuwen resigned as the member of nomination committee, effective from 25 March 2025;
- (b) Ms. Yan Na was appointed as the member of nomination committee, effective from 25 March 2025;
- (c) Mr. Cai Minyong resigned as the member of environmental, social and governance committee, effective from 25 March 2025;
- (d) Mr. Shen Lei was appointed as the member of environmental, social and governance committee, effective from 25 March 2025, and then appointed as the member of strategy and investment committee, effective from 18 June 2025;
- (e) Mr. Wang Pin resigned as the chairman of audit committee, the member of nomination committee and remuneration and evaluation committee, effective from 18 June 2025;
- (f) Mr. Cai Minyong resigned as the chairman of nomination committee and remuneration and evaluation committee, and the member of audit committee, effective from 18 June 2025;
- (g) Mr. Cao Zhongyong resigned as the member of audit committee and environmental, social and governance committee, effective from 18 June 2025;
- (h) Mr. Zhang Wei was appointed as the chairman of strategy and investment committee and environmental, social and governance committee, effective from 18 June 2025;

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Composition and role *(Continued)*

- (i) Ms. Zhang Rui was appointed as the member of strategy and investment committee, effective from 18 June 2025;
- (j) Ms. Shi Yanling was appointed as chairperson of remuneration and evaluation committee, member of audit committee, nomination committee and strategy and investment committee, effective from 18 June 2025;
- (k) Ms. Wang Meijuan was appointed as chairperson of audit committee, member of remuneration and evaluation committee and environmental, social and governance committee, effective from 18 June 2025;
- (l) Mr. Hu Xue was appointed as the chairman of nomination committee, the member of audit committee and remuneration and evaluation committee, effective from 18 June 2025; then he resigned as member of remuneration and evaluation committee, effective from 2 December 2025;
- (m) Mr. Zhang Yu Ming was appointed as member of strategy and investment committee, effective from 2 December 2025;
- (n) Mr. Shen Mingjie was appointed as member of remuneration and evaluation committee and environmental, social and governance committee, effective from 2 December 2025.

Mr. Zhang Wei, Ms. Wang Meijuan and Ms. Shi Yanling obtained the legal advice referred to the Listing Rules 3.09D on 13 June 2025; Mr. Hu Xue obtained the legal advice referred to the Listing Rules 3.09D on 12 June 2025; Mr. Zhang Yu Ming and Mr. Shen Mingjie obtained the legal advice referred to the Listing Rules 3.09D on 20 November 2025; and they have confirmed they understood their obligations as a director of a listed issuer.

The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has appointed non-executive directors and independent non-executive directors. The Directors (including independent non-executive directors) may, upon reasonable request, seek independent professional advice to assist them in performing their duties at the Company's expense. The Board's composition is formed to be well balanced to ensure strong independence exists across the Board. The Board reviews the implementation and effectiveness of the mechanisms annually and considers them to be implemented properly and effectively. The biographies of the Directors are set out on pages 32 to 36 of this annual report, with details of diversity of skills, expertise, experience and qualifications concerning the Directors.

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, the entering into material transactions, appointment of Directors and other significant financial and operational matters. The Board determines the corporate governance policy of the Company, and performs duties under provision A.2.1 of the CG Code. The day-to-day management, administration and operation of the Company are delegated to the senior executives and the management. Their responsibilities include the implementation of decisions made by the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. The Board receives full support from senior executives to discharge its responsibility. Prior approval must be obtained from the Board before entering into any significant transactions. In addition, the Board has also delegated various responsibilities to the Board committees. Details of these committees are set out below in this report.

The Board classifies Directors into chairman, executive directors, non-executive directors, independent non-executive directors and employee director and this has been disclosed in all the Company's announcements, circulars and the websites of the Company and the Stock Exchange.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Composition and role *(Continued)*

For the year ended 31 December 2025, the Company has complied with the Listing Rules that the independent non-executive directors appointed must representing at least one-third of the Board. In addition, the Company has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors can provide the Board with independent judgements, knowledge and experience to ensure the interests of all shareholders have been duly considered. All Independent non-executive Directors devoted sufficient time to attend all meetings of the Board and the Board committees which they are a member, and have shared their independent views through the meetings. Upon reasonable request, independent professional advice could be provided to the Independent non-executive Directors to assist them to perform their duties for the Company. The Board considered the mechanisms to ensure independent views and input are available to the Board remain effective.

The Board is satisfied with the overall board effectiveness of the Company based on its own annual review over the board diversity, independence, succession and performance. The Company will conduct a evaluation of the Board's performance in next year. The current board gender diversity has fulfilled the principle set out in Rule 13.92 of the Listing Rules.

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

Directors' Skills and Experience

Areas of Experience	Number of Directors
Related Industry Knowledge/Experience	6
Business Management	11
Financial & Accounting	8
Strategic Planning & Risk Management	11

The Board has an appropriate mix of skills, experience and diversity of perspectives appropriate to the requirement the Company's business and relevant to the Company's purpose, values, strategies and corporate culture.

Chairman and Managing Director

The roles of the Company's chairman and Managing Director are both performed by Mr. Zhang Wei. Although the responsibilities of the chairman and the Managing Director are vested in one person, the Company has established detailed rules of procedure for the Board of Directors and the Managing Director, which clearly define their respective powers. Any matters requiring a decision by the Board of Directors will be discussed with the directors and submitted to the Board for a decision. The Chairman of the Board has the responsibilities to lead the Board and make sure it works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. The Managing Director has the responsibilities to manage and execute the Group's business directions and operation decisions.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Board diversity policy

The board diversity policy aims to set out the Company's approach on the diversity of the Board. This policy applies to the Board. It does not apply to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of directors is good for corporate governance and is committed:

1. To attract and retain candidate(s) for Board with a combination of competencies from the widest possible pool of available talent.
2. To maintain a Board with diversity perspectives at all levels, in particular, those are aligning with the Company's strategy and objectives.
3. To assess regularly the diversity profile of the Board and, where applicable, senior management prepared for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any.
4. To ensure that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates can be considered.
5. To set up appropriate procedures for development of a broader and more diverse pool of skilled and experienced senior management that would be prepared for Board positions.
6. To ensure that changes to the Board's composition can be managed without undue disruption.

The Nomination Committee reviews the structure, size and composition of the Board annually and where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy. In reviewing and assessing the Board composition and the nomination of directors (as applicable), Board diversity has to be considered from a number of aspects, including but not limited to the following:

- Gender
- Age
- Cultural and educational background
- Ethnicity
- Professional qualifications
- Skills, knowledge and industry and regional experience
- Length of service

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time (as applicable) such diversity perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable. The ultimate decision will be made based on the merits and contributions that the candidates can provide to the Company as well as taking into account the business model and specific needs of the Company from time to time.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Board diversity policy *(Continued)*

The Company has adopted the following measures to explore potential successors for the Board:

- the Company keeps track of the tenure of Directors and the need for new or replacement directors to be appointed (as the case may be), and maintains a running list of candidates comprising internal and external candidates as may be identified from time to time
- principles and key criteria for evaluating candidates for directorship are set out in the Nomination Committee's terms of reference and the Company's Board Diversity Policy

The Nomination Committee will review this policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

As for our workforce gender diversity, the Group has a gender ratio of 2.42 (male): 1 (female). The gender ration of senior management of the Group is 3.25 (male): 1 (female). The Board considers that this gender ratio is commensurate with the business model and business development needs. The Board has set a target to maintain this ratio with a 5% reasonable deviations for the coming 2 years. Currently, there are no particular challenging factors or circumstances that may prevent us from achieving the target.

Appointment, re-election and removal of Directors

All appointments of Directors have to be first considered by the Nomination Committee and proposed by the Nomination Committee to the Board according to the skills, knowledge and experience of the nominee for further approval. Term of appointment of all Directors of the Company is three years for one session.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Terms of Appointment of Directors

Executive Directors

Mr. Zhang Wei and Mr. Shen Lei have entered to service contracts with the Company for a term from 18 June 2025 to 17 June 2028 (i.e. the end of the term of the Tenth Session of the Board of the Company) unless terminated by a three month's prior written notice to be given by either party without payment of compensation.

Non-executive Directors

Each of the four non-executive directors has entered into service contracts with the Company for a term from 18 June 2025 to 17 June 2028 (i.e. the end of the term of the Tenth Session of the Board of the Company) unless terminated by a three months' prior written notice to be given by either party without payment of compensation.

Independent Non-executive Directors

Mr. Zhang Yu Ming, who was appointed on 2 December 2025, has entered into a service contract with the Company for a term from 2 December 2025 to 17 June 2028 (i.e. the end of the term of the Tenth Session of the Board of the Company) and the remaining three independent non-executive Directors have entered into service contracts with the Company for a term from 18 June 2025 to 17 June 2028 (i.e. the end of the term of the Tenth Session of the Board of the Company) unless terminated by a three months' prior written notice to be given by either party without payment of compensation.

Employee director

Mr. Shen Mingjie who was appointed on 2 December 2025, has entered into a service contract with the Company for a term from 2 December 2025 to 17 June 2028 (i.e. the end of the term of the Tenth Session of the Board of the Company) unless terminated by a three months' prior written notice to be given by either party without payment of compensation.

Board meetings

The Board held 4 full board meetings in each year and meets as and when required. During the year, the Board held 10 meetings, the Directors received details of agenda and related documentary materials for decision and to make sure they had sufficient information in advance of each board meeting.

Board minutes are kept by the secretary of the Board and the company secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Board meetings *(Continued)*

The number of Board meetings and general meetings and attendance of Directors during the year ended 31 December 2025 are set out below:

Name	Number of Board Meetings Attended/ Should Attend	Number of General Meeting Attended/ Should Attend
<i>Executive Directors:</i>		
Mr. Zhang Wei (<i>Chairman and Managing Director</i>) (appointed on 18 June 2025)	7/7	2/2
Mr. Shen Lei (<i>Deputy Managing Director</i>)	10/10	3/3
Mr. Jiang Guoxing (resigned on 18 June 2025)	3/3	1/1
Mr. Shi Lei (resigned on 18 June 2025)	3/3	1/1
Mr. Yu Jun (resigned on 18 June 2025)	3/3	1/1
<i>Non-executive Directors:</i>		
Ms. Yan Na	10/10	3/3
Mr. Zhuang Qifei	10/10	3/3
Ms. Zhang Rui	10/10	3/3
Mr. Song Jiale	10/10	3/3
<i>Independent non-executive Directors:</i>		
Ms. Shi Yanling (appointed on 18 June 2025)	7/7	2/2
Ms. Wang Meijuan (appointed on 18 June 2025)	7/7	2/2
Mr. Hu Xue (appointed on 18 June 2025)	7/7	2/2
Mr. Zhang Yu Ming (appointed on 2 December 2025)	2/2	1/1
Mr. Cao Zhongyong (resigned on 18 June 2025)	3/3	1/1
Mr. Cai Minyong (resigned on 18 June 2025)	3/3	1/1
Mr. Wang Pin (resigned on 18 June 2025)	3/3	1/1
Ms. Zou Fuwen (resigned on 18 June 2025)	3/3	0/1
<i>Employee director:</i>		
Mr. Shen Mingjie (appointed on 2 December 2025)	2/2	1/1

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Committees

The Board strives to maintain excellent corporate governance and has established committees with written terms of reference setting out the powers and duties of the committees:

1. *Audit Committee*

An audit committee has been established with written terms of reference in compliance with Listing Rules and has been published on the websites of the Stock Exchange and the Company. The primary duties of the audit committee include, among others:

- to supervise and assess the external audit works, to propose the engagement, reappoint, remove or replacement of the external auditing firms;
- to supervise and assess the internal audit works, and to be responsible for the coordination between internal and external auditing;
- to review the financial information of the Company and its disclosures;
- to review and assessment the internal control system of the Company; and
- to handle other matters as required by laws, regulations, Articles and authorities granted by the Board.

The audit committee comprises three independent non-executive Directors, Ms. Wang Meijuan (chairperson of the committee), Ms. Shi Yanling and Mr. Hu Xue. The audit committee members are well experienced with professional knowledge in management, accounting, finance, commercial and electronic industry sectors.

During the year ended 31 December 2025, the Audit Committee (1) reviewed the Group's annual, interim and quarterly reports and result announcements, the related accounting principles and practices adopted by the Group and provided advice and comments thereon; (2) made recommendations to the Board and the management in respect of the Group's financial reporting, risk management and internal control procedures; and (3) reviewed the Group's disclosable and connected transactions.

The Audit Committee held 6 meetings during the year under review. Among which, the committee also held 2 meetings with the auditor for the discussions on issues including audit planning, accounting policies adopted by the Group, internal control, risk management and preparation of financial statements.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Committees *(Continued)*

2. *Nomination Committee*

The Nomination Committee now comprises two independent non-executive Directors, Mr. Hu Xue (Chairman of the committee) and Ms. Shi Yanling and a non-executive Director, Ms. Yan Na. The Nomination Committee was established with written terms of reference which has been published on the websites of the Stock Exchange and the Company. The main roles and functions of the Nomination Committee include periodical review on the structure, number of members and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, and to assess the independence of independent non-executive Directors and to make recommendation as to the changes of Directors. The Nomination Committee identifies suitable candidates who can add value to the management through their contributions in the relevant strategic business areas, and makes recommendation to the Board in respect of the appointment and reappointment of Directors which will result on the constitution of a strong and diverse Board. In carrying out its responsibilities, the Nomination Committee would give adequate consideration to the principles under Rules B.1 and B.2 of Appendix C1 of the Listing Rules.

Nomination policy

The nomination policy sets out the procedures and criteria for the nomination process, selection and recommendation of suitable candidates for the purpose of achieving diversity of members.

When considering and accessing suitable candidates, the Nomination Committee will consider the diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and understanding of the Group's business and achievements in the industry, and will also consider the adequacy of time commitment by candidate, the commitment to perform relevant duties and the assessment of the contribution to the Group. The Nomination Committee will review the nomination policy from time to time in response to changes in the business of the Group and specific needs to ensure that the relevant policies continue to be effective. The Nomination Committee is responsible for adopting the measurable objectives for achieving diversity on the Board and monitoring the achievement of measurable objectives and reporting the progress.

For the year ended 31 December 2025, the Nomination Committee held 5 meetings. These meetings reviewed the current structure, number of members, composition and diversity of the Board, assessed the suitability of candidates for the positions of directors and senior management and the effectiveness of the nomination policy, assessed director's time commitment and contribution to the Board, as well as their ability to discharge their responsibilities effectively, and assessed the independence of each independent non-executive Directors.

3. *Remuneration and Evaluation Committee*

The Remuneration and Evaluation Committee now comprises of independent non-executive Directors, Ms. Shi Yanling (chairperson of the committee) and Ms. Wang Meijuan and a employee director, Mr. Shen Mingjie. The Remuneration and Evaluation Committee was established with written terms of reference which has been published on the websites of the Stock Exchange and the Company. The roles and functions of the Remuneration and Evaluation Committee included making recommendations of the remuneration packages of all Directors, including their benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment to the Board. The Remuneration and Evaluation Committee also considers factors such as salaries of comparable companies in the same industry, time commitment and responsibilities of the Directors, employment conditions within the Group and performance appraisal.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Committees *(Continued)*

3. *Remuneration and Evaluation Committee (Continued)*

During the year under review, 6 meetings of the Remuneration and Evaluation Committee were held. The Remuneration and Evaluation Committee has considered and reviewed the remuneration of the Directors for the year ended 31 December 2025 which considered to be fair and reasonable and has evaluated the performance of executive Directors and reviewed the implementation of the 2021 A Shares Restricted Share Incentive Scheme.

4. *Strategic and Investment Committee*

The Strategy and Investment Committee was established with duties to review, evaluate and approve or propose investment projects to the Board for approval; to supervise the implementation and to keep all investment projects within the limit approved; and to determine whether the proposed investment project is in the interests of the Company and the shareholders of the Company as a whole.

The Strategy and Investment Committee comprises of five members including the executive directors of the Company (Mr. Zhang Wei and Mr. Shen Lei) and Ms. Shi Yanling and Mr. Zhang Yu Ming who are the independent non-executive directors and Ms. Zhang Rui who is the non-executive director. Mr. Zhang Wei is the Chairman of the committee. The Strategy and Investment Committee held 2 meetings during the year for the review of the investment report of the Group and the discussions of potential investment opportunities available to the Company.

5. *Environmental, Social and Governance Committee*

The Environmental, Social and Governance Committee was established with 4 members which includes executive Director, Mr. Zhang Wei (Chairman of the committee) and Mr. Shen Lei, and an independent non-executive Directors, Ms. Wang Meijuan, and the employee director, Mr. Shen Mingjie. The main duties of the Environmental, Social and Governance Committee are responsible for the reporting to the Board matters relating to the Group's environmental, social and governance of the Group, and monitoring the formulation and implementation of vision, strategy, objective and policy of environmental, social and governance.

The Environmental, Social and Governance Committee held 1 meeting during the year.

Record of number of committee meetings and Directors' attendance during the year ended 31 December 2025 are set out below:

Name	Audit Committee	Nomination Committee	Remuneration and Evaluation Committee	Strategy and Investment Committee	Environmental, Social and Governance Committee
Mr. Zhang Wei	N/A	N/A	N/A	1/1	N/A
Mr. Shen Lei	N/A	N/A	N/A	1/1	N/A
Ms. Yan Na	N/A	4/4	N/A	N/A	N/A
Ms. Zhang Rui	N/A	N/A	N/A	1/1	N/A
Ms. Shi Yanling	4/4	3/3	4/4	1/1	N/A
Ms. Wang Meijuan	4/4	N/A	4/4	N/A	N/A
Mr. Hu Xue	4/4	3/3	3/3	N/A	N/A
Mr. Zhang Yu Ming	N/A	N/A	N/A	N/A	N/A
Mr. Shen Mingjie	N/A	N/A	1/1	N/A	N/A
Mr. Jiang Guoxing	N/A	N/A	N/A	1/1	1/1
Mr. Shi Lei	N/A	N/A	N/A	1/1	N/A
Mr. Yu Jun	N/A	N/A	N/A	1/1	N/A
Mr. Cao Zhongyong	2/2	N/A	N/A	N/A	1/1
Mr. Cai Minyong	2/2	2/2	2/2	1/1	1/1
Mr. Wang Pin	2/2	2/2	2/2	N/A	N/A
Ms. Zou Fuwen	N/A	1/1	2/2	N/A	N/A

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Committees *(Continued)*

During the year, the Chairman of the Board and independent non-executive Directors held one meeting without presence of executive Directors, to discuss and review the performance of the executive Directors and management and the adequacy and effectiveness of risk management and internal control systems to safeguard the interests of the Group. Taking the opportunity of meeting, improvement suggestions on the development of strategies and policies of the Group were sought from the Directors who attended the meeting.

During the year, the independent non-executive Directors also held meeting with external auditor without the presence of executive Directors, to discuss audit fees, issues arising from the audit process and matters of concern, and any other matters raised by external auditor.

Directors' training

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills in order to ensure their contributions to the Board remain informed and relevant. The Group has the responsibility for arranging and funding suitable training and placing an appropriate emphasis on the roles, functions and duties of director of a listed company. The Group also provides Directors with seminars regularly, to provide and update the Listing Rules as amended from time to time, the changes in company laws, the amendments to the accounting standards, and materials including corporate governance and references of non-compliance cases.

During the year ended 31 December 2025, each director attended continuous professional development training in accordance with Rules 3.09F, 3.09G and 3.09H of the Listing Rules, Mr. Zhang Yu Ming and Mr. Shen Mingjie will complete no less than 24 hours of the continuous professional development required by Rules 3.09H of the Listing Rules within 18 months of the date of their appointment. All Directors have received relevant trainings, including but not limited to briefings, seminars, conferences, workshops and reading materials on the following topics to develop and refresh their knowledge and skills and have provided their training records as follow:

Directors	Areas				Hours
	Board and directors' duties	Listing Rules and Hong Kong law compliance	Corporate governance and ESG matters	Industry and business updates	
Mr. Zhang Wei	✓	✓	✓	✓	13
Mr. Shen Lei	✓	✓	✓	✓	9
Ms. Yan Na	✓	✓	✓	✓	4
Mr. Zhuang Qifei	✓	✓	✓	✓	9
Ms. Zhang Rui	✓	✓	✓	✓	9
Mr. Song Jiale	✓	✓	✓	✓	9
Ms. Shi Yanling	✓	✓	✓	✓	12
Ms. Wang Meijuan	✓	✓	✓	✓	13
Mr. Hu Xue	✓	✓	✓	✓	12
Mr. Zhang Yu Ming	✓	✓	✓	✓	13
Mr. Shen Mingjie	✓	✓	✓	✓	15

Corporate Governance Report

COMPANY SECRETARY

Mr. Chong Hing Cheong, an external service provider, has been appointed as the company secretary of the Company. The primary contact person of Mr. Chong Hing Cheong at the Company is Mr. Zheng Kezhen, the secretary of the Board.

During the year, Mr. Chong Hing Cheong has undertaken no less than 15 hours of professional training to update his skills and knowledge.

AUDITOR'S REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the Group's financial statements for the year ended 31 December 2025 is set out in the section headed "Auditors' Report" of this report. During the year under review, the Group has paid the following fees to the external auditor:

	2025 RMB'000	2024 RMB'000
Audit fee	2,570	2,540
Internal control audit fee	460	460

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company has established an internal control department. The Company and its subsidiaries have to conduct review on the internal control and risk management system at least once annually. The Board monitors the effectiveness of the Company's internal control and risk management system through internal audit procedures and risk management policies which include the function of finance, compliance control, operations and risk management. The internal audit team and the risk management team identify, assess and manage risks, identify process and control weaknesses in daily operations continuously. They establish a comprehensive risk and control framework, and conduct independent assessments of high-risk issues identified internally or externally, which include the procedures for the timely, accurate and complete disclosure of discloseable information (including inside information and any other information required to prevent a false market in the Company's securities). The key business areas and matters covered by the assessment during the Reporting Period included organisational structure, development strategy, human resources, social responsibility, corporate culture, cash flow, procurement, asset management, sales, research and development, engineering and projects, business outsourcing, financial reporting, comprehensive budgeting, contract management, internal communication, and information systems. The reports and findings prepared by the internal audit team and the risk management team have to be circulated to the relevant committee delegated by the Board. The internal audit team and the risk management team may also submit their findings and the proposed audit plan to the Audit Committee for its approval if necessary. The Board and Audit Committee will review and resolve internal control defects accordingly. The Company adopt an integrated bottom-up and top-down risk review process to enable comprehensive identification and prioritization of all material risks throughout the Group, escalation of material risks at the right managerial level, effective risk dialogue among the management, and proper oversight of risk mitigation efforts.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM *(Continued)*

A review of system of internal control and risk management has been undergone for the year ended 31 December 2025 and an internal control assessment report 2025 was prepared, details of which were set out in the Company's announcement date 27 March 2026 with headline of "Overseas Regulatory Announcement – 2025 Internal Control Assessment Report". Besides, the Company also engaged its external auditor, Ernst & Young Hua Ming LLP to carry out assurance reporting on the effectiveness of the internal control over the financial reporting and the relevant report was set out in the Company's announcement date 27 March 2026 with headline of "Overseas Regulatory Announcement – Assurance Report on the Company's Internal Control". During the Reporting Period, there was no significant changes for the assessment of risks (including ESG risks) and the risk management and internal control systems. Management and the Audit Committee have confirmed to the Board that the Company's risk management and internal control systems are effective. The Directors and the management considered that the Group has maintained sound and effective internal controls and risk management systems. The systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code.

There was no significant control failings or weaknesses that were identified during the Reporting Period. The following internal control general deficiencies identified during the internal control assessment have been rectified during the Reporting Period:

Relevant internal control procedures/accounting items	Details	Rectification
Research and Development	The Company did not have explicit provisions regarding the write-off of development expenditure in its policies.	The Company has amended the relevant provisions, which will come into effect in 2026.
Sales and receivables	The High-Reliability Products Division of the Company did not have a corresponding accounts receivable management policy for the division.	The Company has amended the relevant policies, which will come into effect in 2026.

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. 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 Board will continue to assess the effectiveness of risk management and internal controls by considering reviews and recommendations made by the Audit Committee, senior management and internal control department.

The Company has developed its disclosure policy which provides a comprehensive guide to the Company's Directors, Supervisors, senior management, officers and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

The Company has approved the adoption of the amended Articles of Association at the extraordinary general meeting of the Company held on 2 December 2025 in order to (1) keep conjunction with the situation such as the change in share capital after the implementation of the A Shares Restricted Share Incentive Scheme of the Company; (2) remove the entire sections on the Supervisory Committee and Supervisors, along with related content, reflect the duties of the Supervisory Committee will be exercised by the Audit Committee of the Board and standardize certain clauses; and (3) bring the Articles of Association in line with other requirements of the Listing Rules and applicable laws of Hong Kong and PRC. An up-to-date version of the amended Articles of Association is available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHT

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equally and fairly. Pursuant to the articles of association of the Company, shareholder(s) individually or collectively holding 10% or more of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

At general meetings of the Company, the Board, the audit committee, and shareholder(s) individually or jointly holding more than 1% of the Company's shares shall have the right to propose resolutions to the Company. The content of a proposal shall be under the terms of reference of the general meeting, have definite topics and specific issues for resolution, and shall comply with the provisions of the laws, regulations and the Articles of Association.

Shareholder(s) individually or jointly holding more than 1% of the Company's shares may submit a written provisional resolution to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days after receipt of the said provisional resolution, to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration.

To safeguard the shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company, the Stock Exchange and the Shanghai Stock Exchange after each general meeting.

Detailed procedures for the shareholders to convene an extraordinary general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available in the Articles of Association of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by mail or emails:

Address For H Shareholders: Flat 6, 5/F., East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong, People's Republic of China

Address For A Shareholders: No. 220, Handan Road, Shanghai, People's Republic of China

Email: ir@fmsh.com.cn

Shareholders may also make enquiries with the Board at the general meetings of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The Board and management are dedicated to meeting and communicating with shareholders at the annual general meeting of the Group.

Corporate Governance Report

SHAREHOLDERS' RELATIONS

The Company has been publishing all of its announcements including annual, interim reports and quarterly reports, and inside information in time in accordance with the Listing Rules in order to provide financial information of the Group to shareholders. In addition to the post of spokesman established to liaise with shareholders and institutional investors, the Company also provides the most updated information on its website to maintain a different communication channel with its shareholders. Besides, significant issues were put as separate proposed resolutions in the annual general meeting and two extraordinary general meetings, at the same time, Chairman of the Board, the executive Directors, the non-executive Directors (including independent non-executive Directors) and the Company's external auditor have presented in the shareholders' general meeting of the Company to communicate and answer to the questions raised by shareholders. The Shareholders' communication policy is regularly reviewed to ensure its effectiveness during the Reporting Period. The Company has evaluated the various channels of communication with shareholders and their implementation and believes that the Shareholders' communication policy remains appropriate and effective.

DIVIDEND POLICY

The Board and the shareholders' general meeting of the Company shall consider the opinions of the independent directors and minority shareholders when determining and evaluating the Company's profit distribution policy. The Company's cash dividend policy aims to achieve stable dividend growth. If the Company's most recent annual audit report is qualified, or contains an unqualified opinion with a material uncertainty related to going concern, or if the debt-to-asset ratio exceeds a specific threshold/operating cash flow falls below a specific level, the Company may refrain from distributing profits. The Company shall implement continuous, stable, scientific and proactive profit distribution policies, and attach importance to the provision of reasonable return to shareholders and ensure the continuity and stability of profit distribution policy.

1. The Company may use cash, shares, combination of cash and shares or other forms as permitted by the laws and regulations in making profit distribution, and give priority to the provision of cash dividends. Profit distribution shall not exceed the cumulative distributable profit or damage the Company's continuous operation capability;
2. Subject to the prevailing laws and regulations as well as any regulatory rules, the profit distributed by the Company in the form of cash every year shall be not less than 10% of the distributable profit realized in that year;
3. While ensuring its normal business development, the Company adheres to the principle of giving priority to the provision of cash dividends when making profit distribution; no share dividends may be distributed if no cash dividends were made during the year. The Board is obliged to put forward a cash dividend proposal and it should explain the proposed use or the principles for using the distributable profit realized but not distributed in the current year;
4. In the event that the Board fails to put forward a cash dividend proposal due to major investment plans or major cash expenditures or other reasons, it must explain the reasons and the specific use of the retained profits in the profit distribution proposals;
5. If the Board of Directors believes that the Company has relatively good future growth potential, relatively high net asset value per share, and that the Company's share price does not match its share capital or that distributing share dividends conforms to the overall interests of all shareholders, it may draw up share dividend distribution proposals subject to compliance with its cash dividend policies;
6. The Company generally distributes profits annually; the Board of Directors may also put forward interim profit distribution proposals in accordance with the Company's profit conditions and funding needs.

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider the recommendation of declaring interim dividends from time to time.

During the Reporting Period, all dividend decisions made by the Board were made in accordance with the profit distribution policy. The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Report of the Directors

The Directors present their report and the audited financial statements of Shanghai Fudan Microelectronics Group Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group engaged in the design, development and testing of very large integrated circuits as well as provision of system solutions to customers. There were no significant changes in the nature of the Group’s principal activities during the year.

Further discussion and analysis of these activities, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 5 to 31 of this annual report. This discussion forms part of this report of the directors.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2025 and the Group’s assets and liabilities at that date are set out in the financial statements on pages 86 to 89 of this report.

On 27 March 2026, the Directors have considered and passed the “Resolution of the 2025 Distribution Plan”. It was proposed to use the total share capital registered on the equity registration date for the base of implementation of equity distribution, every 10 ordinary shares will be distributed with a cash dividend of RMB0.58 (tax included) with total cash dividend amounted to RMB47,775,368.50, representing 20.56% of the net profits attributable to the shareholders of the parent company for the year 2025. If there is any changes to the Company’s total share capital between the date of announcement and the record date for the payment of dividend, the proposed distribution amount per share will remain unchanged, whilst the total dividend amount will be adjusted accordingly and details of such adjustments will be announced separately. During the year, the Company paid a cash dividend of RMB0.80 (tax included) for every 10 ordinary shares to all shareholders regarding to the 2024 Distribution Plan with total cash dividend amounted to RMB65,714,184 (tax included) being distributed.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of annual general meeting (“AGM”), the Register of Members of H Shares of the Company will be closed from Monday, 18 May 2026 to Friday, 22 May 2026 (both days inclusive) and during which no transfer of H Shares will be effected.

For holders of H shares whose names appear on the Register of Members of the Company as at 22 May 2026 shall be entitled to attend the AGM. To be qualified to attend the AGM, all transfers of H Shares accompanied by the relevant share certificates must be lodged at the Company’s Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 15 May 2026.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 208. This summary does not form part of the audited financial statements.

SHARE CAPITAL

A summary of movements in the Company’s share capital is set out in note V (33) to the financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the People's Republic of China (the "PRC") for new shares offering.

ISSUANCE, PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 30 December 2025, the Company issued 2,285,950 new A Shares ordinary shares pursuant to the 2021 A Shares Restricted Share Incentive Scheme on the Shanghai Stock Exchange, with issue price of RMB17.62 per share and increment of share capital RMB228,595.00 with a premium of RMB40,049,844.00. The closing price of the A Shares on 23 September 2021, being the date on which the Board approved the Incentive Scheme and the terms of issue were fixed, was RMB38.80 per A Share. Total funds raised and the actual net proceeds is RMB40,278,439.00, the net price of each share is RMB17.62. According to the proposed use of proceeds under the 2021 A Shares Restricted Share Incentive Scheme, the proceeds of which were used as daily working capital in December 2025. At 31 December 2025, the Company's outstanding restricted shares under the 2021 A Shares Restricted Share Incentive Scheme were 6,000 (further details are set out in the circular dated 20 October 2021, and the Company's overseas regulatory announcements dated 5 November 2021, 6 December 2021, 28 October 2022, 7 December 2022, 15 December 2022, 19 December 2023, 26 December 2023, 11 December 2024, 30 December 2025 and 13 January 2026). According to the capital structure of the Company, if all the outstanding restricted shares are vested, 6,000 additional A Shares ordinary shares of the Company will be issued. Save as disclosed above and in note V, 33 and 34 of the notes to financial statements of this annual report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DISTRIBUTABLE RESERVES

According to the relevant regulations of the PRC, the Company's reserves available for distribution at 31 December 2025 amounted to RMB3,869,445,775.80 (At 31 December 2024: RMB3,681,161,375.45).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 29.42% of the total revenue for the year and sales to the largest customer included therein amounted to 13.04%. Purchases from the Group's five largest suppliers accounted for 54.18% of the total purchases for the year and purchase from the largest supplier included therein amounted to 17.84%.

To the knowledge of the Directors, except for Shanghai Fudan Fukong Technology Enterprise Holdings Limited* (上海復旦復控科技產業控股有限公司), a substantial shareholder of the Company, holds approximately 33.84% equity interest of Shanghai Fudan Communication Co., Ltd., none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

KEY RISKS AND UNCERTAINTIES

Details of the Group's key risks and uncertain factors for the end of the Reporting Period are set out in the section headed "Management Discussion and Analysis" of this report.

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of the end of the reporting period are set out in note V (21) and (29) to the financial statements.

DIRECTORS

The directors of the Company during the year and on the date of this report were:

Executive directors

Mr. Zhang Wei (*Chairman and Managing Director*) (appointed on 18 June 2025)

Mr. Shen Lei (*Deputy Managing Director*)

Mr. Jiang Guoxing (resigned on 18 June 2025)

Mr. Shi Lei (resigned on 18 June 2025)

Mr. Yu Jun (resigned on 18 June 2025)

Non-executive Directors

Ms. Yan Na

Mr. Zhuang Qifei

Ms. Zhang Rui

Mr. Song Jiale

Independent Non-executive Directors

Ms. Shi Yanling (appointed on 18 June 2025)

Ms. Wang Meijuan (appointed on 18 June 2025)

Mr. Hu Xue (appointed on 18 June 2025)

Mr. Zhang Yu Ming (appointed on 2 December 2025)

Mr. Cao Zhongyong (resigned on 18 June 2025)

Mr. Cai Minyong (resigned on 18 June 2025)

Mr. Wang Pin (resigned on 18 June 2025)

Ms. Zou Fuwen (resigned on 18 June 2025)

Employee Director

Mr. Shen Mingjie (appointed on 2 December 2025)

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out in the section headed "Directors and Senior Management Biographies" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the directors have entered into a service contract with the Company for terms to the end of the term of the Tenth Session of the Board (i.e. 17 June 2028), unless terminated by a three months' prior written notice to be given by either party without payment of compensation.

No director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. The remuneration of all Directors is subject to regular monitoring by the Remuneration and Evaluation Committee to ensure that their salaries and compensation levels are appropriate. The Group determines the remuneration of the Directors with reference to the industry's remuneration standards and in line with the Group's business development, taking into account the qualifications, experience and contributions of the Directors to ensure that the level of remuneration is sufficient to attract and retain Directors without excessive payment of emoluments. Details of remuneration of the management are set out on note XV (2) to the financial statements.

REMUNERATION PAYABLE TO SENIOR MANAGEMENT

For the year ending 31 December 2025, the remuneration payable to the 4 member of senior management fell within the range of HK\$1,500,001 to HK\$2,000,000, the remuneration payable to the 2 members of senior management fell within the range of HK\$2,000,001 to HK\$2,500,000.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, incurred by directors and officers to third parties.

CHANGE IN INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO LISTING RULES 13.51B(1)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors since the Company's 2024 Annual, other than the changes disclosed in other paragraphs of this report, are set out below:

Director	Change
Mr. Zhang Wei	Appointed as the Chairman of the Board and the Managing Director of the Company, and the authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and redesignated from a non-executive director to an executive director of the Company, and appointed as the chairman of strategy and investment committee and environmental, social and governance committee, all effective from 18 June 2025.
Mr. Shen Lei	Appointed as the member of environmental, social and governance committee, effective from 25 March 2025, and then appointed as the member of strategy and investment committee, effective from 18 June 2025.
Ms. Yan Na	Appointed as the member of nomination committee, effective from 25 March 2025.
Ms. Zhang Rui	Appointed as the member of strategy and investment committee, effective from 18 June 2025.

Report of the Directors

CHANGE IN INFORMATION OF DIRECTORS DISCLOSED PURSUANT TO LISTING RULES 13.51B(1) (Continued)

Director	Change
Ms. Shi Yanling	Appointed as chairperson of remuneration and evaluation committee, member of audit committee, nomination committee and strategy and investment committee, effective from 18 June 2025.
Ms. Wang Meijuan	Appointed as chairperson of audit committee, member of remuneration and evaluation committee and environmental, social and governance committee, effective from 18 June 2025.
Mr. Hu Xue	Appointed as the chairman of nomination committee, the member of audit committee and remuneration and evaluation committee, effective from 18 June 2025; then he resigned as member of remuneration and evaluation committee, effective from 2 December 2025.
Mr. Zhang Yu Ming	Appointed as member of strategy and investment committee, effective from 2 December 2025.
Mr. Shen Mingjie	Appointed as member of remuneration and evaluation committee and environmental, social and governance committee, effective from 2 December 2025.

Note:

- (1) Shanghai Fudan Fukong Technology Enterprise Holdings Co., Ltd.* (“Fudan Fukong”) held 101,732,384 A Shares of the Company which represent 12.38% equity interest of Shares issued of the Company. Bailian Group Co., Ltd.* (“Bailian Group”) is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned Shanghai Commercial Invest (Group) Corporation* (“SCI”), and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong’s interest in the Company.
- (2) Shanghai Fuxin Fangao IC Technology Co. Ltd.* (上海復芯凡高集成電路技術有限公司) (“Fuxin Fangao”) holds 106,730,000 A Shares of the Company, representing 12.99% of the issued shares of the Company. Fuxin Fangao is a state-owned enterprise wholly owned by Shanghai Fudan Asset Management Co., Ltd.* (上海復旦資產經營有限公司) (“Fudan Asset”), which in turn is wholly owned by Fudan University.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year.

EQUITY-LINKED AGREEMENTS

Save as share schemes disclosed in this annual report, 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 Company during the year or subsisted at the end of the year.

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 were in existence during the year.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

At 31 December 2025, the interests or short positions of the directors and chief executives of the Company in the share capital and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Listing Rules, were as follows:

Report of the Directors

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

Long positions in associated corporations of the Company:

	Number of issued shares held, capacity and nature of interest				Total	Percentage of the associated corporation's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation			
Sino IC						
– Mr. Shen Lei	481,950	–	–		481,950	0.18
Shanghai Fuwei Xunjie Digital Technology Co., Ltd.						
– Mr. Shen Lei (through Shanghai Fuwei Xinxun Enterprise Management Consulting Partnership (Limited partnership))	–	–	156,830		156,830	0.31
Shanghai Fukong Hualong Microsystem Technology Co., Ltd						
– Mr. Shen Lei (through Zhoushanshi Kangxin Investment Partners Enterprise (Limited partnership))	–	–	150,000		150,000	0.21

Save as disclosed above, as at 31 December 2025, none of the directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies contained in the Listing Rules.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF DIRECTORS

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Report of the Directors

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries, or fellow subsidiaries, or its parent company was a party and in which a controlling shareholder of the Company, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2025, so far as any Directors are aware, the interests or short positions owned by the following parties in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Part XV of the SFO or were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long or short positions in shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Class of shares	Percentage of shareholding on relevant class of shares	Percentage of the Company's issued share capital
Shanghai Fuxin Fangao IC Technology Co. Ltd. ("Fuxin Fangao")	(2)	Directly beneficially owned	106,730,000 (L)	A shares	19.87 (L)	12.99 (L)
Shanghai Fudan Asset Management Co., Ltd. ("Fudan Asset")	(2)	Interest of corporation controlled	106,730,000 (L)	A shares	19.87 (L)	12.99 (L)
Fudan University	(2)	Interest of corporation controlled	106,730,000 (L)	A shares	19.87 (L)	12.99 (L)
Shanghai Fudan Fukong Technology Enterprise Holdings Limited ("Fudan Fukong")	(3)	Directly beneficially owned	101,732,384 (L)	A shares	18.94 (L)	12.38 (L)
Shanghai Commerce and Invest (Group) Corporation ("SCI")	(3)	Interest of corporation controlled	101,732,384 (L)	A shares	18.94 (L)	12.38 (L)
Bailian Group Company Limited ("Bailian Group")	(3)	Interest of corporation controlled	101,732,384 (L)	A shares	18.94 (L)	12.38 (L)
Shanghai Zhengben Corporate Management Consultant Partnership Enterprise ("Shanghai Zhengben")	(4)	Directly beneficially owned	28,987,738 (L)	A shares	5.39 (L)	3.52 (L)
Shanghai Yikun Investment Consultant Partnership Enterprise ("Shanghai Yikun")	(4)	Interest of corporation controlled	28,987,738 (L)	A shares	5.39 (L)	3.52 (L)
Zhang Yong	(4)	Interest of corporation controlled	28,987,738 (L)	A shares	5.39 (L)	3.52 (L)

Notes:

- (1) (L) – Long position
- (2) Fuxin Fangao is a state-owned enterprise wholly owned by Fudan Asset and Fudan Asset is wholly owned by Fudan University.
- (3) Bailian Group is a state-owned enterprise wholly owned by the Shanghai Municipal Government and wholly owned SCI, and SCI held 70.2% of the equity interest of Fudan Fukong. Accordingly, each of SCI and Bailian Group is deemed to be interested in Fudan Fukong's interest in the Company.
- (4) Zhang Yong held 95% of the equity interest in Shanghai Yikun, and Shanghai Yikun held 99.81% of the equity interest in Shanghai Zhengben. Accordingly, each of Shanghai Yikun and Zhang Yong is deemed to be interested in Shanghai Zhengben's interest in the Company. Shanghai Yikun and Zhang Yong further held the Company's interest through another controlled corporation.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long or short positions in shares of the Company: *(Continued)*

Save as disclosed above, as at 31 December 2025, no person, other than the directors of the Company, whose interests are set out in the section headed “Interests and short positions in shares and underlying shares and debentures of directors and chief executives” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed to the Company under Part XV of the SFO or to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Environmental, Social and Governance (the “ESG”) Committee is the management and supervisor of the ESG system and responsible for the reporting to the Board matters relating to ESG issues of the Group, and monitoring the formulation and implementation of vision, strategy, objectively and policy of ESG. The Board has full responsibility of the Group’s ESG strategy and reporting and responsible for evaluating and determining related risks of ESG, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Company prepared a separate ESG report for the year ended 31 December 2025 complying with the disclosure requirements under Appendix of the Listing Rules and will be published at the same time as the publication of this annual report on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.fms.com.

2021 A SHARES RESTRICTED SHARE INCENTIVE SCHEME

The Company implemented the 2021 A Shares Restricted Share Incentive Scheme (the “Scheme”) on 6 December 2021 (the “Grant Date”) for the purpose of motivating and rewarding persons who contribute to the operations of the Group. Eligible persons include those persons, other than directors, chief executive and substantial shareholders of the Company, whom the Board of Directors considers to be in need of incentives. The Scheme is valid for a maximum period of 60 months from the date of grant of the A Shares restricted shares (the “Restricted Shares”) to the date when all the Restricted Shares granted to the incentive recipients vest or lapse. As at 31 December 2025, the remaining life of the Scheme is 1 years.

The total number of underlying shares involved in this Scheme during the entire validity period is 10,000,000 shares, which does not exceed 20.00% of shares of the Company in aggregate at the time of submitting this scheme to the shareholders’ meeting, which represent 1.21% of the issued shares at the date of this annual report. The cumulative number of shares of the Company granted to any one incentive recipient and the maximum entitlement of each incentive recipient under this Scheme during the entire validity period does not exceed 1.00% of the total number of shares of the Company.

The grant price of the Restricted Shares under the first grant is RMB18.00 per Share, i.e., the incentive recipients who have satisfied the conditions of grant and conditions of vesting can subscribe for the Restricted Shares to be issued by the Company to them at the price of RMB18.00 per A Share. Grant price was adjusted to RMB17.62 per Share after distribution of cash dividend to shareholder in 2022, 2023, 2024 and 2025. The pricing method for the Restricted Shares grant price under the Scheme is self-pricing. The purpose of determining the grant price by independent pricing is to promote the development of the Company, protect the rights and interests of the Shareholders, and provide a mechanism and talent guarantee for the long-term and stable development of the Company. The Participants did not need to pay on the application or acceptance of Restricted Shares. The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company’s requirements before the vesting of the Restricted Shares. Participants who have not paid the funds within the period stipulated by the Company shall be deemed to have waived his/her right to subscribe for the Restricted Shares.

The Company did not grant any Restricted Shares during the year 2025 (2024: Nil), of which the Group recognized share option expenses of RMB16,694,679.16 in the year (2024: RMB57,054,534.31).

Report of the Directors

2021 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Movements of Restricted Shares for the year

Name or category of participants	Grant date	As at 1 January 2025 (Share)	Number of Restricted Shares				As at 31 December 2025 (Share)	Vesting period	Vesting price
			Granted (Share)	Vested (Share)	Cancelled (Share)	Lapsed (Share)			
Employee (total 570 employee)	6/12/2021 and 28/10/2022	2,466,200	-	2,285,950	-	174,250	6,000	8/12/2024 to 7/12/2026	RMB17.62
Total		2,466,200	-	2,285,950	-	174,250	6,000		

On 30 December 2025, there were 2,285,950 Restricted Shares vested with vesting price RMB17.62 per share, the closing price of the A Shares immediately before the vesting date is RMB78.11. During the year, there were 174,250 Restricted Shares lapsed which the original vesting price is RMB17.62 per share.

At the beginning and the end of the year, the number of Restricted Shares that may be granted under the Scheme is zero. The number of shares that may be issued in respect of the Restricted Shares granted under the Scheme during the year divided by the weighted average number of shares of the relevant class in issue for the year is 0%.

The Scheme is valid for five years from the date of grant of the restricted shares. The granted Restricted Shares of the First Grant will be exercised in four batches of 25%, 25%, 25% and 25% of the exercise ratio from the date of grant, after a 12-month exercise restriction period, provided that the exercise conditions are met, and the incentive recipients can exercise the Restricted Shares during the exercise period in accordance with the exercise price determined in the Scheme. The granted Restricted Shares of the Reservation Grant will be exercised in three batches of 30%, 30% and 40% of the exercise ratio from the date of grant, after a 12-month exercise restriction period, provided that the exercise conditions are met, and the incentive recipients can exercise the restricted shares during the exercise period in accordance with the exercise price determined in the Scheme.

As at 31 December 2025 and the date of this annual report, the Company had 6,000 Restricted Shares granted and outstanding for vesting under the Scheme, which represented approximately 0.001% of the Company's issued shares at that date. Based on the capital structure of the Company, if all the Restricted Shares issued and outstanding are exercised, 6,000 additional A Shares ordinary shares of the Company will be issued, increasing the share capital by RMB600 and the share premium by RMB105,120.00 of the Company (before deduction of issue expenses).

Report of the Directors

2021 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets

The performance assessment requirements of the First Grant will be evaluated on an annual basis for the 4 financial years of 2021 to 2024 at the Group level, and the achievement of performance assessment target of the participants for each year. The performance assessment objectives of the First Grant according to the 2021 A Shares Restricted Share Incentive Scheme are set out below:

Performance assessment requirements at the Group level:

Tranche		Performance Assessment Target A, Company vesting factor 100%	Performance Assessment Target B, Company vesting factor 80%
Restricted Shares granted for the First Grant	First vesting	Meet any one of the following conditions: 1. The revenue increased by 40% or above over 2020; 2. Sales profit margin increased by 50% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 32% over 2020; 2. Sales profit margin increased no less than 40% over 2020.
	Second vesting	Meet any one of the following conditions: 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 52% over 2020; 2. Sales profit margin increased no less than 52% over 2020.
	Third vesting	Meet any one of the following conditions: 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
	Fourth vesting	Meet any one of the following conditions: 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

Report of the Directors

2021 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets (Continued)

The performance assessment requirements of the Reserved Grant will be evaluated on an annual basis for the 3 financial years of 2022 to 2024 at the Group level, and the achievement of performance assessment target of the participants for each year. The performance assessment objectives of the Reserve Grant according to the 2021 A Shares Restricted Share Incentive Scheme are set out below:

Performance assessment requirements at the Group level:

Tranche		Performance Assessment Target A, Company vesting factor 100%	Performance Assessment Target B, Company vesting factor 80%
Restricted Shares granted for the Reserved Grant	First vesting	Meet any one of the following conditions: 1. The revenue increased by 65% or above over 2020; 2. Sales profit margin increased by 65% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 52% over 2020; 2. Sales profit margin increased no less than 52% over 2020.
	Second vesting	Meet any one of the following conditions: 1. The revenue increased by 90% or above over 2020; 2. Sales profit margin increased by 90% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 72% over 2020; 2. Sales profit margin increased no less than 72% over 2020.
	Third vesting	Meet any one of the following conditions: 1. The revenue increased by 120% or above over 2020; 2. Sales profit margin increased by 120% or above over 2020.	Meet any one of the following conditions: 1. The revenue increased no less than 96% over 2020; 2. Sales profit margin increased no less than 96% over 2020.

Note: As referred above, “revenue” means audited consolidated revenue of the Group; “sales profit margin” means audited revenue after deducting cost of sales of the Group.

Performance assessment requirements at the participant’s individual level:

The individual assessment of participants is carried out according to the internal performance assessment system of the Company. The individual evaluation results of the participants are divided into two levels: “pass” and “fail”. The corresponding vesting situations are as follows:

Assessment standards	Pass	Fail
Individual Vesting Coefficient	100%	0%

If the Group’s performance reaches performance assessment target, the number of restricted shares can be vested attributable to the participant in the current year = the number of shares can be vested of the individual for the year × the company vesting factor × the individual vesting coefficient.

If the restricted shares that the belong to the participant for the current period cannot be vested or cannot be fully vested due to assessment reasons, the restricted shares shall become invalid and shall not be deferred to the next year.

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME

The Company implemented the 2026 A Shares Restricted Share Incentive Scheme (the “2026 Scheme”) on 16 March 2026 (the “Grant Date”) for the purpose of motivating and rewarding persons who contribute to the operations of the Group. Eligible persons include directors, senior management personnel, core technical personnel and whom the Board of Directors considers to be in need of incentives. The Scheme is valid for a maximum period of 48 months from the date of grant of the Restricted Shares to the date when all the Restricted Shares granted to the incentive recipients vest or lapse. As at the date of this report, the remaining life of the Scheme is 4 years.

The total number of underlying shares involved in this 2026 Scheme during the entire validity period is 13,880,000 shares, the number of Restricted Shares that may be granted under the 2026 Scheme is 13,880,000, which does not exceed 20.00% of shares of the Company in aggregate at the time of submitting this 2026 scheme to the shareholders’ meeting, which represent 1.69% of the issued shares at the date of this annual report. The cumulative number of shares of the Company granted to any one incentive recipient and the maximum entitlement of each incentive recipient under this 2026 Scheme during the entire validity period does not exceed 1.00% of the total number of shares of the Company.

The grant price of the Restricted Shares is RMB41.59 per Share, i.e., the incentive recipients who have satisfied the conditions of grant and conditions of vesting can subscribe for the Restricted Shares to be issued by the Company to them at the price of RMB41.59 per A Share. The pricing method for the Restricted Shares grant price under the 2026 Scheme is self-pricing according to the Management Measures for Share Incentives of Listed Companies and approved by the shareholders’ general meeting. The purpose of determining the grant price by independent pricing is to promote the development of the Company, protect the rights and interests of the Shareholders, and provide a mechanism and talent guarantee for the long-term and stable development of the Company. The Participants did not need to pay on the application or acceptance of Restricted Shares. The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company’s requirements before the vesting of the Restricted Shares. Participants who have not paid the funds within the period stipulated by the Company shall be deemed to have waived his/her right to subscribe for the Restricted Shares.

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

On 30 March 2026, the Company granted a total of 11,160,000 A Shares Restricted Shares to 308 Participants under the 2026 Scheme, the Company had 11,160,000 Restricted Shares granted and outstanding for vesting under the 2026 Scheme, which represented approximately 1.35% of the Company's issued shares at that date and at the date of this annual report. The closing price of the A Shares immediately before the grant date is RMB67.92. Based on the capital structure of the Company, if all the Restricted Shares issued and outstanding are exercised, 11,160,000 additional A Shares ordinary shares of the Company will be issued, increasing the share capital by RMB1,116,000.00 and the share premium by RMB463,028,400.00 of the Company (before deduction of issue expenses).

Participants and number of Restricted Shares are as follows:

No.	Name	Nationality	Position	Number of Restricted Shares granted (in ten thousand)	Percentage to the total proposed grant under the 2026 Scheme (%)
I. Director, senior management personnel, core technical personnel					
1	Zhang Wei	China	chairman and managing director	50	3.60
2	Shen Lei	China	director, executive deputy managing director, core technical personnel	30	2.16
3	Xu Liewei	China	deputy managing director	30	2.16
4	Yu Jian	China	deputy managing director	30	2.16
5	Meng Xiangwang	China	deputy managing director, core technical personnel	30	2.16
6	Zheng Kezhen	China	secretary of the Board	20	1.44
7	Jin Jianwei	China	chief financial officer	20	1.44
8	Shen Mingjie	China	employee director	20	1.44
9	Yu Jun	China	core technical personnel	15	1.08
10	Wang Lihui	China	core technical personnel	10	0.72
II. Other personnel considered by the Board to be motivated					
Other core management personnel and backbone personnel of the company (298 persons in total)				861	62.03
Total Restricted Shares under the First Grant (308 persons in total)				1,116	80.40

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

The vesting period is valid for 48 months from the date of grant of the restricted shares. The granted Restricted Shares of the First Grant will be vested in three batches of 20%, 30%, and 50% of the vesting ratio from the date of grant, after a 12-month vesting restriction period, provided that the vesting conditions are met, and the Restricted Shares will be vested during the vesting period in accordance with the vesting price determined in the 2026 Scheme.

Performance targets

Performance assessment requirements at the Company level

Under the 2026 A Share Restricted Share Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2026 to 2028, and the achievement of performance assessment target will be one of the vesting conditions for the Participants for the current year. The performance assessment objectives and Company vesting factor of 2026 A Share Restricted Share Incentive Scheme are set out below:

Vesting Period	Assessment year	Performance assessment indicator categories	Performance assessment Target
First Vesting Period	2026	Revenue growth rate	A. 100% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2026 shall represent an increase of not less than 15% compared to that of 2024.
			B. 80% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2026 shall represent an increase of not less than 10% compared to that of 2024.
Second Vesting Period	2027	Revenue growth rate	A. 100% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 40% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 155% compared to that of 2024.
			B. 80% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 30% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 140% compared to that of 2024.

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets (Continued)

Performance assessment requirements at the Company level (Continued)

Vesting Period	Assessment year	Performance assessment indicator categories	Performance assessment Target
			<p>C. 60% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 20% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 125% compared to that of 2024.</p>
Third Vesting Period	2028	Revenue growth rate	<p>A. 100% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 65% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 320% compared to that of 2024.</p> <p>B. 80% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 50% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 290% compared to that of 2024.</p> <p>C. 60% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 40% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 265% compared to that of 2024.</p>

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets (Continued)

Performance assessment requirements at the Company level (Continued)

If the Reserve Grant is granted on or before the date of disclosure of the 2026 third quarter report, the performance assessment requirements of the Reserved Grant will be the same as the First Grant; If the Reserve Grant is granted after and including the date of disclosure of the 2026 third quarter report, the performance assessment requirements of the Reserved Grant will be evaluated on an annual basis for the 2 financial years of 2027 to 2028, and the achievement of performance assessment target will be one of the vesting conditions for the Participants for the current year. The performance assessment objectives of 2026 A Share Restricted Share Incentive Scheme are set out below:

Vesting Period	Assessment year	Performance assessment indicator categories	Performance assessment Target
First Vesting Period	2027	Revenue growth rate	A. 100% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 40% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 155% compared to that of 2024.
			B. 80% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 30% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 140% compared to that of 2024.
			C. 60% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2027 shall represent an increase of not less than 20% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips in 2026 and 2027 shall represent an increase of not less than 125% compared to that of 2024.
Second Vesting Period	2028	Revenue growth rate	A. 100% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 65% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 320% compared to that of 2024.

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets (Continued)

Performance assessment requirements at the Company level (Continued)

Vesting Period	Assessment year	Performance assessment indicator categories	Performance assessment Target
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B. 80% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 50% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 290% compared to that of 2024.

C. 60% Vesting coefficient at company level: the revenue from FPGA chips and high reliable memory chips in 2028 shall represent an increase of not less than 40% compared to that of 2024; or the total revenue from FPGA chips and high reliable memory chips for the years 2026, 2027 and 2028 shall represent an increase of not less than 265% compared to that of 2024.

Note: As referred to in the table above, “revenue” means audited consolidated revenue of the Company. The revenue for the FPGA chips and high reliable memory chips in 2024 amounted to RMB1,800,207,700.

During each vesting period, if the Company fails to reach the minimum Performance Assessment Target, the Restricted Shares actually attributable to the Participant in the current year shall not be vested or deferred to the next period, and shall be cancelled.

Performance assessment requirements at department, business unit, branch company and subsidiary levels

- (1) The number of the Restricted Shares that actually may be vested by the Participants for the period is linked to the performance assessment at their business unit, branch company and subsidiary levels (the “Department”). The content, approach and target of performance assessment at each Department level shall be determined by the Company at the beginning of each assessment year. The Company will conduct annual performance assessment of each Department during the assessment period. Restricted Shares granted to the Participants shall be vested in parts of fully if their Department passes the performance assessment. The performance assessment results at each Department level are classified into four levels: Excellent, Good, Average and To be improved. The vesting coefficients corresponding to each level are as follows:

Level of Department’s annual assessment	Excellent	Good	Average	To be improved
Vesting coefficient at department level	100%	80%	50%	0%

Report of the Directors

2026 A SHARES RESTRICTED SHARE INCENTIVE SCHEME (Continued)

Performance targets (Continued)

Performance assessment requirements at department, business unit, branch company and subsidiary levels (Continued)

Department's total number of actual vesting for the year = Department's total number of the Restricted Shares intended to be vested for the year x vesting coefficient at company level x vesting coefficient at Department level.

During each vesting period, if the Restricted Shares that the Participants belong to in the current plan cannot be vested due to assessment reasons, the Restricted Shares shall become invalid and shall not be deferred to the next vesting period.

- (2) Each functional department shall not establish separate department-level performance assessment requirements. If the company-level performance assessment indicators during the assessment year are achieved, Department's total number of the Restricted Shares actually to be vested for the year = Department's number of the Restricted Shares intended to be vested for the year x vesting coefficient at company level.

If the reserve grant of the Restricted Shares is granted, the performance assessment targets at Department level during each vesting period will be the same as the first grant.

Performance assessment requirements at the Participants' individual level:

Each Department shall establish individual performance assessment scheme for the year applicable to all Participants of the Department and such scheme shall be reported to the Company for approval upon the audit of the human resource department.

After the end of the performance assessment period, the Participants shall be scored based on their Department's actual performance achievement and the Participants' actual work performance. The individual performance assessment results of the Participants are divided into four levels: "Excellent", "Good", "Pass" and "Fail". The vesting coefficients corresponding to each level are as follows:

Assessment standards	Excellent	Good	Pass	Fail
Vesting coefficient at individual level	100%	80%	50%	0%

If the Company reaches performance assessment target, the Participants' number of the Restricted Shares actually to be vested for the year = individual's number of the Restricted Shares intended to be vested for the year x vesting coefficient at company level x vesting coefficient at Department level x vesting coefficient at individual level.

If the Restricted Shares that the Participants belong to in the current plan cannot be vested due to assessment reasons, the Restricted Shares shall become invalid and shall not be deferred to the next year.

USE OF PROCEEDS

A. For year 2021, the Company had its first initial public offering of A shares in the PRC and listed on the Shanghai Stock Exchange upon completion of issuance. The Company offered to the public for 120,000,000 RMB ordinary shares of RMB0.1 each for an issuance price of RMB6.23 per share. The total amount raised was RMB747,600,000 and the actual net proceeds after deducting issuing expenses (tax not inclusive) was RMB680,282,800.

I. On 27 August 2021, the Board has approved:

1. the Proposal on the Replacement of Self-raised Funds Invested in Advance with Proceeds from the Issuance (關於使用募集資金置換預先投入的自籌資金的議案), which agreed the Company to replace the self-raised funds invested in advance in investment projects with proceeds from the Issuance amounting to RMB374,561,298.30, and the replacement of self-raised funds used in advance for the payment of issuance expenses with proceeds from the Issuance amounting to RMB5,730,425.73. In aggregate, the Company will replace self-raised funds invested in advance with proceeds amounting to RMB380,291,724.03.
2. The Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement Working Capital (關於使用部分超募資金永久補充流動資金的議案), which agreed the Company to use part of the over-raised proceeds of RMB24 million for permanent supplement of working capital, which the proposal was approved by the second extraordinary general meeting in 2021.

II. On 15 August 2022, the Board has approved:

The Proposal on Using Temporarily Idle Proceeds for Cash Management (關於使用暫時閒置募集資金進行現金管理的議案), which agreed the Company to use the idle proceeds for cash management under the condition that it does not affect the progress of the investment plan of the proceeds, does not affect the normal production and operation of the Company, and ensures the safety of funds. The Company can use the temporarily idle proceeds of not exceeding RMB160 million (inclusive) to purchase investment products with high security, good liquidity, and capital protection agreements (including but not limited to purchasing principal-guaranteed wealth management products, structured deposits, large deposit certificates, time deposits, call deposits and income certificates). The period of use is valid within 27 August 2022 to 26 August 2023. Within the aforesaid limit and period of use, the amounts can be used on a rolling basis.

III. On 17 January 2023, the Board has approved:

The Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement Working Capital (關於使用部分超募資金永久補充流動資金的議案), which agreed the Company to use part of the over-raised proceeds of RMB24 million for permanent supplement of working capital, which the proposal was approved by the 2022 annual general meeting.

Report of the Directors

USE OF PROCEEDS (Continued)

IV. On 22 March 2024, the Board has approved.

The Proposal on Using Part of the Over-raised Proceeds to Permanently Supplement Working Capital (關於使用部分超募資金永久補充流動資金的議案), which agreed the Company to use part of the overraised proceeds of RMB24 million for permanent supplement of working capital, which the proposal was approved by the 2023 annual general meeting.

V. On 27 August 2025, the Board has approved.

The Proposal on utilization of the surplus funds raised from the A Share offering and the income from cash management of fund raising and related interest income for permanent replenishment of working capital (關於首次公開發行募集資金節餘募集部分及剩餘超募資金永久補流的議案), which agreed the Company to use the related interest income and income from cash management of fund raising of RMB11.1377 million and the remaining of the overraised proceeds of RMB8.2828 million and (the actual amount shall be subject to the balance in the special account for raised funds on the date of transfer) for permanent supplement of working capital, which the proposal was approved by the second extraordinary general meeting of 2025.

VI. Use of proceeds and balance of funds

As at 31 December 2025, all of the fund raised were fully utilized according to the intentions previously disclosed by the Company, the use of proceeds and balance of funds were:

	RMB						
Net Proceeds received on 29/7/2021	680,282,781.80						
From 29/7/2021 to 31/12/2021							
Proposed use of proceeds	Original allocation of the Proceeds RMB	Utilisation of the Surplus Funds			Used from 29/7/2021 to 31/12/2021 RMB	Received from 29/7/2021 to 31/12/2021 RMB	Unused Proceeds up to 31/12/2021 RMB
		Raised for Permanent Replenishment of Working Capital (approved by EGM on 5/11/2021) RMB	Replacement of Self-raised Funds invested in advance RMB				
SOPC Chips R&D and Industrialization Project	300,000,000.00	-	(300,000,000.00)	-	-	-	
Development and Technology Reserve Funds	300,000,000.00	-	(74,561,300.00)	(24,245,561.98)	-	201,193,138.02	
Surplus Funds Raised	80,282,781.80	(24,000,000.00)	-	-	-	56,282,781.80	
Permanent supplement of working capital	-	24,000,000.00	-	(24,000,000.00)	-	-	
Income from cash management of fund raising	-	-	-	-	1,662,931.51	1,662,931.51	
Interest income net of charges	-	-	-	-	1,474,565.70	1,474,565.70	
Total	680,282,781.80	-	(374,561,300.00)	(48,245,561.98)	3,137,497.21	260,613,417.03	

Report of the Directors

USE OF PROCEEDS (Continued)

VI. Use of proceeds and balance of funds (Continued)

From 1/1/2022 to 31/12/2022

Proposed use of proceeds	Unused Proceeds as at 1/1/2022 RMB	Used from 1/1/2022 to 31/12/2022 RMB	Received from 1/1/2022 to 31/12/2022 RMB	Unused Proceeds up to 31/12/2022 RMB
Development and Technology Reserve Funds	201,193,138.02	(105,503,449.60)	–	95,689,688.42
Surplus Funds Raised	56,282,781.80	–	–	56,282,781.80
Income from cash management of fund raising	1,662,931.51	–	4,889,007.84	6,551,939.35
Interest income net of charges	1,474,565.70	–	973,546.95	2,448,112.65
Total	260,613,417.03	(105,503,449.60)	5,862,554.79	160,972,522.22

From 1/1/2023 to 31/12/2023

Proposed use of Proceeds	Unused Proceeds as at 1/1/2023 RMB	Utilisation of the Surplus Funds Raised for Permanent Replenishment of Working Capital (approved by AGM on 2/6/2023)		Received from 1/1/2023 to 31/12/2023 RMB	Unused Proceeds up to 31/12/2023 RMB
		Used from 1/1/2023 to 31/12/2023 RMB	Used from 1/1/2023 to 31/12/2023 RMB		
Development and Technology Reserve Funds	95,689,688.42	–	(95,689,688.42)	–	–
Surplus Funds Raised	56,282,781.80	(24,000,000.00)	–	–	32,282,781.80
Permanent supplement of working capital	–	24,000,000.00	(24,000,000.00)	–	–
Income from cash management of fund raising	6,551,939.35	–	–	1,518,345.61	8,070,284.96
Interest income net of charges	2,448,112.65	–	(691,600.00)	567,247.01	2,323,759.66
Total	160,972,522.22	–	(120,381,288.42)	2,085,592.62	42,676,826.42

Report of the Directors

USE OF PROCEEDS (Continued)

VI. Use of proceeds and balance of funds (Continued)

From 1/1/2024 to 31/12/2024

Proposed use of Proceeds	Unused Proceeds as at 1/1/2024 RMB	Utilisation of the Surplus Funds Raised for Permanent Replenishment of Working Capital (approved by AGM on 28/5/2024) RMB	Used from 1/1/2024 to 31/12/2024 RMB	Received from 1/1/2024 to 31/12/2024 RMB	Unused Proceeds up to 31/12/2024 RMB
Surplus Funds Raised	32,282,781.80	(24,000,000.00)	-	-	8,282,781.80
Permanent supplement of working capital	-	24,000,000.00	(24,000,000.00)	-	-
Income from cash management of fund raising	8,070,284.96	-	-	430,500.00	8,500,784.96
Interest income net of charges	2,323,759.66	-	-	173,819.24	2,497,578.90
Total	42,676,826.42	-	(24,000,000.00)	604,319.24	19,281,145.66

From 1/1/2025 to 31/12/2025

Proposed use of Proceeds	Unused Proceeds as at 1/1/2025 RMB	Received from 1/1/2025 to 31/12/2025 RMB	Utilization of the surplus funds raised from the A Share offering and the income from cash management of fund raising and related interest income for permanent replenishment of working capital (approved by EGM on 2/12/2025) RMB	Used from 1/1/2025 to 31/12/2025 RMB	Unused Proceeds up to 31/12/2025 RMB
Surplus Funds Raised	8,282,781.80	-	(8,282,781.80)	-	-
Permanent supplement of working capital	-	-	19,540,834.98	(19,540,834.98)	-
Income from cash management of fund raising	8,500,784.96	151,841.67	(8,652,626.63)	-	-
Interest income net of charges	2,497,578.90	107,847.65	(2,605,426.55)	-	-
Total	19,281,145.66	259,689.32	-	-	-

Report of the Directors

USE OF PROCEEDS *(Continued)*

- B.** On 30 December 2025, the Company issued 2,285,950 new A Shares pursuant to the 2021 A Shares Restricted Share Incentive Scheme. The issue price is RMB17.62 per share. The total amount raised and the actual net proceeds after deducting issuing expenses were RMB40,278,439. According to the proposed use of proceeds of the A Shares Restricted Share Incentive Scheme, the proceeds of which were used as daily working capital in 2025.

CHARITABLE DONATIONS

The Group incurred expenses of approximately RMB433,809.00 for public welfare expenditure up to the end of the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

- (a) On 1 September 2022, the Company signed a service contract with Fudan University (“SFU”) which is the Company’s substantial shareholder. According to the contract, the Company needs to pay SFU technical services support fees based on a price mutually agreed upon by both parties. In 2025, the Group incurred technical services support fees of RMB74,138.04 (2024: RMB72,658.72).
- (b) On 28 July 2025, the Company signed technology development contracts with SFU, with total contract amount of RMB3,500,000. According to the contracts, the Company is required to pay the technical service fee to SFU based on the price mutually agreed by both parties. During the year ended 31 December 2025, technical service fees amounted to RMB1,650,943.40 (2024: RMB140,089.76).
- (c) On 20 February 2025, the Company entered into technical service contract with SFU. According to the contract, the Company needs to pay SFU technical services fees based on a price mutually agreed upon by both parties. In 2025, the Group incurred technical services fees of RMB184,466.02 (2024: RMB140,089.76).
- (d) On 31 December 2024 and 24 November 2025, the Company entered into technical service contract with SFU. SFU appointed the Group to provide technical services and testing services based on a price mutually agreed upon by both parties. In 2025, the Group recorded service income of RMB224,339.64 (2024: RMB140,566.03).
- (e) On 22 March 2024 and 28 July 2025, the Company entered into products sales agreement with Shanghai Fudan Communication Co., Ltd. (“Fudan Communication”) to appoint Fudan Communication as the qualified agent to sell the reconfigurable devices and memory IC chips manufactured by the Company, with total contract amount of RMB880,000,000 and RMB1,560,000,000 respectively. The Company will set product sales guide prices of the products based on the principle of product costs and related expenses plus a certain profit. Fudan Communication shall purchase relevant products from the Company at the prices, policies and terms which are consistent with other agents and uniformly formulated by the Company. Meanwhile, Fudan Communication shall not sell the relevant products at a price higher than the prices of the product sales guide. Payment will be made before the delivery of the products to Fudan Communication’s designated location. No credit period will be provided. Fudan Communication is mainly engaged in design, development and production of telecommunication devices in the PRC. The substantial shareholder of the Company, Shanghai Fudan Fukong Technology Enterprise Holdings Limited (“Fudan Fukong”), holds approximately 33.84% of the issued share capital of Fudan Communication, which Fudan Communication is a controlled company of Fudan Fukong. The Company believes that (i) the turnover and profits of the Company can be raised with the help of the sales channel of reconfigurable devices and memory IC chips and application solutions provided by Fudan Communication; (ii) the Company can save selling costs; and (iii) the Company can shorten the time taken to marketing but penetrate into relevant markets promptly, increase market shares and help the long-term development of reconfigurable devices aspect. In 2025, the revenue of product sold by the Company to Fudan Communication amounted to RMB351,274,828.12 (2024: RMB305,700,647.13).

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(Continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young Hua Ming LLP, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young Hua Ming LLP have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Listing Rules 14A.56. Nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions:

- (a) have not been approved by the Board;
- (b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- (c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) have exceeded the cap as set by the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

A Shares of the Company are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange. Based on information that is publicly available to the Company and within the knowledge of the directors, the applicable public float requirement has been complied with, as more than 5% of the Company's total number of issued shares in the class to which the listed H shares belong (excluding treasury shares) was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors of the Company had an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE CODE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed “Corporate Governance Report” of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events subsequent to 31 December 2025 which may materially affect the Group’s operating and financial performance as at the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by Ernst & Young Hua Ming LLP which will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint Ernst & Young Hua Ming LLP and to authorise the directors to fix its remuneration will be proposed at the forthcoming annual general meeting

ON BEHALF OF THE BOARD

Zhang Wei
Chairman

Shanghai, the PRC
27 March 2026

Auditors' Report



Ernst & Young HM (2026) Shen Zi No. 70011746_B01
Shanghai Fudan Microelectronics Group Co., Ltd.

To all Shareholders of Shanghai Fudan Microelectronics Group Co., Ltd.

(I) OPINION

We have audited the accompanying financial statements of Shanghai Fudan Microelectronics Group Co., Ltd. which comprise the consolidated and company balance sheets as at 31 December 2025, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity, the consolidated and company statements of cash flows for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial positions of Shanghai Fudan Microelectronics Group Co., Ltd. as at 31 December 2025, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("ASBEs").

(II) BASIS FOR OPINION

We conducted our audit in accordance with the China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with China Independence Standard No. 1 – Independence Requirements for Financial Statement Audit and Review Engagements and *China Code of Ethics for Certified Public Accountants* (the "Code"). We have also fulfilled our other ethical responsibilities in accordance with the Code. We have complied with the independence requirements applicable to audits of public interest entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



(III) KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Capitalisation of development costs</i></p> <p>As of 31 December 2025, the carrying amounts of development costs in the consolidated and company financial statements of Shanghai Fudan Microelectronics Group Co., Ltd. and its subsidiaries (the “Group”) were RMB204,362,592.25 and RMB204,362,592.25, respectively. Expenditure incurred in developing new products is capitalised upon meeting the criteria as described in Accounting Standards for Business Enterprises No. 6 – Intangible Assets. The balances and transactions of capitalised development costs were material to the financial statements and management exercised judgement and made estimation in determining the eligibility of the costs for capitalisation, the useful economic lives and impairment, if any, of the capitalised development costs. Therefore, auditing the Group’s capitalisation of development costs involved complex judgement and estimation.</p> <p>For the disclosure of the development costs capitalised, please refer to Notes III, 14 and 26 Material accounting policies and significant estimates, Note V, 16 Notes to key items of the consolidated financial statements and Note VI, Development costs.</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group’s accounting for the capitalisation of development costs.</p> <p>The audit procedures we performed mainly included:</p> <ul style="list-style-type: none"> • testing the compliance of development costs capitalisation with initial recognition criteria, • assessing the appropriateness of the timing for capitalising intangible assets and the commencement of amortisation when the asset was available for use, • reviewing the assumptions and methodologies used by management in estimating the useful economic lives and performing an impairment assessment on the capitalised development costs and projecting future cash flows for impairment testing, and • comparing the estimated useful economic lives and cash flows with actual results from previous years.

Auditors' Report



(III) KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
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Provision for inventories

As at 31 December 2025, the carrying amounts of inventories in the consolidated and company financial statements of the Group were RMB2,636,594,349.55 and RMB2,635,999,089.39, respectively. Among these, the balances of provision for inventories were RMB796,026,893.02 and RMB795,481,472.62, respectively. The Group periodically assesses the net realisable value of its inventories and makes provisions for inventories based on the difference between the cost of the inventories and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as the age of the inventories, their storage status, historical consumption data and future use or sales as the basis for estimation.

The value of inventories was material to the financial statements and management exercised estimation in determining the provision for inventories. Therefore, auditing the Group's provision for impairment of inventories involved complex judgement and estimation.

For the disclosure of provision for inventories, please refer to Notes III, 9 and 26 Material accounting policies and significant estimates, and Note V, 8 Notes to key items of the consolidated financial statements.

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's accounting for provision for inventories.

The audit procedures we performed mainly include:

- assessing the process, methods and assumptions used to determine the provision for inventories, assessing the appropriateness and consistency of the methods by checking management's calculations against those used in the prior year,
- combining with inventory monitoring procedure, testing the underlying data used by management to calculate the provision for obsolete inventories, typically the inventory ageing analysis, by re-performing the ageing calculation on a sample basis,
- comparing the historical and subsequent sales and usage information of inventories, and
- testing the estimated selling prices and estimated costs to be incurred to completion and re-calculating the provision for inventories on a sample basis.



(IV) OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The management of the Company is responsible for the other information. The other information comprises all of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

(V) RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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



(VI) AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally 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 financial statements.

As part of an audit in accordance with CASs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's 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 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.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) 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 consolidated 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.



(VI) AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

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.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Ying Liu

(Engagement partner)

Chinese Certified Public Accountant: Wang Li Xin

Beijing, the People's Republic of China

27 March 2026

Consolidated Balance Sheet

31 December 2025

Expressed in Renminbi Yuan

ASSETS	Note V	31 December 2025	31 December 2024
Current assets			
Cash at bank and on hand	1	1,298,621,710.02	1,087,494,485.36
Financial assets held for trading	2	180,133,750.68	140,423,986.11
Notes receivable	3	296,994,501.37	298,713,176.51
Accounts receivable	4	1,876,899,180.89	1,493,805,646.24
Receivable financing	5	190,455,252.30	146,984,229.37
Prepayments	6	346,455,226.64	113,644,331.24
Other receivables	7	5,802,950.31	9,833,164.05
Inventories	8	2,636,594,349.55	3,134,456,903.75
Other current assets	9	27,539,158.57	55,622,669.89
Total current assets		6,859,496,080.33	6,480,978,592.52
Non-current assets			
Long-term equity investments	10	46,892,929.09	54,181,165.60
Other equity investments	11	55,347,871.25	34,816,060.94
Fixed assets	12	1,467,987,999.20	1,567,673,557.56
Construction in progress	13	81,428,048.12	54,802,756.87
Right-of-use assets	14	41,875,235.62	21,412,383.49
Intangible assets	15	310,123,944.62	197,495,198.20
Development costs	16	204,362,592.25	502,272,190.99
Long-term prepaid expenses	17	50,152,070.41	50,444,603.53
Deferred tax assets	18	17,542,624.19	12,150,568.25
Other non-current assets	19	69,926,424.80	64,885,721.14
Total non-current assets		2,345,639,739.55	2,560,134,206.57
Total assets		9,205,135,819.88	9,041,112,799.09

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Balance Sheet

31 December 2025
Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	Note V	31 December 2025	31 December 2024
Current liabilities			
Short-term borrowings	21	675,896,654.17	1,071,872,039.08
Accounts payable	22	233,204,494.78	234,621,512.71
Contract liabilities	23	127,777,512.09	103,194,260.37
Employee benefits payable	24	212,158,413.45	164,318,991.66
Taxes payable	25	37,303,192.73	38,398,088.82
Other payables	26	68,838,190.24	76,683,635.99
Current portion of non-current liabilities	27	175,772,810.70	368,203,159.44
Other current liabilities	28	175,187,801.73	167,099,502.06
Total current liabilities		1,706,139,069.89	2,224,391,190.13
Non-current liabilities			
Long-term borrowings	29	637,126,685.00	239,863,539.60
Lease liabilities	30	31,738,955.78	8,582,179.88
Deferred income	31	35,374,548.33	20,516,501.67
Provisions	32	34,035,079.00	–
Deferred tax liabilities	18	6,538,728.07	3,638,465.02
Total non-current liabilities		744,813,996.18	272,600,686.17
Total liabilities		2,450,953,066.07	2,496,991,876.30
Shareholders' equity			
Share capital	33	82,371,325.00	82,142,730.00
Capital surplus	34	1,939,566,639.74	1,882,822,116.58
Other comprehensive income	35	33,345,873.50	16,211,183.24
Surplus reserves	36	41,185,662.50	41,071,365.00
Undistributed profits	37	4,038,346,732.33	3,871,837,648.79
Total equity attributable to owners of the parent		6,134,816,233.07	5,894,085,043.61
Minority interests		619,366,520.74	650,035,879.18
Total shareholders' equity		6,754,182,753.81	6,544,120,922.79
Total liabilities and shareholders' equity		9,205,135,819.88	9,041,112,799.09

The financial statements have been signed by the following persons:

Legal representative:

Principal in charge of accounting:

Head of accounting department:

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 December 2025

Expressed in Renminbi Yuan

	Note V	2025	2024
Revenue	38	3,982,261,101.52	3,590,223,828.23
Less: Cost of sales	38	1,744,807,063.30	1,581,600,939.97
Taxes and surcharges	39	24,722,545.76	11,783,676.78
Selling expenses	40	238,793,628.27	242,133,769.33
Administrative expenses	41	184,127,203.14	158,443,584.15
Research and development expenses	42	1,222,742,123.48	1,030,651,521.72
Finance expenses	43	31,876,216.42	28,666,755.68
Including: Interest expenses	43	38,076,618.07	42,712,216.50
Interest income	43	16,073,359.98	16,796,059.39
Add: Other income	44	142,995,060.40	233,599,228.29
Investment income	45	(1,852,932.19)	513,788.17
Including: Income from investments in associates and joint ventures	45	(5,564,320.89)	(3,430,403.58)
Fair value gains	46	(290,235.43)	210,236.11
Credit impairment losses	47	(33,284,139.70)	(45,676,282.02)
Impairment losses of assets	48	(439,276,256.74)	(168,768,031.87)
Gains on disposal of non-current assets	49	533,425.33	2,116,899.58
Operating profit		204,017,242.82	558,939,418.86
Add: Non-operating income	50	40,477.28	467,689.36
Less: Non-operating expenses	51	1,710,497.81	513,570.59
Profit before income taxes		202,347,222.29	558,893,537.63
Less: Income tax expenses	52	679,015.69	(865,377.50)
Net profit		201,668,206.60	559,758,915.13
Classified by continuity of operations			
Net profit from continuing operations		201,668,206.60	559,758,915.13
Classified by ownership of the equity			
Net profit attributable to owners of the parent		232,337,565.04	572,595,101.31
Gains or losses of minority interests		(30,669,358.44)	(12,836,186.18)

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 December 2025

Expressed in Renminbi Yuan

	Note V	2025	2024
Other comprehensive income, net of tax	35	17,134,690.26	87,455.61
Other comprehensive income, net of tax, attributable to shareholders of the parent company		17,134,690.26	87,455.61
Other comprehensive income that may not be reclassified to profit or loss			
Changes in fair value of other equity investments		17,885,613.77	(247,753.77)
Other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation of foreign currency financial statements		(750,923.51)	335,209.38
Other comprehensive income, net of tax, attributable to minority interests	35	–	–
Total comprehensive income		218,802,896.86	559,846,370.74
Including:			
Attributable to owners of the parent		249,472,255.30	572,682,556.92
Attributable to minority interests		(30,669,358.44)	(12,836,186.18)
Earnings per share	53		
Basic earnings per share	53	0.28	0.70
Diluted earnings per share	53	0.28	0.70

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2025
Expressed in Renminbi Yuan

2025

	Attributable to owners of the parent							Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Minority interests	
I. Balance at beginning of year	82,142,730.00	1,882,822,116.58	16,211,183.24	41,071,365.00	3,871,837,648.79	5,894,085,043.61	650,035,879.18	6,544,120,922.79
II. Changes for the year								
1. Total comprehensive income	-	-	17,134,690.26	-	232,337,565.04	249,472,255.30	(30,669,358.44)	218,802,896.86
2. Capital contribution and withdrawal by shareholders								
(1) Issuance of A-share ordinary shares	228,595.00	40,049,844.00	-	-	-	40,278,439.00	-	40,278,439.00
(2) Amount of share-based payment included in owners' equity	-	16,694,679.16	-	-	-	16,694,679.16	-	16,694,679.16
3. Profit distribution								
(1) Appropriation to surplus reserve	-	-	-	114,297.50	(114,297.50)	-	-	-
(2) Distribution to owners	-	-	-	-	(65,714,184.00)	(65,714,184.00)	-	(65,714,184.00)
III. Balance at end of year	82,371,325.00	1,939,566,639.74	33,345,873.50	41,185,662.50	4,038,346,732.33	6,134,816,233.07	619,366,520.74	6,754,182,753.81

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

Expressed in Renminbi Yuan

2024

	Attributable to owners of the parent						Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total		
I. Balance at beginning of year	81,906,040.00	1,782,726,457.49	16,123,727.63	40,953,020.00	3,381,266,932.48	5,302,976,177.60	658,725,631.54	5,961,701,809.14
II. Changes for the year								
1. Total comprehensive income	-	-	87,455.61	-	572,595,101.31	572,682,556.92	(12,836,186.18)	559,846,370.74
2. Capital contribution and withdrawal by shareholders								
(1) Issuance of A-share ordinary shares	236,690.00	41,657,440.00	-	-	-	41,894,130.00	14,541,402.41	56,435,532.41
(2) Amount of share-based payment included in owners' equity	-	56,949,537.81	-	-	-	56,949,537.81	104,996.50	57,054,534.31
3. Profit distribution								
(1) Appropriation to surplus reserve	-	-	-	118,345.00	(118,345.00)	-	-	-
(2) Distribution to owners	-	-	-	-	(81,906,040.00)	(81,906,040.00)	(9,011,283.81)	(90,917,323.81)
4. Transfer within equity								
(1) Others	-	1,488,681.28	-	-	-	1,488,681.28	(1,488,681.28)	-
III Balance at end of year	82,142,730.00	1,882,822,116.58	16,211,183.24	41,071,365.00	3,871,837,648.79	5,894,085,043.61	650,035,879.18	6,544,120,922.79

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2025

Expressed in Renminbi Yuan

	Note V	2025	2024
1. Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services		3,671,109,349.84	3,228,466,413.10
Receipts from taxes and surcharges refunds		49,559,308.17	57,933,623.00
Other cash receipts relating to operating activities	54	179,471,351.89	190,977,519.67
Total cash inflows from operating activities		3,900,140,009.90	3,477,377,555.77
Cash payments for goods and services		1,605,891,080.40	1,533,891,183.75
Cash payments to and on behalf of employees		1,014,835,353.96	1,005,339,886.70
Payments of all types of taxes and surcharges		290,230,866.09	39,986,356.92
Other cash payments relating to operating activities	54	205,019,537.24	165,694,565.13
Total cash outflows from operating activities		3,115,976,837.69	2,744,911,992.50
Net cash flows from operating activities	55	784,163,172.21	732,465,563.27
2. Cash flows from investing activities			
Cash receipts from disposal of investments	54	1,513,000,000.00	1,200,000,000.00
Cash receipts from return on investments		3,711,388.70	3,944,191.75
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		2,401,549.81	13,710,185.71
Cash receipts relating to other investing activities	54	151,175.42	366,342.67
Total cash inflows from investing activities		1,519,264,113.93	1,218,020,720.13
Cash payments to acquire fixed assets, intangible assets and other long-term assets	54	265,440,363.23	632,952,581.71
Cash payments for investments	54	1,533,000,000.00	1,324,072,031.54
Net cash paid for acquisition of subsidiaries and other business units		170,000.00	15,000,000.00
Total cash outflows from investing activities		1,798,610,363.23	1,972,024,613.25
Net cash flows from investing activities		(279,346,249.30)	(754,003,893.12)

The accompanying notes to financial statements form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2025

Expressed in Renminbi Yuan

	Note V	2025	2024
3. Cash flows from financing activities			
Cash proceeds from investments by others		40,278,439.00	56,435,532.41
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		–	14,541,402.41
Cash receipts from borrowings		1,435,036,266.98	1,734,573,184.63
Total cash inflows from financing activities		1,475,314,705.98	1,791,008,717.04
Cash repayments of borrowings		1,625,861,225.27	1,548,223,810.03
Cash payments for distribution of dividends or profit and interest expenses		102,620,477.49	131,960,265.51
Including: Dividends and profits paid by subsidiaries to minority shareholders		–	9,011,283.81
Other cash payments relating to financing activities	54	14,966,610.61	22,193,287.90
Total cash outflows from financing activities		1,743,448,313.37	1,702,377,363.44
Net cash flows from financing activities		(268,133,607.39)	88,631,353.60
4. Effect of foreign exchange rate changes on cash and cash equivalents		(5,473,468.64)	3,282,766.44
5. Net increase in cash and cash equivalents	55	231,209,846.88	70,375,790.19
Add: Cash and cash equivalents at beginning of year	55	1,063,300,787.15	992,924,996.96
6. Cash and cash equivalents at end of year	55	1,294,510,634.03	1,063,300,787.15

The accompanying notes to financial statements form an integral part of these financial statements.

Company Balance Sheet

31 December 2025

Expressed in Renminbi Yuan

ASSETS	Note XVI	31 December 2025	31 December 2024
Current assets			
Cash at bank and on hand		1,078,715,288.59	835,707,104.02
Financial assets held for trading		180,133,750.68	140,423,986.11
Notes receivable		292,700,982.22	279,301,288.57
Accounts receivable	1	1,842,392,625.23	1,464,950,102.30
Receivables financing		179,372,523.90	139,125,331.87
Prepayments		345,781,748.06	113,088,508.18
Other receivables	2	3,417,640.44	6,126,612.87
Inventories		2,635,999,089.39	3,130,514,634.99
Other current assets		10,601,404.66	22,677,665.21
Total current assets		6,569,115,053.17	6,131,915,234.12
Non-current assets			
Long-term equity investments	3	137,629,554.79	144,363,865.30
Other equity investments		42,705,518.79	23,370,006.56
Fixed assets		663,601,069.56	720,696,127.16
Construction in progress		3,306,452.45	762,984.99
Right-of-use assets		21,281,008.34	7,721,767.74
Intangible assets		310,816,461.34	198,577,909.20
Development costs		204,362,592.25	502,272,190.99
Long-term prepaid expenses		27,004,660.97	34,904,995.40
Other non-current assets		57,696,132.10	55,286,260.00
Total non-current assets		1,468,403,450.59	1,687,956,107.34
Total assets		8,037,518,503.76	7,819,871,341.46

The accompanying notes to financial statements form an integral part of these financial statements.

Company Balance Sheet

31 December 2025
Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	31 December 2025	31 December 2024
Current liabilities		
Short-term borrowings	675,896,654.17	1,071,872,039.08
Accounts payable	290,054,589.45	271,682,393.45
Contract liabilities	125,442,160.98	100,580,468.41
Employee benefits payable	201,969,806.41	157,233,143.05
Taxes payable	34,901,531.36	37,499,004.64
Other payables	22,657,460.76	50,715,348.24
Current portion of non-current liabilities	160,910,060.37	357,603,188.40
Other current liabilities	175,971,431.70	144,303,353.58
Total current liabilities	1,687,803,695.20	2,191,488,938.85
Non-current liabilities		
Long-term borrowings	509,180,400.00	106,917,254.60
Lease liabilities	17,886,981.63	1,533,098.51
Deferred income	15,418,404.53	11,445,434.34
Provisions	34,035,079.00	–
Deferred tax liabilities	6,536,198.68	3,635,871.84
Total non-current liabilities	583,057,063.84	123,531,659.29
Total liabilities	2,270,860,759.04	2,315,020,598.14
Owners' equity		
Share capital	82,371,325.00	82,142,730.00
Capital reserves	1,745,984,762.71	1,689,240,239.55
Other comprehensive income	27,670,218.71	11,235,033.32
Surplus reserves	41,185,662.50	41,071,365.00
Undistributed profits	3,869,445,775.80	3,681,161,375.45
Total equity	5,766,657,744.72	5,504,850,743.32
Total liabilities and equity	8,037,518,503.76	7,819,871,341.46

The financial statements have been signed by the following persons:

Legal representative:

Principal in charge of accounting:

Head of accounting department:

The accompanying notes to financial statements form an integral part of these financial statements.

Company Income Statement

Year ended 31 December 2025
Expressed in Renminbi Yuan

	Note XVI	2025	2024
Revenue	4	3,791,775,971.18	3,422,923,742.54
Less: Cost of sales	4	1,620,109,927.46	1,516,531,146.35
Taxes and surcharges		21,802,383.17	11,342,684.75
Selling expenses		224,952,889.65	229,110,933.76
Administrative expenses		126,066,309.09	86,517,230.69
Research and development expenses	5	1,171,406,765.82	974,620,979.56
Finance expenses		28,813,757.83	31,243,840.73
Including: Interest expenses		33,627,317.18	41,676,224.79
Interest income		13,705,533.52	14,026,093.69
Add: Other income		138,939,064.97	203,621,393.67
Investment income	6	(2,498,327.44)	6,359,375.87
Including: Income from investments in associates and joint ventures		(5,458,137.30)	(3,395,499.18)
Fair value gains		(290,235.43)	210,236.11
Credit impairment losses		(33,259,243.97)	(45,529,970.15)
Impairment losses of assets		(439,276,256.74)	(168,661,149.87)
Gains on disposal of non-current assets		24,167.15	858,600.60
Operating profit		262,263,106.70	570,415,412.93
Add: Non-operating income		–	413,478.85
Less: Non-operating expenses		2,055,566.04	500,157.42
Profit before income taxes		260,207,540.66	570,328,734.36
Less: Income tax expenses		6,094,658.81	7,150,290.29
Net profit		254,112,881.85	563,178,444.07
Including: Net profit from continuing operations		254,112,881.85	563,178,444.07
Other comprehensive income, net of tax		16,435,185.39	(1,316,830.51)
Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity investments		16,435,185.39	(1,316,830.51)
Total comprehensive income		270,548,067.24	561,861,613.56

The accompanying notes to financial statements form an integral part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 December 2025

Expressed in Renminbi Yuan

2025

	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance at beginning of year	82,142,730.00	1,689,240,239.55	11,235,033.32	41,071,365.00	3,681,161,375.45	5,504,850,743.32
II. Changes for the year						
1. Total comprehensive income	-	-	16,435,185.39	-	254,112,881.85	270,548,067.24
2. Capital contribution and withdrawal by shareholders						
(1) Issuance of A-share ordinary shares	228,595.00	40,049,844.00	-	-	-	40,278,439.00
(2) Amount of share-based payment included in owners' equity	-	16,694,679.16	-	-	-	16,694,679.16
3. Profit distribution						
(1) Appropriation to surplus reserves	-	-	-	114,297.50	(114,297.50)	-
(2) Distribution to owners	-	-	-	-	(65,714,184.00)	(65,714,184.00)
III. Balance at end of year	82,371,325.00	1,745,984,762.71	27,670,218.71	41,185,662.50	3,869,445,775.80	5,766,657,744.72

The accompanying notes to financial statements form an integral part of these financial statements

Company Statement of Changes in Equity

Year ended 31 December 2025
Expressed in Renminbi Yuan

2024

	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance at beginning of year	81,906,040.00	1,590,711,665.24	12,551,863.83	40,953,020.00	3,200,007,316.38	4,926,129,905.45
II. Changes for the year						
1. Total comprehensive income	-	-	(1,316,830.51)	-	563,178,444.07	561,861,613.56
2. Capital contribution and withdrawal by shareholders						
(1) Issuance of A-share ordinary shares	236,690.00	41,657,440.00	-	-	-	41,894,130.00
(2) Amount of share-based payment included in owners' equity	-	56,871,134.31	-	-	-	56,871,134.31
3. Profit distribution						
(1) Appropriation to surplus reserves	-	-	-	118,345.00	(118,345.00)	-
(2) Distribution to owners	-	-	-	-	(81,906,040.00)	(81,906,040.00)
III. Balance at end of year	82,142,730.00	1,689,240,239.55	11,235,033.32	41,071,365.00	3,681,161,375.45	5,504,850,743.32

The accompanying notes to financial statements form an integral part of these financial statements.

Company Statement of Cash Flows

Year ended 31 December 2025

Expressed in Renminbi Yuan

	2025	2024
1. Cash flows from operating activities		
Cash receipts from the sale of goods and the rendering of services	3,488,370,544.98	3,039,411,746.65
Receipts from taxes and surcharges refunds	26,144,388.92	9,708,974.35
Other cash receipts relating to operating activities	144,722,796.05	148,503,443.32
Total cash inflows from operating activities	3,659,237,729.95	3,197,624,164.32
Cash payments for goods and services	1,683,043,018.34	1,592,211,258.93
Cash paid to and on behalf of employees	840,833,316.33	839,000,760.40
Payments of all types of taxes and surcharges	287,042,670.17	33,297,570.36
Other cash payments relating to operating activities	191,000,736.42	152,794,447.17
Total cash outflows from operating activities	3,001,919,741.26	2,617,304,036.86
Net cash flows from operating activities	657,317,988.69	580,320,127.46
2. Cash flows from investing activities		
Cash receipts from disposal of investments	1,031,000,000.00	780,000,000.00
Cash receipts from return on investments	2,959,809.86	9,754,875.05
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	68,435.00	957,583.81
Cash receipts relating to other investing activities	151,175.42	366,342.67
Total cash inflows from investing activities	1,034,179,420.28	791,078,801.53
Cash paid to acquire fixed assets, intangible assets and other long-term assets	119,837,451.34	311,285,865.61
Cash payments for investments	1,051,000,000.00	900,000,000.00
Net cash paid for acquisition of subsidiaries and other business units	–	15,000,000.00
Total cash outflows from investing activities	1,170,837,451.34	1,226,285,865.61
Net cash flows from investing activities	(136,658,031.06)	(435,207,064.08)

The accompanying notes to financial statements form an integral part of these financial statements.

Company Statement of Cash Flows

Year ended 31 December 2025

Expressed in Renminbi Yuan

	2025	2024
3. Cash flows from financing activities		
Cash proceeds from investments by others	40,278,439.00	41,894,130.00
Cash receipts from borrowings	1,431,872,000.00	1,600,567,516.78
Total cash inflows from financing activities	1,472,150,439.00	1,642,461,646.78
Cash repayments of borrowings	1,621,713,162.18	1,548,223,810.03
Cash payments for distribution of dividends or profit and interest expenses	99,042,905.34	122,948,981.70
Other cash payments relating to financing activities	5,164,066.66	10,224,231.47
Total cash outflows from financing activities	1,725,920,134.18	1,681,397,023.20
Net cash flows from financing activities	(253,769,695.18)	(38,935,376.42)
4. Effect of foreign exchange rate changes on cash and cash equivalents	(3,760,411.21)	2,209,790.02
5. Net increase in cash and cash equivalents	263,129,851.24	108,387,476.98
Add: Cash and cash equivalents at beginning of year	815,585,437.35	707,197,960.37
6. Cash and cash equivalents at the end of year	1,078,715,288.59	815,585,437.35

The accompanying notes to financial statements form an integral part of these financial statements.

Notes to Financial Statements

Year ended 31 December 2025

Expressed in Renminbi Yuan

I. GENERAL INFORMATION

Shanghai Fudan Microelectronics Group Co., Ltd. (the “Company”) established on 10 June 1998 is a joint stock limited liability company incorporated in Shanghai, the People’s Republic of China. The RMB ordinary shares (A-shares) and H shares issued by the Company were listed on the Shanghai Stock Exchange (“SSE”) and the Stock Exchange of Hong Kong Limited (“SEHK”), respectively. The registered address of the Company is No. 220, Handan Road, Shanghai.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) include the design, development and sale of integrated circuit products; and integrated circuit product testing services.

The financial statements have been approved by a resolution of the board of directors of the Company on 27 March 2026.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises – Basic Standard and specific accounting standards, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the “MOF”) (collectively referred to as “ASBEs”). In addition, the financial statements also disclose relevant financial information in accordance with the Rules for the Disclosure and Reporting of Information of Companies Offering Securities to the Public No. 15 – General Provisions for Financial Reporting.

2. Going concern

The financial statements are presented on a going concern basis.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Group has formulated specific accounting policies and accounting estimates according to the characteristics of its actual production and operation, which is mainly embodied in the impairment of financial instruments, provision for write-down of inventories, depreciation of fixed assets, amortisation of intangible assets, eligibility of the development costs for capitalisation and recognition and measurement of revenue.

1. Statement of compliance with ASBEs

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2025, and the financial performance and the cash flows for the year then ended in accordance with ASBEs.

2. Accounting period

The Group adopts the Gregorian calendar year as its accounting year, commencing from 1 January to 31 December each year.

Notes to Financial Statements

Year ended 31 December 2025
Expressed in Renminbi Yuan

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

3. Functional currency

The Company's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan.

Each subsidiary or associate of the Group determines its own functional currency based on the primary economic environment in which it operates. In the preparation of these financial statements, their functional currencies are translated into RMB.

4. Determination method and selection basis

	Criteria
Important construction in progress	Individual projects under construction accounts for more than 5% of total assets
Significant cash related to investment activities	Individual investment activity accounts for more than 10% of the total amounts of relevant activities and is greater than RMB50 million
Significant capitalized research and development projects	Individual development expenditures accounts for more than 10% of the carrying amount of development expenditures and is greater than RMB50 million
Significant joint ventures and associates	The carrying amount of individual long-term equity investment accounts for more than 5% of the Group's net assets and is greater than RMB50 million
Significant non-wholly owned subsidiary	The minority interests of individual subsidiary accounts for more than 5% of the Group's net assets and is greater than RMB50 million
Others	Accounting for more than 10% of the carrying amount of the relevant account and is greater than RMB20 million

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

5. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company. An investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

If the accounting policies or the accounting period of a subsidiary are different from those of the Company, necessary adjustments are made to the subsidiary's financial statements based on the Company's own accounting policies or accounting period in preparing the consolidated financial statements. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority shareholders' interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination had been in existence since the date the ultimate controlling party first obtained the control.

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to Financial Statements

Year ended 31 December 2025

Expressed in Renminbi Yuan

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

7. Foreign currency transactions and foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date, except for capital contributions in foreign currencies by investors, where they are recorded using the spot exchange rates prevailing at the dates of transactions. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on initial recognition, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates their functional currency amounts into RMB when preparing the financial statements as follows: as at the balance sheet date, the assets and liabilities are translated using the spot exchange rates at the balance sheet date, and equity items other than “undistributed profit” are translated at the spot exchange rates at the dates of transactions; revenue and expense items in profit or loss are translated using the average exchange rates for the period during which the transactions occur. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the spot exchange rates for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

8. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired; or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (a) either has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets under contracts whose terms require delivery within the time frame generally established by regulation or convention in the marketplace concerned. The trade date is the date that the Group commits to purchase or sell a financial asset.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.

With the exception of accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, financial assets are measured at fair value on initial recognition. Accounts receivable or notes receivable that do not contain significant financing components or for which the Group has applied the practical expedient are initially measured at the transaction price.

Notes to Financial Statements

Year ended 31 December 2025

Expressed in Renminbi Yuan

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

8. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Debt investments at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Equity investments at fair value through other comprehensive income

The Group can elect to classify irrevocably its equity investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (excluding the dividend income explicitly recovered as part of the investment cost) is recognised in profit or loss. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

Financial assets at fair value through profit or loss

The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value with net changes in fair value recognised in profit or loss. After an enterprise designates a financial asset as a financial assets at fair value through profit or loss at initial recognition, it cannot be reclassified as other types of financial assets; other types of financial assets cannot be redesignated as financial assets at fair value through profit or loss after initial recognition.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

8. Financial instruments (continued)

Classification and measurement of financial liabilities

Except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, the Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to financial liabilities at amortized cost are included in the initial recognition amounts.

The subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at amortized cost

After initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

Impairment of financial instruments

Method for determining expected credit losses and accounting treatment

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost.

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

The Group assesses the expected credit losses of financial instruments on an individual and collective basis. Considering the credit risk characteristics of different customers, the Group divides the accounts receivable into a combination of sales of high-reliability products, a combination of sales of industrial products, and a combination of test services, combined with aging analysis to evaluate the expected credit losses of financial instruments.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

8. Financial instruments *(continued)*

Impairment of financial instruments (continued)

Method for determining expected credit losses and accounting treatment (continued)

For the disclosure of the Group's criteria on the significant increase in credit risk, the definition of credit impaired assets, please refer to Note IX. 1.

The Group measures expected credit losses on a financial instrument in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

Write-downs of provisions

When the Group no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Group directly writes down the carrying amount of the financial asset.

Offsetting of financial instruments

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (a) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (b) continues to recognise the transferred asset to the extent of the Group's continuing involvement, in which case the Group also recognises an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the guarantee amount.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

9. Inventories

Inventories comprise raw materials, work in progress, and finished goods.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials, which are accounted for on the immediate write-off basis.

The Group adopts a perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision is made by item for raw materials, while provision for work in process and finished goods is made based on inventory aging analysis on collective basis. The ageing portfolio, taking into account the nature of the inventories and historical experience, determines the net realizable value of the related inventories by estimating the net realizable value empirical data separately according to the ageing interval.

Costs to fulfil a contract classified as current assets are shown in inventories.

10. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The initial investment cost of the long-term equity investment is the cost of acquisition for a business combination not under common control (for a business combination not under common control achieved in stages, the initial investment cost is measured at the carrying amount of the equity investments in the acquiree before the acquisition date plus the additional investment cost incurred on the acquisition date).

For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

10. Long-term equity investments *(continued)*

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's individual financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (except for assets that constitute a business) (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

11. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss or the cost of related assets as incurred according to the beneficiaries.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method. The useful lives, percentages of estimated residual value and annual depreciation rates are as follows:

	Useful life	Percentage of estimated residual value	Annual depreciation rate
Buildings	20-50 years	4.00%-5.00%	1.90%-4.80%
Machinery	3-5 years	0.00%-5.00%	19.00%-33.33%
Vehicles	3-5 years	4.00%-5.00%	19.00%-32.00%
Electronic and other equipment	3-5 years	0.00%-5.00%	19.00%-33.33%

The Group reviews the useful life and estimates net residual value of a fixed asset and the depreciation method applied at least at each year end, and makes adjustments if necessary.

12. Construction in progress

The cost of construction in progress is measured at actual cost, including all necessary construction expenditures incurred during the construction period and other and other relevant expenditures.

An item of construction in progress is transferred to fixed assets or long-term deferred expenditures when the asset is ready for its intended use.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

13. Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred.

The capitalisation of borrowing costs commences only when the expenditures for the asset and the borrowing costs have been incurred; and the activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss.

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows: where funds are borrowed specifically, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; where funds are borrowed generally, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

14. Intangible assets

The intangible assets are amortised using the straight-line method over their useful lives. The useful lives are as follows:

	Useful life	Basis
Software	3-5years	Shorter of the expected useful life and the authorised life
Patents	3 years	Expected period that will generate best economic benefits

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

14. Intangible assets (continued)

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) the intention to complete the intangible asset and use or sell it; (c) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (d) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (e) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

The Group's specific criteria for classifying expenditures in the research phase and development phase of internal research and development projects is: the research phase is the phase of original planned investigations and research activities to acquire and understand scientific or new technical knowledge; the development phase is the phase of applying research results or other knowledge to a plan or design in order to produce a new or substantially improved product prior to commercial production or use. According to whether the research and development ("R&D") projects meet the capitalization conditions, the Group's R&D projects can be classified into capitalized R&D projects and expensed R&D projects. The Group's capitalized R&D projects are based on the project approval review as the node to divide the research stage and development stage. The research stage is before the project approval review, and the relevant R&D investment is included in the current profit and loss; after the project approval review and the satisfaction of the capitalization criteria of the R&D expenditure, the project enters the development stage, and the relevant R&D investment can be included in the development expenditure.

15. Impairment of assets

Determines the impairment of assets, other than the impairment of inventories, deferred tax assets and financial assets, using the following methods. Assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination, an intangible asset with an indefinite useful life and an intangible asset reaching the working condition for its intended use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

15. Impairment of assets (continued)

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

16. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method as follows:

Amortisation period	
Office lease and plant decoration	Shorter of the lease term and the remaining useful life of the lease assets

17. Employee benefits

Employee benefits refer to all forms of consideration or compensation other than share-based payments given by the Group in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits

During the accounting period in which the employees render services, the Group recognises the short-term employee compensation payable as liabilities and includes the same into relevant asset costs or expenses according to the object which benefits from the services rendered by employees.

Post-employment benefits (defined contribution plan)

For the employees of the Group in mainland China are required to participating in the pension insurance and unemployment insurance scheme administered by the local government. The Group's subsidiary in Hong Kong operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

The Group provides termination benefits to employees and recognises an employee benefits liability for termination benefits, with a corresponding charge to profit or loss, at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits resulting from an employment termination plan or a curtailment proposal; and (b) when the Group recognises costs involving the payment of termination benefits.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

18. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when the obligation is a present obligation of the Group and it is probable that an outflow of economic benefits from the Group will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed and adjusted appropriately at each balance sheet date to reflect the current best estimate.

19. Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such equity-settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in capital reserves. If such equity-settled share-based payment could not vest until the completion of services for a vesting period, or until the satisfaction of a specified performance condition, at each balance sheet date during the vesting period, the Group recognises the services received for the current period as related costs and expenses, with a corresponding increase in capital reserves, at an amount equal to the fair value of the equity instruments at the grant date, based on the best estimate of the number of equity instruments expected to vest. The fair value of equity instruments has been determined by the Black-Scholes option pricing model, see Note XII.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

20. Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

Contracts for sale of goods

The revenue is recognised at the point in time when the customer obtains control of relevant goods based on the following indicators: (a) a present right to payment for goods; (b) the transfer of significant risks and rewards of ownership of goods; (c) the transfer of legal title to goods; (d) the transfer of physical possession of goods; and (e) the customer's acknowledgement/acceptance of goods.

Contracts for the rendering of services

The Group recognises revenue at the point of delivery of the test service results.

21. Contract liabilities

The Group presents contract liabilities depending on the relationship between the satisfaction of its performance obligations and the customer's payment in the balance sheet.

The Group presents its obligation to transfer goods or services to a customer, for which the Group has received consideration or the Group has a right to an amount of consideration that is unconditional (i.e., a receivable) from the customer, as a contract liability.

22. Government grants

Government grants are recognised when all attaching conditions can be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a nonmonetary asset, it is measured at fair value; if fair value cannot be reliably determined, it is measured at a nominal amount.

Government grants shall be recognised as government grants related to assets where long-term assets are built or otherwise developed in accordance with the requirements of government documents. If there are no specific requirements of government documents, judgement shall be exercised based on the basic conditions required for the grants. Government grants shall be recognised as government grants related to assets where the building or otherwise development of long-term assets is considered as the basic condition; otherwise, they shall be recognised as government grants related to income.

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; or (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

22. Government grants (continued)

A government grant relating to an asset shall be offset against the carrying amounts of relevant assets, or recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

23. Deferred tax

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and on the temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (1) when the taxable temporary difference arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax losses and any unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised, except:

- (1) when the deductible temporary difference arises from an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

23. Deferred tax (continued)

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

At the commencement date of the lease, the Group recognises right-of-use assets. Right-of-use assets are initially measured at cost. The cost of the right-of-use assets comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date of the lease less any lease incentives received; (c) any initial direct cost incurred; and (d) estimates of costs incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the lease. The Group remeasures the lease liabilities for the revision to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying assets will be transferred to the Group at the end of the lease terms, the Group depreciates the assets from the commencement date to the end of the useful lives of the assets. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful lives of the assets and the end of the lease terms.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

24. Leases (continued)

As lessee (continued)

At the commencement date of the lease, the Group measures lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related assets as required. In addition, the Group remeasures lease liabilities at the present value of the revised lease payments upon a change in any of the following: in-substance fixed payments, the amounts expected to be payable under residual value guarantees, the index or rate used to determine lease payments, or the assessment or exercise of the purchase option, the renewal option or the option to terminate the lease.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for equipment short-term leases and low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

25. Fair value measurement

Assets and liabilities measured at fair value or disclosed at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; Level 2 – observable inputs, other than Level 1 inputs, for the asset or liability, either directly or indirectly; Level 3 – unobservable inputs for the asset or liability.

At each balance sheet date, the Group reassesses the categorisation of assets and liabilities that are measured at fair value on a recurring basis in the financial statements, to determine whether transfers have occurred between levels of the fair value hierarchy.

26. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

26. Significant accounting judgements and estimates *(continued)*

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds half or less than half of the voting rights.

The Group considers that it controls Sino Ic Technology Co., Ltd. ("Sino IC") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Sino IC with a 42.32% equity interest. The remaining equity shares in Sino IC are widely held by many other shareholders. Since the date of acquisition, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Business models

The classification of financial assets at initial recognition depends on the Group's business model for managing financial assets. When determining the business model, the Group considers the methods to include evaluation and report financial asset performance to key management, the risks affecting the performance of financial assets and risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

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III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. The different estimates may impact the impairment assessment, and the provision for impairment may not be representative of the actual impairment loss in the future.

Impairment of inventories

The Group periodically assesses the net realisable value of its inventories and provides for inventory impairment based on the difference between the cost of the inventory category and the net realisable value. When estimating the net realisable value of inventories, management considers the purpose for which the inventories are held, as well as future use or sales as the basis for estimation. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the inventories and write-down of inventories in the period in which such estimates have been changed.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

III. MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Fair value of unlisted equity investments

The Group uses the market approach to determine the fair value of its investments in unlisted equity securities. This requires the Group to identify comparable listed companies, select market multipliers, estimate liquidity discounts, etc. and is therefore subject to uncertainty.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in Notes III, 14 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash flows from the assets, discount rates to be applied and the expected period of benefits.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Useful life of intangible assets

The Group's management determines the useful lives of intangible assets based on an assessment of the expected useful lives or expected pattern of consumption of future economic benefits embodied in the assets. The determination of a reasonable useful life requires directors' estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of the intangible assets and the amortisation expenses in the period in which such estimates have been changed.

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IV. TAXES

1. Major categories of tax and tax rate

	Tax Basis	Tax Rate
Value-added tax (VAT)	VAT payable is the difference between VAT output and deductible VAT input for the current period.	13.00% or 6.00%
Urban maintenance and construction tax	VAT actually paid	7.00%
Corporate income tax	Taxable income	29.84%, 25.00%, 16.5% or 15%
Property tax	It is paid at 1.2% of the original value of the property after deducting 30% or 10%.	1.20%

Subjects of different corporate income tax rates are as follows:

	Income tax rate
Shanghai Fudan Microelectronics Group Co., Ltd.	15.00%
Sino IC	15.00%
Shanghai Fuwei Xunjie Digital Technology Co., Ltd	15.00%

Shanghai Fudan Microelectronics (HK) Co., Ltd.

In accordance with the Inland Revenue (Amendment) (No.3) Ordinance 2018, under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019, the first Hong Kong Dollar (“HK\$”) 2,000,000 of assessable profits of a qualifying entity are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Since 2018, the first HK\$2,000,000 of assessable profits of Shanghai Fudan Microelectronics (HK) Co., Ltd (a subsidiary of the Company) are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Fudan Microelectronics (USA) Inc.

Subject to US federal corporate income tax rate of 21.00% and 8.84% in accordance with local laws

All other PRC entities under the Group are subject to corporate income tax at a rate of 25%.

Notes to Financial Statements

Year ended 31 December 2025

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IV. TAXES (continued)

2. Tax preference

According to “Corporate Income Tax Law of the People’s Republic of China”, the preferential income tax rate of 15% is applicable to high-new technology enterprises. The Company and Sino IC, a subsidiary of the Group, obtained high-tech enterprise certificates with registration numbers GR202331003224 and GR202331002511, respectively, in 2023. The Company’s subsidiary, Shanghai Fuxi Xunjie Digital Technology Co., Ltd., obtained a high-tech enterprise certificate with registration number GR202431000324 in 2024. These certificates are valid for three years, and accordingly, the Company and its subsidiaries will be subject to a 15% enterprise income tax rate for the year 2025.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Software Products (Cai Shui [2011] No. 100), the Company’s software products are eligible for the VAT refund-on-collection policy.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

	2025	2024
Cash on hand	13,874.79	67,527.99
Cash at bank	1,298,607,835.23	1,087,426,957.37
Total	1,298,621,710.02	1,087,494,485.36
Including: cash at bank deposited overseas	33,595,147.95	40,848,669.51
Minus: Time deposits	4,111,075.99	24,072,031.54
Accrued interest on time deposits	–	121,666.67
Cash and cash equivalents	1,294,510,634.03	1,063,300,787.15

Interest income from bank demand deposits is earned at the applicable demand deposit interest rate set by the bank. The term of short-term time deposits is 12 months, determined based on the Group’s cash requirements, and interest income is earned at the corresponding time deposit interest rate offered by the bank.

Notes to Financial Statements

Year ended 31 December 2025
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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2. Financial assets held for trading

	2025	2024
Financial assets at fair value through current profit or loss		
Structured deposits	180,133,750.68	140,423,986.11

3. Notes receivable

(1) Classified presentation of notes receivable

	2025	2024
Bank acceptance bills	38,929,339.96	19,225,396.18
Commercial acceptance bills	271,739,586.41	286,740,412.59
	310,668,926.37	305,965,808.77
Less: Impairment allowance	13,674,425.00	7,252,632.26
Total	296,994,501.37	298,713,176.51

(2) Notes receivable that were endorsed or discounted but not yet due at the balance sheet date

	Termination of confirmation	Non-termination confirmation
Commercial acceptance bill	–	1,738,000.00

Notes to Financial Statements

Year ended 31 December 2025

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Notes receivable (continued)

(3) Bad debt provision

The movement in the impairment allowance on notes receivable is as follows:

	Opening balance	Provision	Reversal or transfer	Closing balance
2025	7,252,632.26	6,421,792.74	–	13,674,425.00

4. Accounts receivable

(1) Ageing disclosure by invoice date

	2025	2024
Within 1 year	1,128,104,025.31	1,066,133,983.44
1 to 2 years	689,808,867.73	430,339,657.61
2 to 3 years	134,313,233.01	60,587,802.99
3 to 4 years	15,811,595.91	1,767,651.58
4 to 5 years	1,345,931.88	1,136,154.93
Over 5 years	1,532,786.10	1,224,109.80
	1,970,916,439.94	1,561,189,360.35
Less: Impairment allowance	94,017,259.05	67,383,714.11
Total	1,876,899,180.89	1,493,805,646.24

Notes to Financial Statements

Year ended 31 December 2025
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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

(2) Classified disclosure according to bad debt provision method

2025

	Book balance		Impairment allowance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which impairment allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	1,791,149,721.64	90.88	83,463,849.05	4.66	1,707,685,872.59
Industrial Sales Portfolio	139,008,517.43	7.05	9,334,745.06	6.72	129,673,772.37
Testing Services Portfolio	40,758,200.87	2.07	1,218,664.94	2.99	39,539,535.93
Total	1,970,916,439.94	100.00	94,017,259.05	4.77	1,876,899,180.89

2024

	Book balance		Impairment allowance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which impairment allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	1,377,451,107.96	88.23	46,713,948.23	3.39	1,330,737,159.73
Industrial Sales Portfolio	136,176,470.73	8.72	19,209,800.93	14.11	116,966,669.80
Testing Services Portfolio	47,561,781.66	3.05	1,459,964.95	3.07	46,101,816.71
Total	1,561,189,360.35	100.00	67,383,714.11	4.32	1,493,805,646.24

Notes to Financial Statements

Year ended 31 December 2025

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

(2) Classified disclosure according to bad debt provision method (continued)

	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss
Highly Reliable Product Sales Portfolio			
Within 1 year	963,734,271.16	–	–
1 to 5 years	826,612,890.48	10.00	82,661,289.05
Over 5 years	802,560.00	100.00	802,560.00
Total	1,791,149,721.64	4.66	83,463,849.05
Industrial Sales Portfolio			
Within 6 months	122,516,973.69	–	–
6 to 9 months	427,967.22	10.00	42,796.71
9 to 12 months	1,522,423.65	20.00	304,484.73
1 to 2 years	11,107,378.50	50.00	5,553,689.25
Over 2 years	3,433,774.37	100.00	3,433,774.37
Subtotal	139,008,517.43	6.72	9,334,745.06
Testing Services Portfolio			
Within 1 year	39,902,389.59	2.94	1,174,755.27
1 to 2 years	855,811.28	5.13	43,909.67
Subtotal	40,758,200.87	2.99	1,218,664.94
Total	1,970,916,439.94	4.77	94,017,259.05

(3) The movements in the impairment allowance in relation to the accounts receivable

The movements on the impairment allowance in relation to the accounts receivable are as follows:

	Opening balance	Provision	Recovery or reversal	Written-off	Closing balance
2025	67,383,714.11	26,862,346.96	–	(228,802.02)	94,017,259.05

Notes to Financial Statements

Year ended 31 December 2025
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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

(4) The top five accounts receivable amounts

	Book balance	Amount proportion (%)	Impairment allowance
The first place	460,161,200.00	23.35	26,647,680.00
The second place	153,923,900.00	7.81	9,155,260.00
The third place	144,973,041.38	7.36	9,410,637.14
The fourth place	73,331,180.00	3.72	4,118,856.00
The fifth place	69,239,900.00	3.51	3,941,100.00
Total	901,629,221.38	45.75	53,273,533.14

5. Receivable financing

(1) The top five accounts receivable amounts

	2025	2024
Bank acceptance bills	190,455,252.30	146,984,229.37

(2) Notes receivable that were endorsed or discounted but not yet due at the balance sheet date

	Termination of confirmation	Non-termination confirmation
Bank acceptance bills	45,745,196.46	—

Notes to Financial Statements

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments

(1) An ageing analysis of prepayments

	31 December 2025		31 December 2024	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	317,030,545.04	91.51	83,942,528.29	73.86
1 to 2 years	27,616,771.03	7.97	27,803,778.47	24.47
2 to 3 years	1,807,910.57	0.52	1,898,024.48	1.67
Total	346,455,226.64	100.00	113,644,331.24	100.00

(2) The largest five prepayment amounts

	Closing balance	Proportion of total closing balance of prepayments
The first place	94,884,120.54	27.39
The second place	88,191,502.35	25.46
The third place	69,576,785.00	20.08
The fourth place	19,240,534.04	5.55
The fifth place	18,832,233.40	5.44
Total	290,725,175.33	83.92

7. Other receivables

(1) An ageing analysis of other receivables

	2025	2024
Within 1 year	3,097,095.46	4,450,790.17
1 to 2 years	222,398.82	3,183,875.77
2 to 3 years	472,460.75	256,446.70
Over 3 years	2,010,995.28	1,942,051.41
Total	5,802,950.31	9,833,164.05

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Other receivables (continued)

(2) Other receivables classified by nature

	2025	2024
Deposit guarantee	3,697,357.13	7,106,116.23
Collection on behalf of payment	250,000.00	253,673.72
Reserve fund	67,000.00	69,000.00
Others	1,788,593.18	2,404,374.10
Total	5,802,950.31	9,833,164.05

At 31 December 2025, the management of the Group considers that no impairment allowance is required for other receivables.

(3) The largest five other receivable amounts

	Closing balance	Proportion (%)	Classification	Ageing	Provision for bad debts
Shanghai Foreign Service Co.,Ltd.	1,313,606.40	22.64	Others	Within 1 year	-
Kweichow Moutai Co., Ltd.	1,000,000.00	17.23	Deposit guarantee	Within 1 year	-
Shanghai Qianda Technology and Economic Development Co., Ltd.	721,629.50	12.44	Deposit guarantee	Over 3 years	-
Shanghai Fudan Science Park Co., Ltd.	350,518.62	6.04	Deposit guarantee	Over 2 years	-
Guangzhou Yangchengtong Co., Ltd.	226,800.00	3.91	Deposit guarantee	Over 3 years	-
Total	3,612,554.52	62.26			-

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Inventories

(1) Inventory classification

	31 December 2025			31 December 2024		
	Gross carrying amount	Provision for write-down of inventories	Carrying amount	Gross carrying amount	Provision for write-down of inventories	Carrying amount
Raw materials	1,044,651,129.54	246,555,606.68	798,095,522.86	1,152,815,291.54	59,012,534.14	1,093,802,757.40
Work in process	1,089,328,167.57	155,559,999.07	933,768,168.50	1,157,237,136.51	125,202,003.00	1,032,035,133.51
Finished goods	1,287,126,220.94	393,911,287.27	893,214,933.67	1,249,426,899.89	248,009,259.06	1,001,417,640.83
Costs to fulfil a contract	11,515,724.52	-	11,515,724.52	7,201,372.01	-	7,201,372.01
Total	3,432,621,242.57	796,026,893.02	2,636,594,349.55	3,566,680,699.95	432,223,796.20	3,134,456,903.75

(2) The movements in provision for write-down of inventories

	Opening balance	Provision	Reversal	Decrease		Closing balance
				Write-off	Foreign currency translation	
Raw materials	59,012,534.14	191,556,791.13	(4,010,924.41)	-	(2,794.18)	246,555,606.68
Work in process	125,202,003.00	36,026,376.29	(5,668,380.22)	-	-	155,559,999.07
Finished goods	248,009,259.06	192,393,947.65	(44,268,966.51)	(2,216,701.58)	(6,251.35)	393,911,287.27
Total	432,223,796.20	419,977,115.07	(53,948,271.14)	(2,216,701.58)	(9,045.53)	796,026,893.02

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

9. Other current assets

	2025	2024
Input VAT to be credited	16,937,753.91	31,380,189.73
Prepaid income tax	9,374,391.90	19,278,102.17
Expenses to be amortised	1,227,012.76	354,581.31
Others	-	4,609,796.68
Total	27,539,158.57	55,622,669.89

10. Long-term equity investments

(1) Long-term equity investments

	Allowance for impairment		Changes for the year					Allowance for impairment	
	Opening balance	beginning of the year	Additional investment	Reduced investment	Investment profit or loss under the equity method	Provision for impairment allowance	Foreign currency translation	Closing balance	at the end of the year
Associated companies									
Shanghai Xihongqiao Navigation Technology Co., Ltd.	3,414,642.32	-	-	-	(952,071.19)	-	-	2,462,571.13	-
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	11,529,965.41	24,933,174.46	-	-	(2,250,114.92)	(1,276,173.21)	-	8,003,677.28	26,209,347.67
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd.	14,555,003.38	-	-	-	(2,085,336.97)	-	-	12,469,666.41	-
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	24,027,947.06	-	-	-	(170,614.22)	-	-	23,857,332.84	-
Shanghai Phenix Digital Technology Co., Ltd.	-	-	170,000.00	-	(70,318.57)	-	-	99,681.43	-
Spear Innovations Oy Ltd.	653,607.43	-	-	(603,633.34)	(35,865.02)	-	(14,109.07)	-	-
Total	54,181,165.60	24,933,174.46	170,000.00	(603,633.34)	(5,564,320.89)	(1,276,173.21)	(14,109.07)	46,892,929.09	26,209,347.67

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. Long-term equity investments (continued)

(2) Impairment provisions for long-term equity investments

Impairment indicators were identified due to the losses incurred by an associate company, and an impairment test was performed on Shanghai Fukong Hualong Microsystem Technology Co., Ltd.

The recoverable amount is determined as the fair value less costs to sell:

	Carrying amount	Recoverable amount	Impairment amount	Method for	Key assumptions	Basis for
				determining fair value and disposal costs		determining key assumptions
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	8,003,677.28	8,003,677.28	26,209,347.67	Market multiples method and industry practices	Price-to-sales ratio	Comparable companies

11. Other equity investments

(1) Other equity investments

	Opening balance	Gain included	Loss included	Cumulative	Cumulative	Dividend income	Closing balance	Reasons for being designated as at fair value through other comprehensive income
		in other comprehensive income for the year	in other comprehensive income during the year	gains recognised in other comprehensive income	losses recognised in other comprehensive income			
Shanghai Fudan Communication Co., Ltd.	23,370,006.56	16,435,185.39	-	27,670,218.71	-	-	42,705,518.79	Non-trading
Shenglianke (Shanghai) Technology Co., Ltd.	9,561,319.80	1,450,428.38	-	7,330,976.28	-	-	10,799,463.58	Non-trading
Scale Flux, Inc	1,884,734.58	-	-	-	1,674,576.31	-	1,842,888.88	Non-trading
Zhejiang Jingchang Electronics Co., Ltd.	-	-	-	-	-	-	-	Non-trading
Total	34,816,060.94	17,885,613.77	-	35,001,194.99	1,674,576.31	-	55,347,871.25	

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Fixed assets

(1) Fixed assets

	Buildings	Machinery	Vehicles	Electronic and other equipment	Total
Cost					
Opening balance	941,728,861.78	1,290,991,330.00	8,447,220.40	292,726,707.96	2,533,894,120.14
Purchases	9,600,640.04	1,508,245.36	–	24,556,987.14	35,665,872.54
Transfers from construction in progress	20,689,601.36	82,019,683.42	–	1,145,040.03	103,854,324.81
Disposals or retirements	–	(11,118,561.72)	–	(547,506.56)	(11,666,068.28)
Foreign currency translation	–	–	–	(2,238.12)	(2,238.12)
Closing balance	972,019,103.18	1,363,400,697.06	8,447,220.40	317,878,990.45	2,661,746,011.09
Accumulated depreciation					
Opening balance	78,172,134.51	794,285,156.30	6,623,009.41	87,140,262.36	966,220,562.58
Depreciation provided during the year	32,701,285.18	149,425,093.61	612,308.17	54,606,993.52	237,345,680.48
Disposals or retirements	–	(9,279,317.28)	–	(525,779.30)	(9,805,096.58)
Foreign currency translation	–	–	–	(3,134.59)	(3,134.59)
Closing balance	110,873,419.69	934,430,932.63	7,235,317.58	141,218,341.99	1,193,758,011.89
Carrying amount					
At end of year	861,145,683.49	428,969,764.43	1,211,902.82	176,660,648.46	1,467,987,999.20
At beginning of year	863,556,727.27	496,706,173.70	1,824,210.99	205,586,445.60	1,567,673,557.56

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Construction in progress

(1) Construction in progress

	2025			2024		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Decoration	-	-	-	8,294,202.45	-	8,294,202.45
Equipment to be commissioned	81,428,048.12	-	81,428,048.12	46,508,554.42	-	46,508,554.42
Total	81,428,048.12	-	81,428,048.12	54,802,756.87	-	54,802,756.87

(2) Changes of major construction in progress

		Integrated Circuit Technology R&D and Industrial Application Base Project
Budget		800,000,000.00
Opening balance		23,681,917.62
Addition		59,484,636.75
Transferred to fixed assets or long-term prepaid expenses during the year		(56,988,487.11)
Closing balance		26,178,067.26
Sources of funding		Own funds/ Raised funds
The proportion of project investment in the budget		91.47%

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Right-of-use assets

(1) Right-of-use assets

	Buildings
Cost	
Opening balance	89,397,559.18
Addition	35,948,641.54
Disposition	(4,593,865.83)
Foreign currency translation	(73,560.72)
Closing balance	120,678,774.17
Accumulated depreciation	
Opening balance	67,985,175.69
Depreciation provided during the year	15,319,073.94
Disposition	(4,439,793.97)
Foreign currency translation	(60,917.11)
Closing balance	78,803,538.55
Carrying amount	
At end of year	41,875,235.62
At beginning of year	21,412,383.49

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Intangible assets

(1) Intangible assets

	Software use rights	Patents	Total
Cost			
Opening balance	111,603,688.46	766,562,062.56	878,165,751.02
Purchases	20,092,908.22	–	20,092,908.22
Transfers from development expenditures	–	239,932,501.05	239,932,501.05
Closing balance	131,696,596.68	1,006,494,563.61	1,138,191,160.29
Accumulated amortisation			
Opening balance	64,880,464.25	507,745,150.67	572,625,614.92
Depreciation provided during the year	35,068,869.41	94,304,824.98	129,373,694.39
Closing balance	99,949,333.66	602,049,975.65	701,999,309.31
Provision for impairment			
Opening balance	–	108,044,937.90	108,044,937.90
Provision	–	18,022,968.46	18,022,968.46
Closing balance	–	126,067,906.36	126,067,906.36
Carrying amount			
At end of year	31,747,263.02	278,376,681.60	310,123,944.62
At beginning of year	46,723,224.21	150,771,973.99	197,495,198.20

At 31 December 2025, intangible assets recognized through internal development accounts for 89.76% of the carrying amounts.

Impairment indication exist as the sales did not reach the expectation and impairment test were performed for the following patents of the R&D projects, which attribute to design and sale of integrated circuits.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

15. Intangible assets (continued)

(1) Intangible assets (continued)

The recoverable amount was determined by the present value of the future cash flows expected to be derived:

	Gross carrying amount	Recoverable amount	Provision for impairment	Forecasted years	Key parameters
Security and identification chip technology	3,673,583.13	3,673,583.13	18,022,968.46	2 years	Administrative expenses rate: 3.30% Selling expenses rate: 6.24% Return on working capital: 3.10% Discount rate: 13.00%

16. Development expenditures

Refer to Note VI, Development costs.

17. Long-term prepaid expenses

	Opening balance	Increase	Amortization for the year	Closing balance
Leasing office and office decoration expense	50,444,603.53	17,087,235.78	(17,379,768.90)	50,152,070.41

18. Deferred tax assets/liabilities

(1) Deferred income tax assets before offsetting

	2025		2024	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred tax assets				
Government grants	54,813,043.80	8,221,956.57	25,812,967.33	3,871,945.10
Lease liabilities	11,727,722.29	1,759,158.34	12,460,148.92	1,869,022.34
Provision for impairment of assets	3,077,628.28	461,644.24	1,418,349.13	212,752.37
Accrued expenses	905,000.00	135,750.00	1,004,500.00	150,675.00
Deductible losses	78,651,218.35	11,797,682.75	70,130,087.20	10,519,513.08
Total	149,174,612.72	22,376,191.90	110,826,052.58	16,623,907.89

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Deferred tax assets/liabilities (continued)

(2) Deferred income tax liabilities before offsetting

	2025		2024	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Deferred tax liabilities				
Changes in fair value of other equity investments	42,705,518.79	6,536,198.68	23,370,006.56	3,635,871.84
Depreciation of fixed assets	12,726,448.28	1,908,967.24	18,350,234.55	2,752,770.93
Right-of-use assets	17,655,235.69	2,648,285.35	10,206,267.99	1,530,940.20
Unrealised profit of intra-group transaction	1,858,963.40	278,844.51	1,281,477.93	192,221.69
Total	74,946,166.16	11,372,295.78	53,207,987.03	8,111,804.66

(3) Deferred income tax assets or liabilities presented at net amount after offsetting:

	2025		2024	
	Offset amount	Remaining amount after offset	Offset amount	Remaining amount after offset
Deferred income tax assets	(4,833,567.71)	17,542,624.19	(4,473,339.64)	12,150,568.25
Deferred income tax liabilities	(4,833,567.71)	6,538,728.07	(4,473,339.64)	3,638,465.02

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

18. Deferred tax assets/liabilities (continued)

(4) *Deductible temporary differences and deductible losses that are not recognised as deferred income tax assets*

	2025	2024
Deductible temporary differences	1,312,630,292.08	1,066,021,112.13
Deductible tax losses	424,638,641.62	141,210,884.28
Total	1,737,268,933.70	1,207,231,996.41

(5) *Deductible losses that are not recognised as deferred income tax assets will expire in the following years*

	2025	2024
2025	–	27,753.07
2026	873,924.24	873,924.24
2027	1,199,994.58	11,336,164.59
2028	8,162,825.68	29,319,935.34
2029 and beyond	414,401,897.12	99,653,107.04
Total	424,638,641.62	141,210,884.28

19. Other non-current assets

	2025	2024
Prepayment of production capacity deposit	53,861,132.10	54,991,260.00
Prepayment of purchase equipment	16,065,292.70	9,379,147.24
Rental deposit	–	515,313.90
Total	69,926,424.80	64,885,721.14

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Assets with restricted ownership

2025

	Gross carrying amount	Carrying amount	Restricted type	Restricted situation
Notes receivable	1,738,000.00	1,738,000.00	Pledge	Note 1

2024

	Gross carrying amount	Carrying amount	Restricted type	Restricted situation
Notes receivable	30,088,572.00	30,088,572.00	Pledge	Note 1

Note 1: At 31 December 2025, the Group endorsed undue bills receivable with a carrying amount of RMB1,738,000.00 (31 December 2024: RMB30,088,572.00) and had no discounted undue bills receivable (31 December 2024: Nil).

21. Short-term borrowings

(1) Classification of short-term loans

	2025	2024
Unsecured borrowings	675,896,654.17	1,071,872,039.08

At 31 December 2025, the interest rates of unsecured borrowings ranged from 2.10% to 2.18% (31 December 2024: the interest rates of unsecured borrowings ranged from 2.27% to 2.50%).

At 31 December 2025, the Group had no short-term borrowings due but outstanding (31 December 2024: Nil).

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

22. Accounts payable

The ageing analysis of accounts payable based on the invoice date, is as follows:

	2025	2024
Within 1 year	181,687,801.95	205,214,678.96
1 to 2 years	22,555,500.13	11,596,707.46
Over 2 years	28,961,192.70	17,810,126.29
Total	233,204,494.78	234,621,512.71

At 31 December 2025, the Group had no material accounts payable aged over 1 year.

23. Contract Liabilities

(1) Presentation of contract liabilities

	2025	2024
Advances from sales of goods and testing fee	127,777,512.09	103,194,260.37

At the balance sheet date, the total transaction price apportioned to the remaining performance obligations will be recognized as revenue in the future as the related services are rendered and the sale of goods progresses.

At 31 December 2025, the Group had no material contractual liabilities aged more than 1 year.

(2) Material change in book value

At 31 December 2025, the Group had no contract liabilities with significant changes in book value.

24. Employee benefits payable

(1) List of employee benefits payable

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	157,230,519.66	985,382,019.57	(937,148,990.42)	205,463,548.81
Post-employment benefits (defined contribution plan)	7,088,472.00	94,424,090.32	(94,817,697.68)	6,694,864.64
Severance payment	–	23,896,002.15	(23,896,002.15)	–
Total	164,318,991.66	1,103,702,112.04	(1,055,862,690.25)	212,158,413.45

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

24. Employee benefits payable (continued)

(2) Details of short-term compensation

	Opening balance	Increase	Decrease	Closing balance
Wages and salaries, bonus, allowances and subsidies	114,803,689.07	872,247,212.15	(823,386,049.17)	163,664,852.05
Staff welfare	–	1,818,621.76	(1,818,621.76)	–
Social insurance contributions	3,581,780.08	66,688,724.89	(66,877,571.26)	3,392,933.71
Including: Medical insurance	3,199,389.67	63,552,873.88	(63,771,817.45)	2,980,446.10
Work injury insurance	272,808.87	2,801,866.38	(2,771,643.34)	303,031.91
Maternity insurance	109,581.54	333,984.63	(334,110.47)	109,455.70
Housing funds	2,978,436.78	44,370,852.28	(44,568,191.14)	2,781,097.92
Labour union funds and employee education funds	35,866,613.73	256,608.49	(498,557.09)	35,624,665.13
Total	157,230,519.66	985,382,019.57	(937,148,990.42)	205,463,548.81

(3) Details of defined contribution plans

	Opening balance	Increase	Decrease	Closing balance
Basic pensions	6,793,236.65	91,284,502.00	(91,666,143.77)	6,411,594.88
Unemployment insurance	295,235.35	3,139,588.32	(3,151,553.91)	283,269.76
Total	7,088,472.00	94,424,090.32	(94,817,697.68)	6,694,864.64

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

25. Taxes payable

	2025	2024
VAT	22,233,738.87	24,245,510.67
Individual income tax	9,630,475.79	10,246,981.77
Property tax	2,934,591.68	1,246,472.63
Urban maintenance and construction tax	1,676,831.56	1,808,482.08
Stamp duty	737,703.53	665,563.70
Corporate income tax	72,188.66	177,995.02
Land-use tax	17,662.64	7,082.95
Total	37,303,192.73	38,398,088.82

26. Other payables

	2025	2024
Payables related to purchase assets	46,885,191.13	33,492,300.41
Collection and payment	6,921,709.44	31,366,924.35
Others	15,031,289.67	11,824,411.23
Total	68,838,190.24	76,683,635.99

On 31 December 2025, the Group had no significant other payables aged over one year.

27. Current portion of non-current liabilities

	2025	2024
Current portion of long-term borrowings (Note V. 29)	162,498,596.68	353,777,605.95
Current portion of lease liabilities (Note V. 30)	13,274,214.02	14,425,553.49
Total	175,772,810.70	368,203,159.44

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Other current liabilities

	2025	2024
Government grants	152,587,725.00	117,523,425.00
Output tax to be transferred	16,318,030.44	12,967,888.14
Accrued expense	4,544,046.29	6,519,616.92
Endorsed bills receivable	1,738,000.00	30,088,572.00
Total	175,187,801.73	167,099,502.06

29. Long-term borrowings

	2025	2024
Unsecured borrowings	799,625,281.68	593,641,145.55
Less: Due within 1 year (Note V. 27)	162,498,596.68	353,777,605.95
Total	637,126,685.00	239,863,539.60

On 31 December 2025, the interest rates on the above borrowings ranged from 2.24% to 2.66% per annum (31 December 2024: 2.35% to 2.66%).

The expiration dates of long-term borrowings (excluding the portion due within one year) are analysed as follows:

	2025	2024
1-2 years	509,180,400.00	111,917,254.60
2-5 years	118,000,000.00	88,000,000.00
Above 5 years	9,946,285.00	39,946,285.00
Total	637,126,685.00	239,863,539.60

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

30. Lease liabilities

	2025	2024
Lease liabilities	45,013,169.80	23,007,733.37
Less: Due within 1 year (Note V. 27)	13,274,214.02	14,425,553.49
Total	31,738,955.78	8,582,179.88

31. Deferred Income

	Opening balance	Increase	Decrease	Closing balance
Government grants	20,516,501.67	28,400,000.00	(13,541,953.34)	35,374,548.33

32. Provisions

	Opening balance	Increase	Decrease	Closing balance	
Compensation payments	–	34,035,079.00	–	34,035,079.00	Note 1

Note 1: Provision for estimated liabilities represents the estimated compensation for losses, accrued based on the Group's reasonable assessment of the potential loss amount to suppliers and the compensation ratio.

33. Share capital

	Opening balance	Changes for the year			Closing balance
		Issue of new shares	Others	Subtotal	
RMB-denominated ordinary shares	53,709,730.00	228,595.00	–	228,595.00	53,938,325.00
Foreign shares listed overseas	28,433,000.00	–	–	–	28,433,000.00
Total	82,142,730.00	228,595.00	–	228,595.00	82,371,325.00

Refer to Notes V, 34.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

34. Capital surplus

	Opening balance	Increase	Decrease	Closing balance
Capital premium (Note 1)	1,591,290,916.18	132,944,770.00	–	1,724,235,686.18
Other capital surplus (Note 2)	291,531,200.40	16,694,679.16	92,894,926.00	215,330,953.56
Total	1,882,822,116.58	149,639,449.16	92,894,926.00	1,939,566,639.74

Note 1: On 30 December 2025, the Company issued 2,285,950 domestic ordinary shares with a par value of RMB0.1 per share to the grantees who met the vesting conditions for the fourth vesting period of the initial grant and the third vesting period of the reserved grant under the 2021 Restricted Share Incentive Plan. The vesting price was RMB17.62 per share, and the net proceeds raised amounted to RMB40,278,439.00. This resulted in an increase in share capital of RMB228,595.00 and an increase in capital reserve of RMB40,049,844.00. Concurrently, as the vesting for the fourth vesting period of the initial grant and the first batch of the third vesting period of the reserved grant was completed, an amount of RMB92,894,926.00 was transferred from other capital reserve to share premium.

Note 2: In addition to the above transfer of other capital surplus to share premium, movements in other capital surplus are as follows: The Company implemented an employee incentive plan, and in 2025, recognised expenses and other capital surplus amounting to RMB16,694,679.16 in instalments over the vesting period, as detailed in Note XII.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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35. Other comprehensive income

Accumulated balance of other comprehensive income in the balance sheet:

2025

	1 January 2025	Increase or decrease	31 December 2025
Changes in the fair value of other equity investments	15,441,004.91	17,885,613.77	33,326,618.68
Differences on translation of foreign currency financial statements	770,178.33	(750,923.51)	19,254.82
Total	16,211,183.24	17,134,690.26	33,345,873.50

2024

	1 January 2024	Increase or decrease	31 December 2024
Changes in the fair value of other equity investments	15,688,758.68	(247,753.77)	15,441,004.91
Differences on translation of foreign currency financial statements	434,968.95	335,209.38	770,178.33
Total	16,123,727.63	87,455.61	16,211,183.24

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

35. Other comprehensive income (continued)

Other comprehensive income Amount:

2025

	Amount before tax	Less: Previously included in other comprehensive income to profit or loss	Less: Reclassified from other comprehensive income to retained earnings	Less: Income tax	Attributable to owners of the parent after tax	Attributable to non- controlling interests after tax
Change in the fair value of other equity investments	20,785,940.62	-	-	2,900,326.85	17,885,613.77	-
Exchange differences on translation of foreign currency financial statements	(750,923.51)	-	-	-	(750,923.51)	-
Total	20,035,017.11	-	-	2,900,326.85	17,134,690.26	-

2024

	Amount before tax	Less: Previously included in other comprehensive income to profit or loss	Less: Reclassified from other comprehensive income to retained earnings	Less: Income tax	Attributable to owners of the parent after tax	Attributable to non- controlling interests after tax
Change in the fair value of other equity investments	(480,135.62)	-	-	(232,381.85)	(247,753.77)	-
Exchange differences on translation of foreign currency financial statements	335,209.38	-	-	-	335,209.38	-
Total	(144,926.24)	-	-	(232,381.85)	87,455.61	-

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

36. Surplus reserve

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	41,071,365.00	114,297.50	–	41,185,662.50

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required.

37. Undistributed profits

	2025	2024
Balance at the beginning of the current year	3,871,837,648.79	3,381,266,932.48
Net profit attributable to owners of the parent	232,337,565.04	572,595,101.31
Less: Withdrawal of statutory surplus reserve	114,297.50	118,345.00
Distributions to owners (Note)	65,714,184.00	81,906,040.00
Balance at the end of the current year	4,038,346,732.33	3,871,837,648.79

Note: According to the resolution of the 2024 Annual General Meeting of shareholders held on 26 June 2025, the Company distributed cash dividends of RMB65,714,184.00 (including tax) based on the total share capital of 821,427,300 shares on 31 December 2024, representing a dividend of RMB0.08 per ordinary share (including tax).

38. Revenue and cost of sales

(1) Revenue and cost of sales

	2025		2024	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	3,972,333,011.49	1,742,614,295.58	3,584,932,102.66	1,580,427,287.15
Other operations	9,928,090.03	2,192,767.72	5,291,725.57	1,173,652.82
Total	3,982,261,101.52	1,744,807,063.30	3,590,223,828.23	1,581,600,939.97

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Revenue and costs of sales (continued)

(2) Breakdown of revenue from contracts with customers

2025

Reporting segments	Design and sale of integrated circuits	Integrated circuit test services	Total
Type of major products			
Security and identification chips	854,861,718.82	–	854,861,718.82
Non-volatile memory	1,041,530,821.63	–	1,041,530,821.63
Smart meter chips	518,448,862.94	–	518,448,862.94
FPGA and other products	1,420,475,745.69	–	1,420,475,745.69
Integrated circuit test services and component sales	–	143,874,135.24	143,874,135.24
Rental income	704,871.55	2,364,945.65	3,069,817.20
Total	3,836,022,020.63	146,239,080.89	3,982,261,101.52
Place of business			
Mainland China	3,654,661,357.52	143,222,831.06	3,797,884,188.58
Others	181,360,663.11	3,016,249.83	184,376,912.94
Total	3,836,022,020.63	146,239,080.89	3,982,261,101.52
Timing of revenue recognition			
Rental	704,871.55	2,364,945.65	3,069,817.20
At a point in time	3,828,845,874.03	143,874,135.24	3,972,720,009.27
In a period of time	6,471,275.05	–	6,471,275.05
Total	3,836,022,020.63	146,239,080.89	3,982,261,101.52

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Revenue and costs of sales (continued)

(2) Breakdown of revenue from contracts with customers (continued)

2024

Reporting segments	Design and sale of integrated circuits	Integrated circuit test services	Total
Type of major products			
Security and identification chips	790,957,781.09	–	790,957,781.09
Non-volatile memory	1,135,832,442.81	–	1,135,832,442.81
Smart meter chips	396,694,720.15	–	396,694,720.15
FPGA and other products	1,133,630,167.08	–	1,133,630,167.08
Integrated circuit test services and component sales	–	130,163,015.77	130,163,015.77
Rental income	841,226.43	2,104,474.90	2,945,701.33
Total	3,457,956,337.56	132,267,490.67	3,590,223,828.23
Place of business			
Mainland China	3,261,791,239.41	126,219,674.43	3,388,010,913.84
Others	196,165,098.15	6,047,816.24	202,212,914.39
Total	3,457,956,337.56	132,267,490.67	3,590,223,828.23
Timing of revenue recognition			
Rental	841,226.43	2,104,474.90	2,945,701.33
At a point in time	3,450,828,288.35	130,163,015.77	3,580,991,304.12
In a period of time	6,286,822.78	–	6,286,822.78
Total	3,457,956,337.56	132,267,490.67	3,590,223,828.23

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Revenue and costs of sales (continued)

(2) Breakdown of revenue from contracts with customers (continued)

The breakdown of operating costs for the year is as follows:

Reporting segments	Design and sale of integrated circuits	Integrated circuit test services	Total
Type of major products			
Security and identification chips	599,663,105.74	–	599,663,105.74
Non-volatile memory	353,313,552.34	–	353,313,552.34
Smart meter chips	313,273,619.46	–	313,273,619.46
FPGA and other products	357,354,425.50	–	357,354,425.50
Integrated circuit test services and component sales	–	120,414,018.71	120,414,018.71
Rental income	–	788,341.55	788,341.55
Total	1,623,604,703.04	121,202,360.26	1,744,807,063.30
Place of business			
Mainland China	1,508,753,698.02	118,502,441.23	1,627,256,139.25
Others	114,851,005.02	2,699,919.03	117,550,924.05
Total	1,623,604,703.04	121,202,360.26	1,744,807,063.30
Timing of revenue recognition			
Rental	–	788,341.55	788,341.55
At a point in time	1,619,901,183.48	120,414,018.71	1,740,315,202.19
In a period of time	3,703,519.56	–	3,703,519.56
Total	1,623,604,703.04	121,202,360.26	1,744,807,063.30

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Revenue and costs of sales (continued)

(3) Performance obligation

Revenue recognized from:

	2025	2024
Carrying amount of contract liabilities at the beginning of the year	103,194,260.37	57,567,549.49

39. Taxes and surcharges

	2025	2024
Urban maintenance and construction tax	19,282,783.41	4,480,357.95
Stamp duty	2,736,387.39	2,612,420.49
Property tax	2,590,542.79	4,615,033.74
Land use tax	61,249.68	29,184.70
Education surcharge	26,557.49	23,975.94
Local education surcharge	25,025.00	15,983.96
Vehicle and vessel tax	–	6,720.00
Total	24,722,545.76	11,783,676.78

40. Selling expenses

	2025	2024
Staff costs	174,217,048.57	168,408,737.76
Office and administrative expenses	17,818,527.52	15,242,039.72
Depreciation and amortisation	10,582,499.49	8,889,815.13
Travel expense	9,216,340.87	8,696,296.38
Entertainment expenses	8,488,873.46	8,056,654.31
Professional service fees	4,753,217.86	6,850,233.50
Advertising and marketing expenses	4,245,061.42	5,087,456.74
Expense for incentive plan	3,418,109.85	12,668,053.30
Rental, property management and utilities	1,307,975.07	1,286,550.80
Others	4,745,974.16	6,947,931.69
Total	238,793,628.27	242,133,769.33

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

41. Administrative expenses

	2025	2024
Staff costs	115,952,413.99	94,532,550.29
Depreciation and amortization	17,378,658.84	17,030,251.18
Office and administrative expenses	11,591,354.53	10,628,344.21
Professional service fees	10,891,380.23	7,636,387.19
Rental fee	6,189,014.69	5,444,375.28
Repair charge	3,172,623.08	6,377,353.14
Travelling expense	2,739,780.11	2,400,501.06
Advertising and marketing expenses	2,528,406.07	2,340,095.54
Entertainment expenses	1,513,991.82	2,246,709.73
Expense for incentive plan	579,052.62	2,099,179.41
Others	11,590,527.16	7,707,837.12
Total	184,127,203.14	158,443,584.15

The forementioned administrative expenses included the annual audit fee paid to Ernst & Young Hua Ming LLP and its subsidiaries, amounting to RMB3,030,000.00. (2024: RMB3,000,000.00).

42. Research and development expenses

	2025	2024
Staff costs	724,561,650.14	579,160,860.11
Material and proceeding costs	223,355,115.39	194,882,743.21
Depreciation and amortisation	186,534,118.71	154,116,239.84
Professional service fee	49,987,749.58	46,405,686.37
Expense for incentive plan	17,219,699.81	40,256,370.09
Office and administrative expenses	8,400,227.57	7,851,863.42
Travelling expense	3,060,967.84	2,703,272.06
Others	9,622,594.44	5,274,486.62
Total	1,222,742,123.48	1,030,651,521.72

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

43. Finance expenses

	2025	2024
Interest expenses	38,076,618.07	42,712,216.50
Including: Loan interest to be repaid within 5 years	36,906,293.49	41,042,941.70
Interest expenses of lease liabilities	1,170,324.58	1,669,274.80
Less: Interest income	16,073,359.98	16,796,059.39
Foreign exchange differences	9,678,642.49	2,471,432.08
Others	194,315.84	279,166.49
Total	31,876,216.42	28,666,755.68

44. Other income

	2025	2024
Government grants related to the ordinary course of business	112,956,793.17	133,136,990.82
VAT deduction	27,744,302.93	97,971,777.83
Fees refunded for individual income tax withheld	2,293,964.30	2,490,459.64
Total	142,995,060.40	233,599,228.29

45. Investment income

	2025	2024
Long-term equity investment income under the equity method	(5,564,320.89)	(3,430,403.58)
Investment income from financial instruments held for trading	3,711,388.70	3,944,191.75
Total	(1,852,932.19)	513,788.17

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

46. Fair value gains

	2025	2024
Financial assets held for trading	(290,235.43)	210,236.11

47. Credit impairment losses

	2025	2024
Impairment loss for notes receivable	(6,421,792.74)	337,870.51
Impairment loss for accounts receivable	(26,862,346.96)	(46,014,152.53)
Total	(33,284,139.70)	(45,676,282.02)

48. Impairment losses of assets

	2025	2024
Loss for write-down of inventories	(419,977,115.07)	(168,590,656.26)
Impairment loss for intangible assets	(18,022,968.46)	(177,375.61)
Impairment loss on long-term equity investments	(1,276,173.21)	–
Total	(439,276,256.74)	(168,768,031.87)

49. Gains on disposal of non-current assets

	2025	2024
Gain or loss on disposal of fixed assets	526,272.55	2,116,899.58
Gain or loss on disposal of right-of-use assets	7,152.78	–
Total	533,425.33	2,116,899.58

50. Non-operating income

	2025	2024	Non-recurring gains and losses of 2025
Others	40,477.28	467,689.36	40,477.28

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

51. Non-operating expenses

	2025	2024	Non-recurring gains and losses of 2025
Donations	–	500,000.00	–
Late payment fee	1,419,782.33	–	1,419,782.33
Others	290,715.48	13,570.59	290,715.48
Total	1,710,497.81	513,570.59	1,710,497.81

52. Income tax expenses

	2025	2024
Current income tax expenses	6,071,135.42	7,155,998.73
Deferred income tax expenses	(5,392,119.73)	(8,021,376.23)
Total	679,015.69	(865,377.50)

The reconciliation between income tax expenses and profit before income taxes is as follows:

	2025	2024
Profit before income tax	202,347,222.29	558,893,537.63
Tax at the applicable tax rate of parent company	30,352,083.32	83,834,030.64
Effect of different tax rates for subsidiaries	(159,029.62)	(2,176,153.98)
Costs, expenses and losses not deductible for tax	3,655,690.71	2,740,770.86
Super deduction of research and development expenses	(142,050,068.36)	(142,526,763.19)
Tax losses utilised from previous periods	(2,218,661.49)	(309,012.29)
Unrecognised deductible temporary differences or tax losses	104,999,872.32	50,421,460.17
Adjustments in respect of current tax of previous periods	6,099,128.81	7,150,290.29
Income tax expense	679,015.69	(865,377.50)

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

53. Earnings per share

	2025 RMB/share	2024 RMB/share
Basic earnings per share		
Continuing operations	0.28	0.70
Diluted earnings per share		
Continuing operations	0.28	0.70

Basic earnings per share is calculated by dividing net income for the net profit for the year attributable to the Company's common stockholders by the weighted-average number of common shares issued and outstanding. The number of newly issued common shares is determined by calculating from the month following the issuance of shares.

The numerator of diluted earnings per share is determined by using the net income for the net profit for the year attributable to the Company's common shareholders, adjusted for (1) interest on dilutive potential common shares recognized as an expense in the net profit for the year; (2) income or expense to be incurred upon conversion of dilutive potential common shares; and (3) the income tax effect related to the above adjustments.

The denominator of diluted earnings per share is equal to the sum of (1) the weighted-average number of common shares of the parent outstanding for basic earnings per share; and (2) the weighted-average number of common shares that would have been added assuming the conversion of dilutive potential common shares into common shares.

In calculating the weighted average number of common shares added by the conversion of dilutive potential common shares into outstanding common shares, dilutive potential common shares issued in prior periods are assumed to be converted at the beginning of the current period; dilutive potential common shares issued in the current period are assumed to be converted on the date of issuance.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

53. Earnings per share (continued)

Basic earnings per share and diluted earnings per share are calculated as follows:

	2025	2024
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company		
Continuing operation	232,337,565.04	572,595,101.31
Shares		
Weighted average number of ordinary shares in issue	823,713,250.00	819,202,673.00
Dilution effect – weighted average of common Shares		
Stock options	3,949.00	3,415,660.00
Weighted average number of common shares of the Company issued and outstanding	823,717,199.00	822,618,333.00

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

54. Notes to the statements of cash flows

(1) Cash related to operating activities

	2025	2024
Other cash receipts relating to operating activities		
Government grants	147,368,691.02	132,678,013.35
Interest income	16,043,851.23	16,420,550.05
Special reward for talent acquisition	6,920,000.00	25,188,100.00
Deposits	3,924,073.00	12,656,560.09
Others	5,214,736.64	4,034,296.18
Total	179,471,351.89	190,977,519.67

	2025	2024
Other cash payments relating to operating activities		
Cash-paid expenses	175,990,086.19	163,262,040.27
Special reward for talent acquisition	25,188,100.00	–
Others	3,841,351.05	2,432,524.86
Total	205,019,537.24	165,694,565.13

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

54. Notes to the statements of cash flows (continued)

(2) Cash related to investing activities

	2025	2024
Cash received relating to significant investment activities		
Collection of structured deposits	1,493,000,000.00	1,170,000,000.00
Collection of time deposits	20,000,000.00	30,000,000.00
Total	1,513,000,000.00	1,200,000,000.00
Cash payments related to significant investment activities		
Cash payments to acquire fixed assets, intangible assets and other long-term assets	265,440,363.23	632,952,581.71
Investment of structured deposits	1,533,000,000.00	1,324,072,031.54
Additional investment in associates	170,000.00	15,000,000.00
Total	1,798,610,363.23	1,972,024,613.25
Other cash payments relating to financing activities		
Interest income earned on time deposits	151,175.42	366,342.67

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

54. Notes to the statements of cash flows (continued)

(3) Cash related to financing activities

	2025	2024
Other cash payments related to financing activities		
Payments to rental and interest	14,966,610.61	21,530,781.97
Payments to issuance fees related to convertible bonds	–	662,505.93
Total	14,966,610.61	22,193,287.90

The changes in various liabilities arising from financing activities are as follows:

	Opening balance	Increase		Decrease		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowing	1,071,872,039.08	859,500,000.00	1,826,684.83	1,257,302,069.74	–	675,896,654.17
Long-term borrowings (including portion of due within one year)	593,641,145.55	575,536,266.98	1,813,200.76	371,365,331.61	–	799,625,281.68
Lease liabilities (including portion of due within one year)	23,007,733.37	–	37,118,966.12	14,966,610.61	146,919.08	45,013,169.80
Total	1,688,520,918.00	1,435,036,266.98	40,758,851.71	1,643,634,011.96	146,919.08	1,520,535,105.65

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

55. Supplementary information of statements of cash flows

(1) Supplementary information of statements of cash flows

Reconciliation of net profit to net cash flows from operating activities:

	2025	2024
Net profit	201,668,206.60	559,758,915.13
Add: Provisions for asset impairment	439,276,256.74	168,768,031.87
Provisions for credit impairment	33,284,139.70	45,676,282.02
Depreciation of right-of-use assets	15,319,073.94	16,524,463.86
Amortisation of intangible assets	129,373,694.39	106,761,558.66
Depreciation of fixed assets	232,983,390.39	190,520,856.17
Amortisation of long-term prepaid expenses	17,379,768.90	16,790,245.89
Losses on disposal of fixed assets, intangible assets and other long-term assets	(533,425.33)	(2,116,899.58)
Gains or losses on changes in fair value	290,235.43	(210,236.11)
Finance expenses	43,550,086.71	39,053,940.72
Expense for incentive plan	15,819,707.44	50,959,117.36
Investment losses	1,852,932.19	(513,788.17)
Increase in deferred income tax assets	(5,392,055.94)	(8,021,376.23)
Increase in deferred income tax liabilities	(63.79)	(232,326.46)
Decrease in inventories	77,894,484.66	(125,683,623.85)
Increase in operating receivables	(670,013,802.95)	(417,850,839.59)
Increase in operating payables	251,410,543.13	92,281,241.58
Net cash flows from operating activities	784,163,172.21	732,465,563.27

Significant non-cash investing and financing activities:

	2025	2024
Right-to-use assets acquired by assuming lease liabilities	35,948,641.54	4,058,296.67

Net change in cash and cash equivalents:

	2025	2024
Cash at the end of the year	1,294,510,634.03	1,063,300,787.15
Less: Cash at the beginning of the year	1,063,300,787.15	992,924,996.96
Net increase in cash and cash equivalents	231,209,846.88	70,375,790.19

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

55. Supplementary information of cash flow statements (continued)

(2) Composition of cash and cash equivalents

	2025	2024
Cash	1,294,510,634.03	1,063,300,787.15
Including: Cash on hand	13,874.79	67,527.99
Bank deposits on demand	1,294,496,759.24	1,063,233,259.16
Closing balance of cash and cash equivalents	1,294,510,634.03	1,063,300,787.15

56. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

	Original currencies	Exchange rate	RMB equivalent
Cash and bank balances			
US\$	29,522,366.37	7.0288	207,506,808.74
HK\$	7,944,420.05	0.9032	7,175,400.19
NT\$	197,514.00	0.2230	44,045.62
S\$	65,101.54	5.4586	355,363.27
Won₩	5,928,581.63	0.0049	29,050.05
JP¥	28.00	0.0448	1.25
Accounts receivable			
US\$	5,230,303.05	7.0288	36,762,754.08
EUR€	230,553.07	8.2355	1,898,719.81
Other non-current assets			
US\$	7,662,920.00	7.0288	53,861,132.10
Accounts payable			
US\$	3,839,200.00	7.0288	26,984,968.96

The significant foreign operating entities in the Group's consolidated financial statements are Fudan Microelectronics (Hong Kong) Limited and Fudan Microelectronics (USA) Inc., both of which are denominated in Hong Kong dollars and United States dollars, respectively, with their principal places of operation in Hong Kong and the United States, respectively.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

57. Leases

(1) As a lessee

	2025	2024
Interest expense of lease liabilities	1,170,324.58	1,669,274.80
Short-term lease expenses with simplified treatment recognized in profit or loss	6,230,410.39	6,614,113.12
Lease expenses of low-value assets (other than short-term leases) with simplified treatment recognized in profit or loss	1,266,579.37	116,812.96
Total cash outflow related to leases	22,463,600.37	28,924,213.98

The leased assets leased to the Group include buildings used in the operations, which are usually leased for a period of 3 to 6 years. The lease contracts usually stipulate that the Group cannot sublease the leased assets, and some of the lease contracts require the Group to maintain a certain level of financial indicators. A few of the lease contracts contain article for renewal options.

For right-of-use assets, see Note V, 14; for simplified treatment of short-term leases and leases of low-value assets, refer to Notes III, 24; and for lease liabilities, refer to Note V, 30 and Note IX, 1.

(2) As a lessor

Operating leases

Profit or losses related to operating leases are presented as follow:

	2025	2024
Rental income	3,069,817.20	2,945,701.33

According to the lease contract with the lessee, the minimum lease receivables for non-cancellable leases are as follows:

	2025	2024
Within 1 year, inclusive	663,601.46	392,805.00

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VI. DEVELOPMENT COSTS

Classified by nature as follows (excluding the amortisation of in-house developed intangible assets):

	2025	2024
Staff costs	691,809,239.52	679,555,681.21
Material and processing costs	203,958,796.75	254,565,972.12
Depreciation and amortisation	90,576,554.79	91,645,596.30
Professional service fee	50,753,531.48	55,322,976.63
Expense for incentive plan	12,456,722.64	42,268,287.60
Others	20,905,355.63	18,305,182.43
Total	1,070,460,200.81	1,141,663,696.29
Including: Expensed R&D expenditures	974,812,455.13	909,236,567.92
Capitalised R&D expenditures	95,647,745.68	232,427,128.37

The development expenditures of R&D projects eligible for capitalization are as follows:

	Opening balance	Increase	Decrease		Closing balance
			Recognised as intangible assets	Included in profit or loss	
Security and Identification chips	77,013,764.64	19,032,603.56	(31,742,346.13)	(12,117,196.70)	52,186,825.37
Non-Volatile memory	35,110,054.82	17,107,026.72	(18,400,442.93)	-	33,816,638.61
FPGA and other chips	390,148,371.53	59,508,115.40	(189,789,711.99)	(141,507,646.67)	118,359,128.27
Total	502,272,190.99	95,647,745.68	(239,932,501.05)	(153,624,843.37)	204,362,592.25

As of 31 December 2025, the Group has no significant capitalized research and development projects.

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of enterprise groups

	Main business site	Place of registration	Type of Company	Business nature	Registered capital	Shareholding ratio (%)	
						Direct	Indirect
Subsidiaries acquired through establishment or investment							
Sino IC (Note 1)	Shanghai	Shanghai	Company Limited by Shares	IC products testing	RMB269,507,392	42.32	-
Shanghai Fudan Microelectronics (HK) Ltd.	Hong Kong	Hong Kong	Private Company Limited by Shares	Investment and sale of IC products	HK\$30,400,000	100.00	-
Fudan Microelectronics (USA) Inc	USA	USA	Non-public Company	Sale of IC products	US\$5,000,000	100.00	-
Shenzhen Fudan Microelectronics Company Ltd.	Shenzhen	Shenzhen	Limited Liability Company	Sale of IC products	RMB5,000,000	100.00	-
Beijing Fudan Microelectronics Technology Co., Ltd.	Beijing	Beijing	Limited Liability Company	Sale of IC products	RMB10,000,000	100.00	-
Shanghai Fuwei Xunjie Digital Technology Co., Ltd. (Note 2)	Shanghai	Shanghai	Company Limited by Shares	Technology services and development	RMB50,000,000	40.85	-

The Company and its subsidiaries are all corporate enterprises. As of 31 December 2025, the Company and its subsidiaries had no debt securities in issue.

Note 1: The Company originally held 50.29% shares of Sino IC. On 28 October 2022, additional shares of Sino IC were issued to the public and the Company's shares of Sino IC was reduced to 42.75%. On 12 September 2024, after the first vesting period of the first grant of Sino IC' Stock Option Incentive Plan was completed, the Company's shares of Sino IC were reduced to 42.32%. Management believes that the Company still has control over Sino IC because the Company is the largest single shareholder of Sino IC and the other shares are widely held by numerous other shareholders.

Note 2: The Company has entered into a concert party agreement with another shareholder of Fuwei Xunjie (holding 15% shares of Fuwei Xunjie), which stipulates that in exercising the voting rights of Fuwei Xunjie shareholders' meeting and board of directors' motions, the other party guarantees to be consistent with the Company in exercising the voting rights, and through the agreement arrangement is able to exercise control over Fuwei Xunjie's financial and operating decisions and include Fuwei Xunjie in the scope of consolidation.

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(2) *The subsidiaries with significant minority interests*

	Percentage of minority shareholding(%)	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated equity attributable to minority shareholders at the end of the year
Sino IC	57.68	(35,323,710.95)	–	595,521,332.07

(3) *Key financial information of subsidiaries with significant minority interests*

The following table lists the main financial information of the above-mentioned subsidiary. The information represents amount before intragroup offsetting:

Sino IC

	2025	2024
Current assets	350,662,149.46	355,720,689.53
Non-current assets	961,964,276.45	961,669,855.95
Total assets	1,312,626,425.91	1,317,390,545.48
Current liabilities	109,249,720.21	69,789,180.05
Non-current liabilities	159,630,151.09	147,919,339.38
Total liabilities	268,879,871.30	217,708,519.43
Revenue	316,258,228.57	276,275,552.00
Net profit	(55,935,471.44)	(14,983,228.99)
Total comprehensive income	(55,935,471.44)	(14,983,228.99)
Net cash flows from operating activities	132,625,665.46	143,881,334.26

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VII. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in joint ventures and associates

(1) *Joint ventures or associates*

	Main business site	Place of registration	Business nature	Registered capital	Shareholding ratio (%)		Accounting method
					Direct	Indirect	
Associated Companies							
Shanghai Xihongqiao Navigation Technology Co., Ltd.	Shanghai, China	Shanghai, China	Satellite navigation	RMB30,000,000	10.00	-	Equity method
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	Shanghai, China	Shanghai, China	IC design	RMB72,000,000	21.25	-	Equity method
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd.	Shanghai, China	Shanghai, China	Equity investment	RMB100,000,000	20.00	-	Equity method
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	Shanghai, China	Shanghai, China	Equity investment	RMB100,000,000	25.00	-	Equity method
Shanghai Phenix Digital Technology Co., Ltd.	Shanghai, China	Shanghai, China	IC design	RMB170,000	34.00	-	Equity method
Spear Innovations Oy Ltd	Pori, Finland	Pori, Finland	IC design	EUR1,000,000	-	-	Equity method

In accordance with the Company's articles of Shanghai Xihongqiao Navigation Technology Co., Ltd. and Spear Innovations Oy Ltd., the Company holds one of the seven and one of the five board seats respectively. And the Company is able to participate in its major business decisions, and therefore has significant influence on it. On 26 March 2025, the Company disposed of its 10% equity investment in Spear Innovations Oy Ltd.

Shanghai Fukong Hualong Microsystem Technology Co., Ltd., Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd., and Shanghai Haojun Venture Capital Partnership (Limited Partnership), are significant associates of the Group, and are engaged in IC design, sales and equity investment as strategic partners of the Group, and are accounted for using the equity method and the investments are strategic to the Group's activities.

(2) *The aggregate financial information of joint ventures and associates*

	2025	2024
Associates		
The total book value of the investment	46,892,929.09	54,181,165.60
The total amount calculated by the percentage of shareholdings		
Net profit	(5,564,320.89)	(3,430,403.58)
Other comprehensive income	(14,109.07)	91,881.36
Total comprehensive income	(5,578,429.96)	(3,338,522.22)

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VIII. GOVERNMENT GRANTS

1. The liabilities in relation to government grants:

	Opening balance	increase	Charge to other income	Closing balance	Related to assets/ income
Deferred income	20,516,501.67	26,428,168.20	(11,570,121.54)	35,374,548.33	Related to assets
Deferred income	-	1,971,831.80	(1,971,831.80)	-	Related to income
Total	20,516,501.67	28,400,000.00	(13,541,953.34)	35,374,548.33	

2. Government grants recognised in profit or loss:

	2025	2024
Government grants related to assets Recognised in other income	11,570,121.54	10,039,408.86
Government grants related to income Recognised in other income	101,386,671.63	123,097,581.96
Total	112,956,793.17	133,136,990.82

3. Status of government grants refund

No government grants were returned during the year.

IX. FINANCIAL INSTRUMENTS AND RELATED RISKS

1. Financial instruments risks

The Group faces risks from various financial instruments in its daily activities, mainly including credit risk, liquidity risk and market risk. The Group's risk management policy in this regard is summarized as follows:

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Expressed in Renminbi Yuan

IX. FINANCIAL INSTRUMENTS AND RELATED RISKS *(continued)*

1. Financial instruments risks *(continued)*

(1) Credit risk

The Group only has trade with recognized third party with good credit standing. Based on the Group's policies, customers who conduct credit transaction will be subject to credit review. In addition, the Group will continuously monitor balance of accounts receivable to ensure that the Group will not be exposed to significant risk of bad debts.

Since counterparties of cash at bank and on hand, bank acceptance notes receivables and structured deposits are banks with good reputation and high credit ratings, credit risk arising from these financial instruments is insignificant.

Other financial assets of the Group include accounts receivable from sales and other receivables, etc. Credit risk of such financial assets is from default of counterparties, and its maximum risk exposure is equivalent to the carrying amount of such instruments.

The Group's maximum credit risk exposure at each balance sheet date is the total amount charged to customers less the amount of impairment allowances.

Since the Group only trades with recognised third parties with good credit standing, no guarantee is required. Credit risk concentration is managed based on customer/counterparty, geographical region and industry sector. At 31 December 2025, the Group was exposed to certain credit risk concentration, as 45.75% (31 December 2024: 47.11%) of accounts receivables are from top five customers. The Group does not hold any security or other credit increment over the balances of accounts receivable.

Criteria for judging significant increases in credit risk

The Group will evaluate whether credit risk in connection with financial instruments is increased significantly from initial recognition on each balance sheet date. The Group's main criterion for judging a significant increase in credit risk is that the number of overdue days exceeds 30 days, or one or more of the following indicators change significantly: the debtor's operating environment, internal and external credit ratings, and actual or expected operating results are significantly adverse, changes, etc.

Definition of credit-impaired assets

The main criterion for the Group to determine that credit impairment has occurred is that the number of overdue days exceeds 90 days. However, in some cases, if internal or external information shows that full recovery may not be possible before considering any credit enhancement held. The Group will also treat the contract amount as credit-impaired.

Credit impairment of financial assets may be a joint result of multiple events, rather than a single identifiable event.

Notes to Financial Statements

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IX. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

1. Financial instruments risks (continued)

(2) Credit risk exposure

Refer to Notes V 3,4,5 and 7 for the information on Group's credit risk exposure from notes receivable, accounts receivable, receivable financing and other receivables.

(3) Liquidity risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of financing. The Group finances its operations through funds generated from operations and borrowings.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2025

	Within 1 year	1 to 3 years	Over 3 years	Total
Short-term borrowings	675,500,000.00	–	–	675,500,000.00
Accounts payable	233,204,494.78	–	–	233,204,494.78
Other payables	68,838,190.24	–	–	68,838,190.24
Current portion of non-current liabilities	175,260,168.62	–	–	175,260,168.62
Long-term borrowings	–	559,180,400.00	77,946,285.00	637,126,685.00
Lease liabilities	–	21,190,828.00	12,252,713.33	33,443,541.33
Total	1,152,802,853.64	580,371,228.00	90,198,998.33	1,823,373,079.97

2024

	Within 1 year	1 to 3 years	Over 3 years	Total
Short-term borrowings	1,082,849,242.07	–	–	1,082,849,242.07
Accounts payable	234,621,512.71	–	–	234,621,512.71
Other payables	76,683,635.99	–	–	76,683,635.99
Current portion of non-current liabilities	382,213,024.47	–	–	382,213,024.47
Long-term borrowings	–	141,846,644.77	112,849,078.46	254,695,723.23
Lease liabilities	–	7,430,790.94	1,557,217.39	8,988,008.33
Total	1,776,367,415.24	149,277,435.71	114,406,295.85	2,040,051,146.80

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Year ended 31 December 2025
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IX. FINANCIAL INSTRUMENTS AND RELATED RISKS *(continued)*

1. Financial instruments risks *(continued)*

(4) Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the floating-rate long-term liabilities of the Group. The Group manages interest rate risk by closely monitoring changes in interest rates and regularly reviewing borrowings.

The Group determines the ratio of fixed-rate and floating-rate financial instruments according to the market environment and maintains an appropriate financial instruments portfolio through regular review and monitoring.

The table below demonstrates a sensitivity analysis of interest rate risk, which reflects the impact on net profit or loss (through the impact on floating-rate borrowings) and net other comprehensive income after tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

2025

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income	Increase/ (decrease) in total shareholders' equity
RMB	50	(3,998,126.41)	–	(3,998,126.41)
RMB	(50)	3,998,126.41	–	3,998,126.41

2024

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income	Increase/ (decrease) in total shareholders' equity
RMB	50	(2,968,205.73)	–	(2,968,205.73)
RMB	(50)	2,968,205.73	–	2,968,205.73

Notes to Financial Statements

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IX. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

1. Financial instruments risks (continued)

(4) Market risk (continued)

Exchange rate risk

The Group is exposed to exchange rate risk on a transactional basis. Such risk arises from sales or purchases made by operating entities with currencies other than their reporting currency.

The following table presents a sensitivity analysis of exchange rate risk, reflecting the impact that a reasonable and probable change in the United States dollar and Hong Kong dollar exchange rates, with all other variables remain constant, would have on net profit or loss.

2025

	Exchange rate Increase/ (decrease) %	Net profit or loss Increase/ (decrease)	Other comprehensive income, net of tax Increase/ (decrease)	Total shareholders' equity Increase/ (decrease)
RMB depreciates against US\$	1%	2,298,368.71	126,423.52	2,424,792.23
RMB appreciates against US\$	(1%)	(2,298,368.71)	(126,423.52)	(2,424,792.23)
RMB depreciates against HK\$	1%	59,914.82	–	59,914.82
RMB appreciates against HK\$	(1%)	(59,914.82)	–	(59,914.82)

2024

	Exchange rate Increase/ (decrease) %	Net profit or loss Increase/ (decrease)	Other comprehensive income, net of tax Increase/ (decrease)	Total shareholders' equity Increase/ (decrease)
RMB depreciates against US\$	1%	2,556,898.84	114,460.54	2,671,359.38
RMB appreciates against US\$	(1%)	(2,556,898.84)	(114,460.54)	(2,671,359.38)
RMB depreciates against HK\$	1%	69,822.90	–	69,822.90
RMB appreciates against HK\$	(1%)	(69,822.90)	–	(69,822.90)

Notes to Financial Statements

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IX. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

2. Capital management

The key objective of the Group's capital management is to ensure the Group's ability to operate on a going concern basis and maintain healthy capital ratios so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments in response to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not constrained by any external mandatory requirements on capital. There was no change in the Group's capital management objectives, policies or procedures in 2025 and 2024.

The Group manages its capital with the debt-to-asset ratio, which refers to total liabilities divided by total assets. The debt-to-asset ratio of the Group as at the end of 2025 and 2024 is as follows:

	2025	2024
Total assets	9,205,135,819.88	9,041,112,799.09
Total liabilities	2,450,953,066.07	2,496,991,876.30
Debt-to-asset ratio	26.63%	27.62%

3. Transfers of financial assets

The transfer of financial assets was as follows:

Type of transfer	The category of the transferred financial assets	Carrying amount	Derecognition	Judgement basis for derecognition
Endorsement	Bank Acceptance Bills	45,745,196.46	Derecognition	Transferred substantially all the risks and rewards
Endorsement	Commercial Acceptance Bills	1,738,000.00	Non derecognition	Retains substantially all of its risks and rewards
Total		47,483,196.46		

Notes to Financial Statements

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IX. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

3. Transfers of financial assets (continued)

The following financial assets were derecognized as a result of transfers:

Type of transfer	Carrying amount of the derecognized financial assets	Income or loss related to the derecognition	
Notes receivable	Endorsement	45,745,196.46	–

Transferred financial assets that are not derecognised in their entirety

At 31 December 2025, the Group had no discounted undue bank acceptance bills and commercial acceptance bills (31 December 2024: Nil). At 31 December 2025, the Group had not endorsed undue bank acceptance bills (31 December 2024: RMB876,800.00). At 31 December 2025, commercial acceptance bills endorsed by the Group amounted to RMB1,738,000.00 (31 December 2024: RMB29,211,772.00). The Group is of the opinion that the Group retains nearly all the risks and rewards, including default risks related to it. Therefore, the amount obtained from discounting bank acceptance bills (the carrying value) are recognised as financial liability under short-term borrowings and other current liabilities. Subsequent to discounting or endorsing, the Group will no longer retain usage rights, including the rights for selling, transferring or pledging such assets to other third parties.

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

At 31 December 2025, the Group endorsed certain bills receivable accepted by banks (the “Derecognised Bills”) to certain of its suppliers in order to settle the accounts payable due to such suppliers with a carrying amount in aggregate of RMB45,745,196.46 (31 December 2024: RMB70,050,051.77). The Derecognised Bills had a maturity of 1 to 6 months at 31 December 2025. In accordance with the Law of Negotiable Instruments, the holders of the Derecognised Bills may exercise the right of recourse against the Group, liable for the Derecognised Bills regardless of the order of precedence (the “Continuing Involvement”). In the opinion of the Group, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Group, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

In 2025, the Group did not recognise gains or losses on the date of its transfer. The Group had no current or accumulated income or expense related to Continuous Involvement of financial assets which had been derecognised. Endorsement is recorded evenly during the period.

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X. FAIR VALUE

1. Assets and liabilities measured at fair value

2025

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous fair value measurement				
Financial assets held for trading				
Financial assets measured at fair value through profit or loss				
Debt instruments	–	180,133,750.68	–	180,133,750.68
Financial assets designed at fair value through other comprehensive income				
Receivables financing	–	190,455,252.30	–	190,455,252.30
Financial assets designed at fair value through other comprehensive income				
Other equity investments	–	–	55,347,871.25	55,347,871.25
Total	–	370,589,002.98	55,347,871.25	425,936,874.23

Notes to Financial Statements

Year ended 31 December 2025

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X. FAIR VALUE (continued)

1. Assets and liabilities measured at fair value (continued)

2024

	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous fair value measurement				
Financial assets held for trading				
Financial assets measured at fair value through profit or loss				
Debt instruments	–	140,423,986.11	–	140,423,986.11
Financial assets designed at fair value through other comprehensive income				
Receivables financing	–	146,984,229.37	–	146,984,229.37
Financial assets designed at fair value through other comprehensive income				
Other equity investments	–	–	34,816,060.94	34,816,060.94
Total	–	287,408,215.48	34,816,060.94	322,224,276.42

2. Level 2 fair value measurement

The fair values of investments in debt instruments and receivables for financing are determined by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and remaining term as the discount rate. At 31 December 2025, the non-performance risk associated with investments in debt instruments and receivables for financing was assessed to be insignificant.

Notes to Financial Statements

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X. FAIR VALUE (continued)

3. Level 3 fair value measurement

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the Finance Director. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Finance Director.

The fair values of non-listed equity instrument investments are estimated using discounted valuation model, latest financing price and a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. Discounted valuation model requires the Group to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares; Market-based valuation model requires the Group to determine comparable listed companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to sales multiple, for each comparable company identified for market-based valuation model. They are adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The Group believes that the fair values and changes thereof estimated by valuation technique are reasonable and also the most appropriate values at the balance sheet date. For the fair value of unlisted equity instrument investments, the Group estimates the potential impact of using other reasonable and possible assumptions as inputs to the valuation model.

Below is a summary of significant unobservable inputs of fair value measurements within Level 3:

	Fair value at 31 December 2025	Valuation techniques	Unobservable inputs
Non-listed equity instrument investments	55,347,871.25	Discounted valuation model Market multiplier model Recent Financing Price model	Perpetual growth rate, discount rate, liquidity discount, minority interest discount Average price-to-sales ratio of comparable companies and revenue of investee Latest financing price of the investee company

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X. FAIR VALUE (continued)

3. Level 3 fair value measurement (continued)

	Fair value at 31 December 2024	Valuation techniques	Unobservable inputs
Non-listed equity instrument investments	34,816,060.94	Discounted valuation model Market multiplier model Recent Financing Price model	Perpetual growth rate, discount rate, liquidity discount, minority interest discount Average price-to-sales ratio of comparable companies and revenue of investee Latest financing price of the investee company

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

The shareholding structure of the Company is dispersed, with no single shareholder holding more than 20% of the shares or determine a majority of the board of directors during the reporting period. Since no party can determine and exercise substantial influence, the Company has no actual controller.

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Notes VII, 1.

3. Joint ventures and associates

Except for the important joint ventures and associates disclosed in Note VII, 2, there are no other joint ventures and associates that have transactions with the Group.

On 26 March 2025, after the Company disposed of its equity investment in Spear Innovations Oy Ltd., Spear Innovations Oy Ltd. ceased to be a related party of the Group.

4. Other related parties

	Related party relationships
Entity A	Company in which related natural person serves as independent director (from 18 June 2025 onwards, Entity A is considered a related party)
Fudan University	Shareholder who indirectly holds more than 5% of the Company's shares
Shanghai Fudan Communication Co., Ltd.	Company in which related natural persons serve as directors
Ningbo ChipEx Semiconductor Co., Ltd.	Company in which related natural persons serve as directors

Notes to Financial Statements

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties

(1) Purchase of goods and services from related parties

	Notes	Transaction nature	2025	Approved transaction limit	Exceeded the transaction limit or not	2024
Entity A	(1)a	Procurement of raw materials	85,676,026.79	338,000,000.00	Not	-
Ningbo ChipEx Semiconductor Co., Ltd.	(1)b	Receipt of services	2,857,689.15	NA	NA	1,576,717.51
Fudan University	(1)c	Receipt of services	1,650,943.40	3,500,000.00	Not	140,089.76
Fudan University	(1)c	Technical consultation service fee	184,466.02	NA	NA	-
Fudan University	(1)c	Technical service fee	74,138.04	NA	NA	72,658.72
Shanghai Fudan Communication Co., Ltd.	(1)d	Receipt of services	-	NA	NA	235,849.06
Total			90,443,263.40			2,025,315.05

(2) Sales of goods and services to related parties

	Notes	Transaction nature	2025	2024
Shanghai Fudan Communication Co., Ltd.	(1)e	Sale of goods	351,274,828.12	305,700,647.13
Entity A	(1)f	Sale of goods	2,773,301.79	-
Entity A	(1)f	Provision of labour services	844,135.84	-
Spear Innovations Oy Ltd.	(1)g	Sale of goods	498,988.65	1,239,168.03
Fudan University	(1)h	Provision of labour services	224,339.64	140,566.03
Fudan University	(1)h	Sale of goods	-	10,619.47
Total			355,615,594.04	307,091,000.66

(3) Other major related party transactions

	2025	2024
Compensation of key management personnel	21,736,918.03	20,846,905.85

Notes to Financial Statements

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Notes

(1) Transactions of goods and services with related parties

(a) From 18 June 2025 to 31 December 2025, the Company signed several raw material purchase orders with Entity A. According to the agreements, the Company needs to pay Entity A for raw material procurement. During the period from 18 June 2025 to 31 December 2025, raw material procurement expenses amounted to RMB85,676,026.79 (2024: Nil).

(b) On 28 August 2025, the Company signed several technical service orders with Ningbo ChipEx Semiconductor Co., Ltd. According to the agreement, the Company needs to pay technical test service fees to Ningbo ChipEx Semiconductor Co., Ltd. During the year ended 31 December 2025, technical service fees amounted to RMB2,857,689.15 (2024: RMB1,576,717.51).

(c) On 28 July 2025, the Company signed a contract with Fudan University, the Company's major shareholder. According to the contract, the Company is required to pay a technical equipment support fee to Fudan University based on the price negotiated by both parties. During the year ended 31 December 2025, technical equipment support fee amounted to RMB1,650,943.40 (2024: RMB140,089.76).

On 20 February 2025, the Group signed technology development contracts with Fudan University, the Group's major shareholder. According to the contract, the Group is required to pay a technical consultation service fee to Fudan University based on the price negotiated by both parties. During the year ended 31 December 2025, technical service fees amounted to RMB184,466.02 (2024: Nil).

On 1 September 2022, the Company signed a contract with Fudan University, the Company's major shareholder. According to the contract, the Company is required to pay the technical service support fee to Fudan University based on the price negotiated by both parties. During the year ended 31 December 2025, technical equipment support fee amounted to RMB74,138.04 (2024: RMB72,658.72).

(d) On 12 December 2022, the Company signed a technology development contract with Shanghai Fudan Communication Co., Ltd. According to the contract, the Company is required to pay a technical service fee to Shanghai Fudan Communication Co., Ltd. During the year ended 31 December 2025, no technical service fees were paid (2024: RMB235,849.06).

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Notes *(continued)*

(1) Transactions of goods and services with related parties *(continued)*

(e) On 22 March 2024, the Company signed product sales contracts with Shanghai Fudan Communication Co., Ltd. During the year ended 31 December 2025, sales of goods to Shanghai Fudan Communication Co., Ltd. amounted to RMB351,274,828.12 (2024: RMB305,700,647.13).

(f) From 18 June 2025 to 31 December 2025, the Company signed product sales contracts with Entity A. From 18 June 2025 to 31 December 2025, sales of goods to Entity A amounted to RMB2,773,301.79 (2024: Nil).

On 17 May 2013, the Company signed a delegated testing agreement with Entity A. During the period from 18 June 2025 to 31 December 2025, the Company generated service revenue of RMB844,135.84 from providing testing services to Entity A (2024: Nil).

(g) On 3 June 2025, the Company signed product sales orders with Spear Innovations Oy Ltd. During 2025, sales of goods to Spear Innovations Oy Ltd. amounted to RMB498,988.65 (2024: RMB1,239,168.03).

(h) On 31 December 2024 and 24 November 2025, the Group and Fudan University signed several technical service contracts. Fudan University has entrusted the Group to provide technical services and testing services. During the year ended 31 December 2025, service income from rendering services amounted to RMB224,339.64 (2024: RMB140,566.03).

On 25 November 2024, the Group and Fudan University signed a sales contract. During the year ended 31 December 2025, there were no sales from the Group to Fudan University (2024: RMB10,619.47).

Note: In addition to the connected transactions with the associated companies, the other major transactions of the Group with related parties mentioned above also partially constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and connected transactions as defined in Chapter 7 of the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange. Details of the disclosures made under Chapter 14A of the Hong Kong Listing Rules are set out in the Report of the Directors under the heading “Connected Transactions and Continuing Connected Transactions.”

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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Major transactions between the Group and related parties *(continued)*

(4) Notes *(continued)*

(2) Other major related party transactions

During the year, the total remuneration (including in money, physical form and other forms) of the key management personnel incurred by the Group was RMB21,736,918.03 (2024: RMB20,846,905.85).

6. Amounts due from/to related parties

(1) Amounts due from related parties

Related parties		2025		2024	
		Outstanding balance	Impairment allowance	Outstanding balance	Impairment allowance
Notes receivable	Shanghai Fudan Communication Co., Ltd.	43,953,914.00	-	106,864,930.70	-
Accounts receivable	Entity A	618,427.20	-	-	-
Accounts receivable	Fudan University	29,000.00	-	12,000.00	-
Accounts receivable	Spear Innovations Oy Ltd	-	-	1,234,228.15	-
Total		647,427.20	-	1,246,228.15	-

Notes to Financial Statements

Year ended 31 December 2025
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XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6. Amounts due from/to related parties *(continued)*

(2) Amounts due to related parties

Related parties		2025	2024
Prepayments	Fudan University	99,056.60	–
Account payables	Entity A	4,074,422.80	–
	Ningbo Xinjian Semiconductor Co., Ltd.	1,321,032.21	581,221.73
	Total	5,395,455.01	581,221.73
Contract liabilities	Entity A	178,024.60	–
	Fudan University	23,400.00	23,400.00
	Shanghai Fudan Communication Co., Ltd.	–	20,552,457.00
	Total	201,424.60	20,575,857.00

Amounts due from/to related parties are interest-free and unsecured.

XII. SHARE-BASED PAYMENT

1. The various equity instruments granted

On 6 December 2021 (the “First Grant Date”), the Company’s Board of Directors passed the “2021 Restricted Stock Incentive Plan” (hereinafter referred to as the “Option Incentive Plan”) for the purpose of motivating and rewarding persons who contribute to the operations of the Group. Eligible persons include those persons, other than directors and senior management, whom the Board of Directors considers to be in need of incentives. This plan is valid for 5 years, starting from the date of grant of restricted shares. The restricted stocks granted for the first time will be exercised in four batches according to the exercise ratio of 25%, 25%, 25% and 25% after a 12-month exercise restriction period starting from the first grant date, provided that the exercise conditions are met. The reserved restricted stocks will be divided into three batches according to the exercise ratio of 30%, 30% and 40% after a 12-month exercise restriction period starting from the reserved grant date, provided that the exercise conditions are met. The Company granted the corresponding restricted shares for the first time on 6 December 2021, and the reserved restricted shares were granted on 28 October 2022.

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XII. SHARE-BASED PAYMENT *(continued)*

1. The various equity instruments granted *(continued)*

On 10 May 2023, 29 May 2023 and 25 December 2023, the subsidiary Sino IC passed the “Proposal on the Company’s “2023 Stock Option Incentive Plan (Draft)”, “Proposal on Adjusting the 2023 Stock Option Incentive Plan”, and “Proposal on Granting Reserved Stock Options to Incentive Objects” through board resolutions. Under the stock option incentive plan, Sino IC grants some employees stock options, with a waiting period of 12 months, 24 months, and 36 months from the date of grant for the first grant, and a waiting period of 12 months and 24 months from the date of grant for the reserved grant. The proportion of stock options attributable to the first grant portion each year from the start of the waiting period is 40%, 30%, and 30%, respectively. The proportion of stock options attributable to the reserved grant portion each year from the start of the waiting period is 50% and 50%, respectively. Sino IC first granted corresponding stock options on 29 May 2023, and reserved stock options were granted on 25 December 2023.

The equity instruments of the parent company are as follows:

	Granted this year Quantity (0.01 million shares)	Exercise this year Quantity (0.01 million shares)	Unlocked this year Quantity (0.01 million shares)	Expired this year Quantity (0.01 million shares)
Management personnel	–	3.55	4.15	0.55
R & D personnel	–	175.67	175.67	10.80
Salesman	–	43.30	43.30	5.95
Production personnel	–	6.08	6.08	0.13
Total	–	228.60	229.20	17.43

The various equity instruments outstanding for Sino IC, the subsidiary of the Company at the end of the year are as follows:

	Granted this year Quantity (0.01 million shares)	Exercise this year Quantity (0.01 million shares)	Unlocked this year Quantity (0.01 million shares)	Expired this year Quantity (0.01 million shares)
Management personnel	–	–	–	131.80
R & D personnel	–	–	–	46.60
Salesman	–	–	–	42.00
Production personnel	–	–	–	53.81
Total	–	–	–	274.21

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XII. SHARE-BASED PAYMENT (continued)

1. The various equity instruments granted (continued)

The various equity instruments outstanding for parent company at the end of the year are as follows:

	Other equity instruments	
	Exercise price	Remaining duration of the contract
Salesman	RMB17.62/share	1 year
Management personnel	RMB17.62/share	1 year
R & D personnel	RMB17.62/share	1 year

The various equity instruments issued by Sino IC, the subsidiary of the Company, at the end of the year are as follows:

	Other Equity Instruments	
	Range of exercise price	Remaining duration of the contract
Management personnel	RMB5.371/share	Within 48 months from the date of the first grant and within 36 months from the date of grant of the reserved stock option
R & D personnel	RMB5.371/share	Within 48 months from the date of the first grant and within 36 months from the date of grant of the reserved stock option
Salesman	RMB5.371/share	Within 48 months from the date of the first grant and within 36 months from the date of grant of the reserved stock option
Production personnel	RMB5.371/share	Within 48 months from the date of the first grant and within 36 months from the date of grant of the reserved stock option

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XII. SHARE-BASED PAYMENT *(continued)*

1. The various equity instruments granted *(continued)*

The following is the information regarding equity-settled share-based payments of the parent company:

	2025
Method for determining the fair value of equity instruments on the date of grant	Black-Scholes option pricing model
Important parameters of fair value of equity instruments on grant date	Dividend yield, historical volatility, risk-free interest rate, expected term of share options, and weighted average share price
Basis for determining the quantity of exercisable equity instruments	Estimated and determined based on the performance conditions for each vesting period and the evaluation results of the incentive recipients.
Reasons for significant differences between the current year's estimate and the prior year's estimate	None
Accumulated amounts recorded in the capital reserves for the equity-settled share-based payments	RMB351,774,124.51

The Sino IC' equity-settled share-based payments details are as follows:

	2025
Method for determining the fair value of equity instruments on the date of grant	Option pricing model
Important parameters of fair value of equity instruments on grant date	Dividend Ratio, expected volatility, Risk-free interest rate, expected duration
Basis for determining the quantity of exercisable equity instruments	At each balance sheet date during the vesting period, best estimation based on subsequent information, including performance assessment results etc.. Adjust the expected of quantity of exercisable equity instruments
Accumulated amounts recorded in the capital reserves for the equity-settled share-based payments	RMB13,148,000.00

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XII. SHARE-BASED PAYMENT *(continued)*

1. The various equity instruments granted *(continued)*

Expense relating to Share-based payment incurred during the year are as follows:

	Expense relating to equity-settled share-based payments
Production personnel	240,794.05
Salesman	3,418,109.85
Management personnel	579,052.62
R & D personnel	12,456,722.64
Total	16,694,679.16

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

	2025	2024
Capital commitments	11,779,295.64	9,619,477.16

For lease commitments as a lessee, refer to Notes V, 57.

2. Contingent liabilities

As of the balance sheet date, the Group has no material contingent liabilities requiring disclosure.

XIV EVENTS AFTER THE BALANCE SHEET DATE

On 27 March 2026, the Board of Directors held a meeting and approved the 2025 profit distribution plan, resolving to distribute a cash dividend of RMB47,775,368.50 (i.e., RMB0.058 per share in cash dividend).

On 12 February 2026, the Board of Directors of the Company held a meeting and approved the draft 2026 Restricted Share Incentive Plan, pursuant to which 13,880 thousand restricted shares were granted to the grantees at a grant price of RMB41.59 per share. The 2026 First Extraordinary General Meeting, the 2026 First A-share Class Meeting, and the 2026 First H-share Class Meeting were held on 16 March 2026, at which the resolution was considered and approved.

Notes to Financial Statements

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XV. OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) Operating segment

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- (1) The design, development and sale of IC products segment (“Design segment”): Production of security and identification chips, non-volatile memory, smart meter chips, FPGAs and other chips.
- (2) The provision of testing services for IC products segment (“Testing segment”: IC chip and IC product testing services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss before tax. The segment profit/loss before tax is measured consistently with the Group’s profit/loss of continuing operation.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2025

	Design segment	Testing segment	Offsets between segments	Consolidation
Sales to external customers	3,836,022,020.63	146,239,080.89	–	3,982,261,101.52
Intersegment sales	–	170,019,147.68	(170,019,147.68)	–
Loss from investments in joint ventures and associates	5,564,320.89	–	–	5,564,320.89
Assets impairment loss	439,276,256.74	–	–	439,276,256.74
Depreciation and amortisation	223,444,763.15	172,811,018.15	(1,199,853.68)	395,055,927.62
Total profit before tax	269,095,941.63	(61,410,783.66)	(5,337,935.68)	202,347,222.29
Income tax	6,100,281.85	(5,507,888.98)	86,622.82	679,015.69
Total assets	8,014,447,763.86	1,312,626,425.91	(121,938,369.89)	9,205,135,819.88
Total liabilities	2,280,782,978.58	268,563,195.20	(98,393,107.71)	2,450,953,066.07
Long-term equity investments in joint ventures and associates	46,892,929.09	–	–	46,892,929.09
Capital expenditure	165,371,273.51	186,451,790.35	–	351,823,063.86

Note: Capital expenditures include expenditures on fixed assets, construction in progress, right-of-use assets, intangible assets, development cost, long-term prepaid expenses and other non-current assets.

Notes to Financial Statements

Year ended 31 December 2025

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XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(1) Operating segment (continued)

2024

	Design segment	Testing segment	Offsets between segments	Consolidation
Sales to external customers	3,457,956,337.56	132,267,490.67	–	3,590,223,828.23
Intersegment sales	–	144,008,061.33	(144,008,061.33)	–
Loss from investments in joint ventures and associates	3,430,403.58	–	–	3,430,403.58
Assets impairment loss	168,768,031.87	–	–	168,768,031.87
Depreciation and amortisation	199,640,771.24	139,656,656.31	1,856,023.33	341,153,450.88
Total profit before tax	587,465,062.23	(23,028,412.98)	(5,543,111.62)	558,893,537.63
Income tax	7,122,318.51	(8,045,183.99)	57,487.98	(865,377.50)
Total assets	7,766,982,774.09	1,317,390,545.48	(43,260,520.48)	9,041,112,799.09
Total liabilities	2,322,543,877.35	217,708,519.43	(43,260,520.48)	2,496,991,876.30
Long-term equity investments in joint ventures and associates	54,181,165.60	–	–	54,181,165.60
Capital expenditure	311,184,331.49	195,153,297.17	–	506,337,628.66

Note: Capital expenditures include investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, development cost, long-term prepaid expenses and other non-current asset expenditures.

(2) Other information

Refer to Note V, 38 for more details relating to revenue by place of business, products and service.

Total non-current assets

	2025	2024
Mainland China	2,272,241,460.12	2,511,229,872.53
Others	507,783.99	1,937,704.85
Total	2,272,749,244.11	2,513,167,577.38

Non-current assets are attributable to the area in which the asset is located, excluding financial assets and deferred tax assets.

Notes to Financial Statements

Year ended 31 December 2025

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XV. OTHER SIGNIFICANT MATTERS (continued)

1. Segment reporting (continued)

(2) Other information (continued)

Major customers information

In 2025, revenue of RMB519,273,255.56 (generating revenue equal to or exceeding 10% of the Group's revenue) was derived from the Group's revenue from a single customer group (2024: RMB800,400,123.09).

2. Directors', supervisors' and Chief Executive's remuneration

The remuneration of directors, supervisors and Chief Executive disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2025	2024
Fees	618,335.36	600,012.00
Salaries, allowances and benefits in kind	7,918,052.35	6,902,827.95
Bonus	1,107,835.88	1,956,589.79
Pension scheme contributions and social welfare	372,137.72	141,062.40
Total	10,016,361.31	9,600,492.14

(1) Remuneration of independent non-executive director

Director's emoluments paid to independent non-executive directors during the year were as follows:

	2025	2024
Ms. Shi Yanling	107,145.00	—
Ms. Wang Meijuan	107,145.00	—
Mr. Hu Xue	107,145.00	—
Mr. Cao Zhongyong	93,652.67	200,004.00
Mr. Wang Pin	93,652.67	200,004.00
Ms. Zou Fuwen	93,652.67	200,004.00
Mr. Zhang Yuming	15,942.35	—
Total	618,335.36	600,012.00

Notes to Financial Statements

Year ended 31 December 2025
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XV. OTHER SIGNIFICANT MATTERS (continued)

2. Directors', supervisors' and Chief Executive's remuneration (continued)

(2) Remuneration of directors, non-executive directors and supervisors

2025

	Salaries, allowances and benefits in kind	Bonus	Pension scheme contributions and social welfare	Total
Executive directors				
Mr. Zhang Wei	–	–	–	–
Mr. Jiang Guoxing	280,952.38	600,000.00	–	880,952.38
Mr. Shi Lei	1,487,167.98	254,166.67	70,649.78	1,811,984.43
Mr. Yu Jun	1,870,087.96	–	–	1,870,087.96
Mr. Shen Lei	1,603,224.00	83,333.33	–	1,686,557.33
Total	5,241,432.32	937,500.00	70,649.78	6,249,582.10
Non-executive directors				
Mr. Shen Mingjie	898,329.60	57,994.91	147,252.18	1,103,576.69
Mr. Zhuang Qifei	–	–	–	–
Ms. Zhang Rui	–	–	–	–
Mr. Song Jiale	–	–	–	–
Ms. Yan Na	200,004.00	–	–	200,004.00
Ms. Zhang Qianling	–	–	–	–
Mr. Wu Ping	–	–	–	–
Mr. Sun Zheng	–	–	–	–
Total	1,098,333.60	57,994.91	147,252.18	1,303,580.69
Supervisors				
Ms. Zhang Yanfeng	463,332.43	62,340.97	82,981.68	608,655.08
Ms. Wang Xiaoyan	914,950.00	50,000.00	71,254.08	1,036,204.08
Ms. Tang Xiaojie	–	–	–	–
Me. Ren Junyan	200,004.00	–	–	200,004.00
Total	1,578,286.43	112,340.97	154,235.76	1,844,863.16
Total	7,918,052.35	1,107,835.88	372,137.72	9,398,025.95

Notes to Financial Statements

Year ended 31 December 2025

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XV. OTHER SIGNIFICANT MATTERS (continued)

2. Directors', supervisors' and Chief Executive's remuneration (continued)

(2) Remuneration of directors, non-executive directors and supervisors (continued)

2024

	Salaries, allowances and benefits in kind	Bonus	Pension scheme contributions and social welfare	Total
Executive directors				
Mr. Jiang Guoxing	–	600,000.00	–	600,000.00
Mr. Shi Lei	3,202,069.92	508,333.33	70,531.20	3,780,934.45
Mr. Yu Jun	1,570,514.47	178,673.08	–	1,749,187.55
Mr. Shen Lei	1,012,808.00	546,506.46	–	1,559,314.46
Total	5,785,392.39	1,833,512.87	70,531.20	7,689,436.46
Non-executive directors				
Mr. Zhuang Qifei	–	–	–	–
Ms. Zhang Rui	–	–	–	–
Mr. Song Jiale	–	–	–	–
Ms. Yan Na	74,243.91	–	–	74,243.91
Ms. Zhang Qianling	–	–	–	–
Mr. Wu Ping	–	–	–	–
Mr. Sun Zheng	–	–	–	–
Total	74,243.91	–	–	74,243.91
Supervisors				
Ms. Zhang Yanfeng	843,187.65	123,076.92	70,531.20	1,036,795.77
Ms. Tang Xiaojie	–	–	–	–
Me. Ren Junyan	200,004.00	–	–	200,004.00
Total	1,043,191.65	123,076.92	70,531.20	1,236,799.77
Total	6,902,827.95	1,956,589.79	141,062.40	9,000,480.14

Notes to Financial Statements

Year ended 31 December 2025
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XV. OTHER SIGNIFICANT MATTERS *(continued)*

2. Directors', supervisors' and Chief Executive's remuneration *(continued)*

(3) Five highest paid employees

The five highest paid employees during the year included 2 directors (2024: 1 director), details of whose remuneration are set out in Note XV, 2(2). Details of the remuneration of the remaining three highest paid employees who are neither a director nor supervisor of the Group are as follows:

	2025	2024
Salaries, allowances and benefits in kind	5,281,294.64	11,188,783.28
Pension scheme contributions and social welfare	279,561.46	141,062.40
Total	5,560,856.10	11,329,845.68

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2025	2024
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$2,500,001 to HK\$3,000,000	–	2
HK\$3,000,001 to HK\$3,500,000	–	2
Total	3	4

XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

1. Accounts receivable

(1) Ageing disclosure by invoice date

	2025	2024
Within 1 year	1,093,234,616.00	1,035,818,474.55
Over 1 year	841,139,103.35	494,275,376.91
	1,934,373,719.35	1,530,093,851.46
Less: Impairment allowance	91,981,094.12	65,143,749.16
Total	1,842,392,625.23	1,464,950,102.30

Notes to Financial Statements

Year ended 31 December 2025

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

1. Accounts receivable (continued)

(2) Classified disclosure according to bad debt provision method

2025

	Book balance		Impairment allowance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which impairment allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	1,791,149,721.64	92.59	83,463,849.05	4.66	1,707,685,872.59
Industrial Sales Portfolio	121,984,758.64	6.31	8,517,245.07	6.98	113,467,513.57
Related party portfolio in the scope of consolidation	21,239,239.07	1.10	-	-	21,239,239.07
Total	1,934,373,719.35	100.00	91,981,094.12	4.76	1,842,392,625.23

2024

	Book balance		Impairment allowance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable for which impairment allowance is provided by portfolio of credit risk characteristics					
Highly Reliable Product Sales Portfolio	1,377,451,107.96	90.02	46,713,948.23	3.39	1,330,737,159.73
Industrial Sales Portfolio	129,604,708.83	8.47	18,429,800.93	14.22	111,174,907.90
Related party portfolio in the scope of consolidation	23,038,034.67	1.51	-	-	23,038,034.67
Total	1,530,093,851.46	100.00	65,143,749.16	4.26	1,464,950,102.30

Notes to Financial Statements

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

1. Accounts receivable (continued)

(2) Classified disclosure according to bad debt provision method (continued)

Accounts receivable with bad debt provision based on a combination of sales of highly reliable products are as follows:

	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss
Within 1 year	963,734,271.16	–	–
1 to 5 years	826,612,890.48	10.00	82,661,289.05
Over 5 years	802,560.00	100.00	802,560.00
Total	1,791,149,721.64	4.66	83,463,849.05

Accounts receivable with bad debt provision based on a combination of industrial sales amounts are as follows:

	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss
Within 6 months	106,310,714.90	–	–
6 to 9 months	427,967.22	10.00	42,796.72
9 to 12 months	1,522,423.65	20.00	304,484.73
1 to 2 years	11,107,378.50	50.00	5,553,689.25
Over 2 years	2,616,274.37	100.00	2,616,274.37
Total	121,984,758.64	6.98	8,517,245.07

Notes to Financial Statements

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

1. Accounts receivable (continued)

(2) Classified disclosure according to bad debt provision method (continued)

Accounts receivable with bad debt provision based on a combination of amounts from related parties within the scope of consolidation are as follows:

	Estimated gross carrying amount at default	Expected credit loss ratio (%)	Lifetime expected credit loss
Within 1 year	21,239,239.07	–	–

(3) Bad debt provision

The movements in impairment allowance of accounts receivable are as follows:

	Opening balance	Provision	Recovery or reversal	Written-off	Closing balance
2025	65,143,749.16	26,837,451.23	–	106.27	91,981,094.12

2. Other receivables

(1) Disclosure by ageing

	2025	2024
Within 1 year	1,190,000.00	3,035,243.89
1 to 2 years	15,000.00	1,319,209.29
2 to 3 years	457,160.75	58,944.44
Over 3 years	1,755,479.69	1,713,215.25
	3,417,640.44	6,126,612.87
Less: Impairment allowance	–	–
Total	3,417,640.44	6,126,612.87

Notes to Financial Statements

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

2. Other receivables (continued)

(2) Classification by nature of payment

	2025	2024
Deposit guarantee	3,058,526.82	5,287,764.82
Collection and payment	250,000.00	253,673.72
Reserve fund	67,000.00	69,000.00
Others	42,113.62	516,174.33
Total	3,417,640.44	6,126,612.87

3. Long-term equity investments

(1) Long-term equity investments

	2025	2024
Subsidiaries	90,836,307.13	90,836,307.13
Associated companies	46,793,247.66	53,527,558.17
Total	137,629,554.79	144,363,865.30

Subsidiaries

2025

	Changes during the year					
	Opening balance	Impairment allowance at the beginning of the year	Increase	Decrease	Closing balance	Provision
Sino IC	25,146,906.64	-	-	-	25,146,906.64	-
Shanghai Fudan Microelectronics (HK) Limited	40,262,700.49	-	-	-	40,262,700.49	-
Shenzhen Fudan Microelectronics Co., Ltd.	5,000,000.00	-	-	-	5,000,000.00	-
Beijing Fudan Micro-Electronic Technology Co., Ltd.	-	10,000,000.00	-	-	-	10,000,000.00
Shanghai Fuwei Xunjie Digital Technology Co., Ltd.	20,426,700.00	-	-	-	20,426,700.00	-
Total	90,836,307.13	10,000,000.00	-	-	90,836,307.13	10,000,000.00

Notes to Financial Statements

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

3. Long-term equity investments (continued)

(1) Long-term equity investments (continued)

Associated companies

2025

	Opening balance	Impairment allowance at the beginning of the year	Changes during the year			Carrying amount at the end of the year	Closing balance
			Increase	Investment profit or loss under the equity method	Other equity changes		
Shanghai Xihongqiao Navigation Technology Co., Ltd.	3,414,642.32	-	-	(952,071.19)	-	2,462,571.13	-
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	11,529,965.41	-	-	(2,250,114.92)	-	8,003,677.28	1,276,173.21
Shanghai Fudan Sci-Tech. Park Venture Investment Co., Ltd.	14,555,003.38	-	-	(2,085,336.97)	-	12,469,666.41	-
Shanghai Haojun Venture Capital Partnership (Limited Partnership)	24,027,947.06	-	-	(170,614.22)	-	23,857,332.84	-
Total	53,527,558.17	-	-	(5,458,137.30)	-	46,793,247.66	1,276,173.21

(2) Provision for impairment of long-term equity investments

2025

	Carrying amount	Recoverable amount	Impairment amount	Method for determining fair value and disposal costs	Key assumptions	Basis for determining key assumptions
Shanghai Fukong Hualong Microsystem Technology Co., Ltd.	8,003,677.28	8,003,677.28	1,276,173.21	Market multiples method and industry practices	Price-to-sales ratio	Comparable companies

Notes to Financial Statements

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XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

4. Revenue and Cost of Sales

(1) Revenue and Cost of Sales:

	2025		2024	
	Revenue	Cost	Revenue	Cost
Primary business	3,782,757,298.31	1,618,105,414.21	3,415,632,434.79	1,514,791,455.79
Other businesses	9,018,672.87	2,004,513.25	7,291,307.75	1,739,690.56
Total	3,791,775,971.18	1,620,109,927.46	3,422,923,742.54	1,516,531,146.35

(2) The breakdown of operating revenue is as follows:

Reporting segments	Design and sales of integrated circuits
Main product types	
Security and identification chips	854,498,643.46
Non-volatile memory	1,037,067,383.21
Smart meter chips	519,618,203.22
FPGA and other products	1,378,908,982.76
Rental income	1,682,758.53
Total	3,791,775,971.18

Notes to Financial Statements

Year ended 31 December 2025

Expressed in Renminbi Yuan

XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

4. Revenue and Cost of Sales (continued)

(2) The breakdown of operating revenue is as follows (continued):

2024

Reporting segments	Design and sales of integrated circuits
Main product types	
Security and identification chips	789,684,230.46
Non-volatile memory	1,131,723,271.77
Smart meter chips	397,106,005.98
FPGA and other products	1,102,305,274.78
Rental income	2,104,959.55
Total	3,422,923,742.54

The breakdown of operating costs for the year is as follows:

Reporting segments	Design and sale of integrated circuits
Main product types	
Security and identification chips	601,396,419.43
Non-volatile memory	357,094,009.49
Smart meter chips	315,542,014.76
FPGA and other products	345,187,896.60
Rental income	889,587.18
Total	1,620,109,927.46

Notes to Financial Statements

Year ended 31 December 2025
Expressed in Renminbi Yuan

XVI. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(continued)

4. Revenue and Cost of Sales (continued)

(3) Performance obligation

Revenue recognized from:

	2025	2024
Sale of goods	100,580,468.41	54,999,960.89

5. Research and development expenses

	2025	2024
Staff costs	685,481,487.42	542,062,493.92
Material and proceeding costs	219,920,844.79	189,084,833.17
Depreciation and amortisation	183,032,932.11	141,632,552.86
Office and administrative expenses	48,963,193.93	46,405,686.37
Expense for incentive plan	17,219,699.81	40,205,328.09
Professional service fee	8,505,997.20	7,851,863.42
Travel expenses	3,060,967.84	2,703,272.06
Others	5,221,642.72	4,674,949.67
Total	1,171,406,765.82	974,620,979.56

6. Investment income

	2025	2024
Cash dividends distributed by subsidiaries	–	6,729,916.18
Long-term equity investment income under the equity method	(5,458,137.30)	(3,395,499.18)
Investment income from financial instruments held for trading	2,959,809.86	3,024,958.87
Total	(2,498,327.44)	6,359,375.87

Supplementary Information To Financial Statements

Year ended 31 December 2025

Expressed in Renminbi Yuan

1. STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Amount
Gains or losses on disposal of non-current assets, including the write-off of the provision for impairment of assets	533,425.33
Government grants charged to profit or loss for the current period (except for those which are closely related to the normal operation of a company, comply with the provisions of state policies, are enjoyed under specific standards, and have a continuing impact on the profits and losses of the Company).	90,747,612.79
Except for the effective hedging activities related to the Group's ordinary operation, profit or loss arising from changes in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from the disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	3,421,153.27
Non-operating income and expenses other than aforesaid items	(1,670,020.53)
	93,032,170.86
Effect of income tax	(724,129.71)
Effect of non-controlling interests (net of tax)	(2,447,915.27)
Total	89,860,125.88

The Group recognized non-recurring profit and loss items in accordance with "Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profits and Losses (Revised in 2023)" (Announcement [2023] No. 65 of the China Securities Regulatory Commission (CSRC)).

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.88	0.28	0.28
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.38	0.17	0.17

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
TOTAL ASSETS	9,205,136	9,041,113	8,411,351	6,110,888	4,165,014
TOTAL LIABILITIES	(2,450,953)	(2,496,992)	(2,449,649)	(957,719)	(798,112)
MINORITY INTERESTS	(619,367)	(650,036)	(658,726)	(621,939)	(226,657)
	6,134,816	5,894,085	5,302,976	4,531,230	3,140,245

RESULTS

	For the year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
REVENUE	3,982,261	3,590,224	3,536,259	3,538,909	2,577,262
NET PROFIT	201,668	559,759	748,859	1,117,265	559,325
ATTRIBUTABLE TO:					
SHAREHOLDERS OF THE PARENT					
COMPANY	232,338	572,595	719,495	1,076,843	514,467
MINORITY INTERESTS	(30,669)	(12,836)	29,364	40,421	44,858
EARNINGS PER SHARE					
BASIC (RMB)	0.28	0.70	0.88	1.32	0.69
DILUTED (RMB)	0.28	0.70	0.87	1.31	0.69